

26 June 2021

To Corporate Relations Department. BSE Limited 1st Floor, New Trading Ring, Rotunda Building, P J Tower, Dalal Street, Mumbai 400 001	To Corporate Listing Department. National Stock Exchange of India Ltd Exchange Plaza, 5th Floor Plot No.C-1, G Block Bandra-Kurla Complex Bandra (East), MUMBAI 400 051
BSE Code: 532978	NSE Code: BAJAJFINSV

Subject: Regulation 34 - Submission of Notice of the 14th Annual General Meeting (AGM) and Annual Report with Business Responsibility Report (BRR) for the year ended 31 March 2021

Dear Sir/Madam,

This is further to our letter dated 28 April 2021, wherein the Company had informed that the 14th AGM of the Company is scheduled to be held on **Wednesday, 21 July 2021**.

In terms of the requirements of Regulation 34(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed Notice of the ensuing 14th AGM of the Company and the Annual Report along with BRR for the year ended 31 March 2021 as circulated to the shareholders through electronic mode today.

The said Notice, Annual Report and BRR are also placed on the Company's website <https://www.bajajfinserv.in/finserv-investor-relations-annual-reports>

Brief details of the 14th AGM of the Company are as below:

Date and Time of AGM	Wednesday, 21 July 2021, 12.15 p.m. IST
Mode	Video conference ('VC') / other audio-visual means ('OAVM')
Web-link for participation through video-conferencing	https://emeetings.kfintech.com/
Live Webcast of AGM	
Cut-off date for e-voting	Wednesday, 14 July 2021
E-voting start date and time	Sunday, 18 July 2021, 9.00 a.m. IST
E-voting end date and time	Tuesday, 20 July 2021, 5.00 p.m. IST
E-voting website	https://evoting.kfintech.com https://www.evoting.nsdl.com/ www.cdslindia.com

You are requested to take the above information on record.

Thanking you,
Yours faithfully,

For Bajaj Finserv Limited


Sonal R Tiwari

Company Secretary

Email ID: investors@bajajfinserv.in

Encl: as above

Bajaj Finserv Limited



BAJAJ FINSERV LIMITED

CIN: L65923PN2007PLC130075

Registered office:

Bajaj Auto Ltd. Complex,

Mumbai-Pune Road,

Akurdi, Pune – 411 035

Email Id: investors@bajajfinserv.inWebsite: [www.bajajfinserv.in/](http://www.bajajfinserv.in/corporate-bajaj-finserv)[corporate-bajaj-finserv](http://www.bajajfinserv.in/corporate-bajaj-finserv)

Phone: (020) 6610 7458

AGM NOTICE

Notice is hereby given that the 14th Annual General Meeting of the shareholders of Bajaj Finserv Ltd. ('BFS' or the 'Company') will be held on **Wednesday, 21 July 2021 at 12:15 p.m.** through **Video Conferencing ('VC')/ Other Audio-Visual Means ('OAVM')** to transact the following:

Ordinary Business:

1. To consider and adopt the standalone and consolidated financial statements of the Company for the financial year ended 31 March 2021, together with the Directors' and Auditors' Reports thereon.
2. To declare dividend of ₹ 3 per equity share of face value of ₹ 5 each for the financial year ended 31 March 2021.
3. To appoint a director in place of Madhirkumar Ramkrishnaji Bajaj (DIN 00014593), who retires by rotation in terms of section 152(6) of the Companies Act, 2013 and, being eligible, offers himself for re-appointment.

Special Business:**4. Ratification of remuneration to Cost Auditor for the financial year 2021-22**

To consider, and if thought fit, to pass the following resolution as an **Ordinary Resolution**:

'RESOLVED that pursuant to provisions of section 148(3) of the Companies Act, 2013 and Rules made thereunder, approval of the shareholders be and is hereby accorded for the ratification of remuneration of ₹ 65,000 (Rupees sixty-five thousand only) plus taxes, out-of-pocket, travelling and living expenses payable to Dhananjay V Joshi & Associates, Cost Accountants (firm registration no.000030) appointed by the Board of Directors as Cost Auditor of the Company for the financial year 2021-22.'

By order of the Board of Directors,

For **Bajaj Finserv Ltd.**



Sonal R Tiwari

Company Secretary

Membership No.: A16638

Pune: 28 April 2021

Notes:

1. In view of the continuing restrictions on the movement of persons at several places in the country, due to outbreak of COVID-19, the Ministry of Corporate Affairs (MCA), through its General Circular No. 20/2020 dated 5 May 2020 read with General Circular No. 14/2020 dated 8 April 2020, General Circular No. 17/2020 dated 13 April 2020 and General Circular No. 02/2021 dated 13 January 2021 and other applicable circulars issued by the Securities and Exchange Board of India (SEBI), has allowed the companies to conduct the AGM through VC/OAVM during the calendar year 2021. In accordance with the said circulars of MCA, SEBI and applicable provisions of the Companies Act, 2013 (the 'Act') and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI Listing Regulations'), the 14th AGM of the Company shall be conducted through VC/OAVM ('e-AGM' or 'AGM'). KFin Technologies Private Ltd. ('KFin') will be providing facility for voting through remote e-voting, participation in the AGM through VC/OAVM facility and e-voting during the AGM. The procedure for participating in the meeting through VC/OAVM is explained at Note 32C below and is also available on Company's website <https://www.bajajfinserv.in/finserv-investor-relations-annual-reports>
2. In terms of sections 101 and 136 of the Act, read with the rules made thereunder, the listed companies may send the notice of AGM and the annual report, including financial statements, directors' report, etc. by electronic mode. Pursuant to the said provisions of the Act read with MCA Circulars, SEBI Circular dated 12 May 2020 and 15 January 2021, Notice of 14th e-AGM along with the Annual Report for FY2021 is being sent only through electronic mode to those members whose email addresses are registered with the Company/depositories. Members may note that the said Notice and Annual Report for FY2021 will also be available on the Company's website <https://www.bajajfinserv.in/finserv-investor-relations-annual-reports> and website of the stock exchanges i.e., BSE Ltd. at www.bseindia.com and National Stock Exchange of India Ltd. at www.nseindia.com and on KFin's website <https://evoting.kfintech.com/>
3. The deemed venue for 14th e-AGM shall be the Registered Office of the Company at Bajaj Auto Ltd. Complex, Mumbai-Pune Road, Akurdi, Pune - 411 035.
4. Pursuant to the provisions of the Act, a member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on his/her behalf and the proxy need not be a member of the Company. Since this AGM is being held pursuant to the MCA Circulars through VC/OAVM facility, physical attendance of members has been dispensed with. Accordingly, the facility for appointment of proxies by the members will not be available for the e-AGM. Hence, the Proxy Form, Attendance Slip and Route map are not annexed to this Notice. In this Notice, the term member(s) or shareholder(s) are used interchangeably.

In this Notice, the term member(s) or shareholder(s) are used interchangeably.

5. Institutional/Corporate shareholders (i.e. other than individuals/HUF, NRI, etc.) are required to send a scanned copy (pdf/jpg format) of its board or governing body's resolution/authorisation, etc., authorising their representative to attend the e-AGM on its behalf and to vote through remote e-voting. The said resolution/authorisation shall be sent to the scrutinizer by email through its registered email address to cssdlimaye@gmail.com with a copy marked to mohsin.mohd@kfintech.com
6. Statement pursuant to section 102 of the Act forms a part of this Notice. The Board of Directors, having deemed it as unavoidable, proposes to seek approval of members for business at stated Item no. 4.
7. Brief details of the director, who is being re-appointed, is annexed hereto as per requirements of regulation 36(3) of SEBI Listing Regulations and as per provisions of the Act.
8. The facility of joining the e-AGM through VC/OAVM will be opened 30 minutes before and will be open up to 30 minutes after the scheduled start time of the e-AGM, i.e., from 11.45 a.m. to 12.45 p.m. and will be available for 1,000 members on a first-come first-served basis. This rule would however not apply to participation of shareholders holding 2% or more shareholding, promoters, institutional investors, directors, key managerial personnel, auditors, etc.
9. Institutional investors, who are members of the Company are encouraged to attend and vote at the 14th e-AGM of the Company.

10. The Board of Directors, at its meeting held on 28 April 2021, has recommended dividend of ₹ 3 per equity share of the face value of ₹ 5 each for FY2021 for the approval of members at the 14th e-AGM.
11. Pursuant to section 91 of the Act and Regulation 42 of SEBI Listing Regulations, the register of members and the share transfer books of the Company will remain closed from Saturday, 10 July 2021 to Wednesday, 21 July 2021 (both days inclusive) for the purpose of payment of dividend.
12. Subject to the provisions of section 126 of the Act, dividend on equity shares, if declared, at the AGM, will be credited/dispatched between Monday, 26 July 2021 and/or Tuesday, 27 July 2021:
 - (a) to all those members holding shares in physical form, as per the details provided to the Company by share transfer agent of the Company, i.e., KFin as on closing hours on Friday, 9 July 2021; and
 - (b) to all those beneficial owners holding shares in electronic form, as per beneficial ownership details provided to the Company by National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL), as of the end of the day on Friday, 9 July 2021.
13. As per SEBI Listing Regulations and pursuant to SEBI circular dated 20 April 2018, a listed entity shall use any electronic mode of payment approved by the Reserve Bank of India for making payment to the members. Accordingly, dividend, if declared will be paid through electronic mode, where the bank account details of the members are available. Where dividend is paid through electronic mode, intimation regarding such remittance will be sent separately to the members. In case where the dividend could not be paid through electronic mode, payment will be made through physical instrument such as banker's cheque or demand draft incorporating bank account details of such members.
14. To ensure timely credit of dividend through electronic mode or physical instrument such as banker's cheque or demand draft, members are requested to notify change to their address or particulars of their bank account, if any, to KFin or in case of demat holding to their respective Depository Participants(DPs).
15. To avoid fraudulent transactions, the identity/signature of the members holding shares in demat form is verified with the specimen signatures furnished by NSDL/CDSL and that of members holding shares in physical form is verified as per the records of KFin. Members are requested to keep the same updated.
16. SEBI has mandated the submission of Permanent Account Number (PAN) by every person dealing in securities market. Members holding shares in demat form are, therefore, requested to submit the PAN to their depository participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company or KFin.
17. To receive communications through electronic means, including Annual Reports and Notices, members are requested to kindly register/update their email address with their respective depository participant, where shares are held in demat form.
18. Members who have not registered their email addresses and mobile numbers and consequently could not be served the Annual Report for FY2021 and Notice of 14th e-AGM, may temporarily get themselves registered with KFin, by following the procedure mentioned below:
 - (a) Visit the link <https://ris.kfintech.com/clientservices/mobilereg/mobileemailreg.aspx>
 - (b) Select the company name i.e. Bajaj Finserv Ltd.
 - (c) Select the Holding type from the drop down i.e. - NSDL/CDSL/Physical
 - (d) Enter DP ID – Client ID (in case shares are held in electronic form)/Physical Folio No. (in case shares are held in physical form) and PAN.
 - (e) If PAN details are not available in the system, the system will prompt to upload a self-attested copy of the PAN card for updating records.

- (f) In case shares are held in physical form and PAN is not available in the records, please enter any one of the Share Certificate No. in respect of the shares held by you.
 - (g) Enter the email address and mobile number.
 - (h) System will validate DP ID – Client ID/Folio number and PAN/share certificate number, as the case may be, and send OTP at the registered mobile number as well as email address for validation.
 - (i) Enter the OTPs received by SMS and email to complete the validation process. OTP will be valid for 5 minutes only.
 - (j) The Notice and e-voting instructions along with the User ID and Password will be sent on the email address updated by the member.
 - (k) Please note that in case the shares are held in demat form, the above facility is only for temporary registration of email address for receipt of the Notice and the e-voting instructions along with the User ID and Password. Such members will have to register their email address with their DPs permanently, so that all communications are received by them in electronic form.
 - (l) In case of queries, members are requested to write to einward.ris@kfintech.com or call at the toll free number 1800 309 4001.
19. Further, the Company had availed of services offered by NSDL and CDSL to update email addresses of shareholders of the Company having their holding with a depository participant registered with NSDL and CDSL respectively, and who have not registered their email addresses. Members are requested to register their email address and support the green initiative efforts of the Company. Members are also requested to support our commitment to environment protection by choosing to receive the Company's communication through email going forward.
 20. With a view to enable the Company to serve the members better, members who hold shares in identical names and in the same order of names in more than one folio are requested to write to the Company to consolidate their holdings in one folio.
 21. SEBI through its notification dated 8 June 2018 as amended on 30 November 2018, has stipulated that with effect from 1 April 2019, transfer of securities (except transmission or transposition of shares) shall not be processed, unless the securities are held in the dematerialised form. However, SEBI through circular dated 2 December 2020 had fixed 31 March 2021 as the cut-off date for re-lodgment for any pending physical transfers and that such transferred shares shall be issued only in demat mode. In accordance with the said circular, SEBI has also provided operational guidelines for effecting demat to the transferee's account and in case transferee fails to furnish necessary details within stipulated timelines, such shares will be transferred to Suspense Escrow Demat Account to be opened by the Company.
 22. Members who still hold share certificates in physical form are advised to dematerialise their shareholding to avail numerous benefits of dematerialisation, which include transferability, easy liquidity, trading, savings in stamp duty and elimination of any possibility of loss of documents.
 23. In case of joint holders, the member whose name appears as the first holder in the order of names as per the Register of Members of the Company will be entitled to vote at the e-AGM.
 24. The Company has been maintaining, inter alia, the following statutory registers at its registered office at Bajaj Auto Ltd. Complex, Mumbai-Pune Road, Akurdi, Pune - 411 035:
 - a. Register of contracts or arrangements in which directors are interested under section 189 of the Act.
 - b. Register of directors and key managerial personnel and their shareholding under section 170 of the Act.

In accordance with the MCA Circulars, the said registers will be made accessible for inspection through electronic mode and shall remain open and be accessible to any member during the continuance of the meeting.

25. Certificate from Statutory Auditors of the Company certifying that the BFS Employee Stock Option Scheme, 2018 of the Company is being implemented in accordance with the SEBI (Share Based Employee Benefits) Regulations, 2014, will also be available for inspection by the members through electronic mode.
26. For ease of conduct, members who would like to ask questions/express their views on the items of the businesses to be transacted at the meeting can send in their questions/comments in advance by visiting <https://emeetings.kfintech.com/> and clicking on the tab 'Post your Queries' during the period starting from 14 July 2021 (9.00 a.m.) up to 18 July 2021 (5.00 p.m.) mentioning their name, demat account number/Folio number, e-mail id, mobile number, etc. The queries may be raised precisely and in brief to enable the Company to answer the same suitably depending on the availability of time at the meeting.
27. Pursuant to section 72 of the Act, members holding shares in physical form are advised to file nomination in the prescribed Form SH-13 (a copy of which is available on the Company's website <https://www.bajajfinserv.in/nomination-form-new.pdf> with KFin. In respect of shares held in electronic/demat form, the members may please contact their respective depository participant.
28. In terms of section 124(5) of the Act, dividend amount for FY2014 remaining unclaimed for a period of seven (7) years shall become due for transfer in August 2021 to the Investor Education and Protection Fund (IEPF) established by the Central Government.

Further, in terms of section 124(6) of the Act, in case of such shareholders whose dividends are unpaid for a continuous period of seven (7) years, the corresponding shares shall be transferred to the IEPF's demat account.

Members who have not claimed dividends from FY2014 onwards are requested to approach the Company/KFin for claiming the same as early as possible, to avoid transfer of the relevant shares to the IEPF's demat account.

29. For more details on shareholders' matters, please refer to the chapter on 'General Shareholder Information', included in the Annual Report.
30. In case a person becomes a member of the Company after dispatch of e-AGM Notice, and is a member as on the cut-off date for e-voting, i.e., Wednesday, 14 July 2021, such person may obtain the user id and password from KFin by email request on einward.ris@kfintech.com
31. Alternatively, member may send signed copy of the request letter providing the email address, mobile number and self-attested PAN copy along with client master copy (in case of electronic folio)/copy of share certificate (in case of physical folio) via email to einward.ris@kfintech.com for obtaining the Annual Report and Notice of e-AGM.
32. General instructions for remote e-voting and joining the e-AGM are as follows:

A. Voting through electronic means –

- i. In terms of the provisions of section 108 of the Act, read with rule 20 of the Companies (Management and Administration) Rules, 2014 as amended (hereinafter called 'the Rules' for the purpose of this section of the Notice) and regulation 44 of SEBI Listing Regulations and in terms of SEBI circular no. SEBI/HO/CFD/CMD/CIR/P/2020/242 dated 9 December 2020 in relation to e-voting facility provided by listed entities, the members are provided with the remote e-voting facility to exercise votes on the items of business given in the Notice, through the e-voting services provided by KFin or to vote at the e-AGM.
- ii. The Members, whose names appear in the Register of Members/list of Beneficial Owners as on Wednesday, 14 July 2021 (end of day), being the cut-off date fixed for determining voting rights of members who are entitled to participate in the remote e-voting process. A person who is not a member as on the cut-off date should treat this Notice for information purpose only.
- iii. Members can cast their vote online from 18 July 2021 (9.00 a.m.) till 20 July 2021 (5.00 p.m.). Voting beyond the said date shall not be allowed and the remote e-voting facility shall be blocked.

- iv. Alternatively, members holding shares in physical mode may reach out on toll free number 1800 309 4001 or by sending an email from the registered email id to the evoting@kfintech.com for obtaining user id and password.
- v. The details of the process and manner for remote e-voting are explained herein below:

1) Login method for remote e-voting for Individual shareholders holding securities in demat mode.

Pursuant to SEBI circular no. SEBI/HO/CFD/CMD/CIR/P/2020/242 dated 9 December 2020 on e-voting facility provided by listed companies, e-voting process has been enabled for all the individual demat account holders, by way of single login credential, through their demat accounts/website of Depositories/DPs in order to increase the efficiency of the voting process. Individual demat account holders would be able to cast their vote without having to register again with the E-voting Service Provider ('ESP') thereby not only facilitating seamless authentication but also ease and convenience of participating in e-voting process.

Shareholders are advised to update their mobile number and e-mail ID with their DPs in order to access e-voting facility.

Login method for individual shareholders holding securities in demat mode is given below:

Type of shareholders	Login method
Individual shareholders holding securities in demat mode with NSDL	<p>A. Users registered for NSDL IDeAS facility:</p> <ol style="list-style-type: none"> Open web browser by typing the following: https://eservices.nsdl.com/ either on a personal computer or on a mobile. Once the home page of e-Services is launched, click on the 'Beneficial Owner' icon under 'Login' which is available under 'IDeAS' section. A new screen will open. Enter your User ID and Password. After successful authentication, you will be able to see e-voting services. Click on 'Access to e-voting' under e-voting services and you will be able to see e-voting page. Click on options available against Company name or e-voting service provider - KFintech and you will be re-directed to e-voting service provider website for casting your vote during the remote e-voting period. <p>B. Users not registered for IDeAS e-Services:</p> <ol style="list-style-type: none"> Option to register is available at https://eservices.nsdl.com. Select 'Register Online for IDeAS' Portal or click at https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp and proceed with completing the required fields. After successful registration, please follow the steps given above to cast your vote. <p>C. By visiting the e-voting website of NSDL:</p> <ol style="list-style-type: none"> Visit the e-voting website of NSDL. Open web browser by typing the following: https://www.evoting.nsdl.com/ either on a personal computer or on a mobile. Once the home page of e-voting system is launched, click on the 'Login' icon, available under the 'Shareholder/Member' section.

Type of shareholders	Login method
Individual Shareholders holding securities in demat mode with CDSL	<p>2. A new screen will open. Enter your User ID (i.e. your 16-digit demat account number held with NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-voting page.</p> <p>3. Click on options available against Company name or e-voting service provider - KFintech and you will be redirected to e-voting service provider website for casting your vote during the remote e-voting period.</p> <p>A. Existing users who have opted for Easi/Easiest:</p> <p>1. URL to login to Easi/Easiest: https://web.cdslindia.com/myeasi/home/login or www.cdslindia.com and click on Login icon and select New System Myeasi</p> <p>2. Shareholders can login through their user ID and password. Option will be made available to reach e-voting page without any further authentication.</p> <p>3. After successful login on Easi/Easiest, the user will also be able to see the e-voting Menu. The menu will have links of ESPs. Click on KFintech to cast your vote.</p> <p>B. Users who have not opted for Easi/Easiest:</p> <p>1. Option to register for Easi/Easiest is available at https://web.cdslindia.com/myeasi/Registration/EasiRegistration Proceed with completing the required fields. After successful registration, please follow the steps given above to cast your vote.</p> <p>C. By visiting the e-voting website of CDSL:</p> <p>1. The user can directly access e-voting page by providing demat account number and PAN from a link in www.cdslindia.com home page. The system will authenticate the user by sending OTP on registered mobile number and e-mail as recorded in the demat account.</p> <p>2. After successful authentication, user will be provided links for the respective ESPs i.e. KFintech where the e-voting is in progress and will also be able to directly access the system of e-voting service provider i.e. KFintech.</p>
Individual Shareholders (holding securities in demat mode) logging through their depository participants	<p>1. Shareholders can also login using the login credentials of their demat account through their Depository Participant registered with NSDL/CDSL for e-voting facility. Once logged-in, you will be able to see e-voting option.</p> <p>2. Once you click on e-voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-voting feature.</p> <p>3. Click on options available against Company name or e-voting service provider - KFintech and you will be redirected to e-voting service provider website for casting your vote during the remote e-voting period.</p>

Important Note: Members who are unable to retrieve User ID/Password are advised to use Forget User ID and Forget Password option available at respective websites.

Helpdesk for individual shareholders holding securities in demat mode who need assistance for any technical issues related to login through Depository i.e. NSDL and CDSL:

Members facing any technical issue - NSDL	Members facing any technical issue - CDSL
Members facing any technical issue in login can contact NSDL helpdesk by sending a request at evoting@nsdl.co.in or call on toll free number: 1800 1020 990 and 1800 224 430	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact on 022- 23058738 or 022-23058542-43.

II) Login method for remote e-voting for shareholders other than individual shareholders holding securities in demat mode and shareholders holding securities in physical mode.

- i. Initial password is provided in the body of the e-mail.
- ii. Launch internet browser and type <https://evoting.kfintech.com> in the address bar.
- iii. Enter the login credentials i.e. User ID and password mentioned in your e-mail. Your Folio No./DP ID Client ID will be your User ID. However, if you are already registered with **KFintech** for e-voting, you can use your existing User ID and password for casting your votes.
- iv. After entering the correct details, click on LOGIN.
- v. You will reach the password change menu wherein you are required to mandatorily change your password. The new password shall comprise minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character (@, #, \$, etc.). It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- vi. You need to login again with the new credentials.
- vii. On successful login, the system will prompt you to select the EVENT i.e. Bajaj Finserv Ltd.
- viii. On the voting page, the number of shares (which represents the number of votes) held by you as on the cut-off date will appear. If you desire to cast all the votes assenting/dissenting to the resolution, enter all shares and click 'FOR'/'AGAINST' as the case may be or partially in 'FOR' and partially in 'AGAINST', but the total number in 'FOR' and/or 'AGAINST' taken together should not exceed your total shareholding as on the cut-off date. You may also choose the option 'ABSTAIN', in which case, the shares held will not be counted under either head.
- ix. Members holding multiple folios/demat accounts shall choose the voting process separately for each folio/demat account.
- x. Cast your votes by selecting an appropriate option and click on 'SUBMIT'. A confirmation box will be displayed. Click 'OK' to confirm, else 'CANCEL' to modify. Once you confirm, you will not be allowed to modify your vote subsequently. During the voting period, you can login multiple times till you have confirmed that you have voted on the resolution.
- xi. Corporate/institutional members (i.e. other than individuals, HUF, NRI, etc.) are required to send scanned image (PDF/JPG format) of certified true copy of relevant board resolution/authority letter etc. together with attested specimen signature of the duly authorised signatory(ies) who is/are authorised to vote, to the Scrutinizer through email at cssdlmayer@gmail.com and may also upload the same in the e-voting module in their login. The scanned image of the above documents should be in the naming format 'BFS_EVENT No.'

- xii. In case of any queries/grievances, you may refer the Frequently Asked Questions (FAQs) for members and e-voting User Manual available at the 'download' section of <https://evoting.kfintech.com/> or call KFin on 1800 309 4001 (toll free).

B. Voting at e-AGM:

- i. Only those members/shareholders, who will be present in the e-AGM through video conferencing facility and have not cast their vote through remote e-voting and are otherwise not barred from doing so are eligible to vote at e-AGM.
- ii. Members who have voted through remote e-voting will still be eligible to attend the e-AGM.
- iii. Members attending the e-AGM shall be counted for the purpose of reckoning the quorum under section 103 of the Act.
- iv. Upon declaration by the Chairman about the commencement of e-voting at e-AGM, members shall click on the thumb sign as placed at the left hand bottom corner of the video screen and follow the instructions to vote on the resolutions for voting during the e-AGM.

C. Instructions for Members for attending the e-AGM:

- i. Members will be able to attend the e-AGM through VC/OAVM or view the live webcast of AGM provided by KFin at <https://emeetings.kfintech.com> by clicking on the tab 'video conference' and by using their remote e-voting login credentials. The link for e-AGM will be available in members login, where the EVENT and the name of the Company can be selected.
- ii. Members are encouraged to join the meeting through devices (laptop, desktop and mobile) with Google Chrome for better seamless experience.
- iii. Further, members registered as speakers will be required to allow camera during e-AGM, and hence are requested to use internet with a good speed to avoid any disturbance during the meeting.
- iv. Members may join the meeting using headphones for better sound clarity.
- v. While all efforts would be made to make the meeting smooth, participants connecting through mobile devices, tablets, laptops, etc. may at times experience audio/video loss due to fluctuation in their respective networks. Use of a stable Wi-Fi or LAN connection can mitigate some of the technical glitches.
- vi. Members, who would like to express their views or ask questions during the e-AGM will have to register themselves as a speaker by visiting <https://emeetings.kfintech.com/> and clicking on the tab '**Speaker Registration**' during the period starting from 14 July 2021 (9.00 a.m.) up to 18 July 2021 (5.00 p.m.). Only those members who have registered themselves as a speaker will be allowed to express their views/ask questions during the e-AGM. The Company reserves the right to restrict the number of speakers depending on the availability of time for the e-AGM. Only questions of the members holding shares as on the cut-off date will be considered.
- vii. A video guide assisting the members attending e-AGM either as a speaker or participant is available for quick reference under the 'How It Works' tab placed on top of the page at <https://emeetings.kfintech.com/>
- viii. Members who need technical assistance before or during the 14th e-AGM can contact KFin at emeetings@kfintech.com or Helpline: 1800 309 4001.

D. General Instructions:

- i. The Board of Directors has appointed Shyamprasad D Limaye, Practising Company Secretary (FCS No. 1587 CP No. 572) as the Scrutinizer to the e-voting process and voting at the e-AGM in a fair and transparent manner.
- ii. The Scrutinizer shall, immediately after the conclusion of voting at the e-AGM, first count the votes cast at the meeting, thereafter unblock the votes cast through remote e-voting in the presence of at least two witnesses, not in the employment of the Company and make a consolidated Scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman of the Company, who shall countersign the same.
- iii. The scrutinizer shall submit his report to the Chairman or in his absence to any other Director of the Company, who shall declare the result of the voting. The results declared along with the scrutinizer's report shall be placed on the Company's website <https://www.bajajfinserv.in/finserv-shareholder-download> and on KFin's website <https://evoting.kfintech.com> and shall also be communicated to the stock exchanges. The resolutions shall be deemed to be passed at the e-AGM of the Company.

33. Dividend related information:

The Finance Act, 2020 has abolished the Dividend Distribution Tax (DDT) and has introduced the system of dividend taxation in the hands of the shareholders with effect from 1 April 2020. Accordingly, the Company would be required to deduct Tax at Source ('TDS') in respect of approved payment of dividend to its shareholders (resident as well as non-resident).

Resident Shareholders:

Tax shall be deducted at source under section 194 of the Income Tax Act, 1961 (the 'IT Act') @ 10% on the amount of dividend declared and paid by the Company during financial year 2021-22, subject to the following:

Sr. No.	Particulars	Rate of TDS applicable	Section under the IT Act
1.	PAN is not available/Invalid PAN	20%	206AA
2.	Non-linking of PAN with Aadhaar, if allotted (Refer Note 1)	20%	206AA
3.	Non-filing of return of income tax for any of the last two financial years (i.e. FY 2018-19 and FY 2019-20); and TDS as well as TCS deduction in each of these years in case of the shareholder is ₹ 50,000 or more (Refer Note 2)	20%	206AB

Note 1: As per section 139AA(2) of the Act read with rule 114AAA of the Income Tax Rules, 1962, currently, PAN is mandatorily required to be linked with Aadhaar by 30 June 2021. If PAN is not linked with Aadhaar by 30 June 2021 (unless such due date is extended), such PAN will be deemed inoperative and tax at source will be required to be deducted at higher rates under section 206AA of the IT Act.

Note 2: Provisions of section 206AB of the IT Act are applicable with effect from 1 July 2021, unless such date of applicability is extended.

No tax shall be deducted at source on the dividend payable to a resident individual if the total dividend to be received by the said resident individual from the Company during a financial year does not exceed ₹ 5,000; or if an eligible resident shareholder provides a valid declaration in Form 15G/Form 15H or other documents as may be applicable to different categories of shareholders.

Further, if a shareholder has obtained a lower or Nil withholding tax certificate from the tax authorities and provides a copy of the same to the Company, tax shall be deducted on the dividend payable to such shareholder at the rate specified in the said certificate.

Non-resident Shareholders:

Tax is required to be deducted at source in the case of non-resident shareholders in accordance with the provisions of section 195 of the IT Act at the rates in force. As per the relevant provisions of the IT Act, the TDS on dividend shall be @ 20% or applicable rate plus applicable surcharge and health & education cess on the amount of dividend payable to the non-resident shareholders. For FII/FPI shareholders, section 196D provides for TDS @ 20% or applicable rate plus applicable surcharge and health & education cess.

However, as per section 90 of the IT Act, non-resident shareholders have the option to be governed by the provisions of the Double Tax Avoidance Agreement (DTAA) read with applicable Multilateral Instrument (MLI) provisions, if they are more beneficial to them.

A list of documents/declarations required to be provided by the resident shareholders and list of documents/declarations required to claim the benefit of DTAA by the non-resident shareholders are available on the Company's website <https://www.bajajfinserv.in/miscellaneous>

Kindly note that the documents should be uploaded with KFin Technologies Private Ltd., the share transfer agent at <https://ris.kfintech.com/form15> or emailed to einward.ris@kfintech.com

No communication on the tax determination/deduction shall be entertained after **10 July 2021**.

The above referred documents submitted by you will be verified by us and we will consider the same while deducting the appropriate taxes, if any, provided that these documents are in accordance with the provisions of the IT Act. In addition to the above, please note the following:

- In case you hold shares under multiple accounts under different status/category but under a single PAN, the highest rate of tax as applicable to the status in which shares held under the said PAN will be considered on the entire holding in different accounts.
- In case of joint shareholding, the withholding tax rates shall be considered basis the status of the primary beneficial shareholder.
- For deduction of tax at source, the Company would be relying on the above data shared by KFin as updated up to the record date.

It may be further noted that in case tax on dividend is deducted at a higher rate in the absence of receipt of any of the aforementioned details/documents from the shareholders, and such shareholders may consider filing their return of income and claiming an appropriate refund, as may be eligible. No claim shall lie against the Company for such taxes deducted.

The Company shall arrange to email the soft copy of the TDS certificate to shareholders at the registered email ID within the prescribed time, post payment of the said dividend, if declared in the AGM. The said certificate can also be viewed in Form 26AS at TRACES <https://www.tdscpc.gov.in/app/login.xhtml> or the website of the Income Tax department of India <https://www.incometax.gov.in/home>

In the event of any income-tax demand (including interest, penalty, etc.) arising from any misrepresentation, inaccuracy or omission of information provided by the shareholder/s, such shareholder/s will be responsible to indemnify the Company, and also provide the Company with all information/documents and co-operation in any assessment/appellate proceedings before the Tax/Government authorities.

For further details and formats of declaration, please refer to FAQs on Dividend Distribution available on the Company's website <https://www.bajajfinserv.in/miscellaneous>

Annexure to the Notice

Brief resume of director seeking re-appointment at the 14th e-AGM pursuant to Regulation 36(3) of SEBI Listing Regulations and provisions of the Act.

Item no. 3 of the Notice

Madhurkumar Ramkrishnaji Bajaj (DIN 00014593)

As regards re-appointment of Madhurkumar Ramkrishnaji Bajaj referred to item no.3 of the Notice, the following necessary disclosures are made for the information of members:

Information about the appointee:

Brief resume

Madhurkumar Ramkrishnaji Bajaj, 68, alumnus of Doon School, Dehradun. After obtaining his B.Com Degree from Sydenham College, Bombay, in 1973, he did his MBA at International Institute of Management Development (IMD), Lausanne, Switzerland, in 1979.

He is the recipient of the 'Vikas Rattan' Award from the International Friendship Society of India, for enriching human life and outstanding achievements. He has more than 31 years of experience in a number of sectors including in the auto, consumer durables and financial services.

He is the Past President of SIAM, the apex association of Indian automobile manufacturers, and also the Past President of Mahratta Chamber of Commerce, Industries and Agriculture (MCCIA), the apex Industries Association of Pune.

He has been Confederation of Indian Industry (CII) Western Region Chairman and is currently a National Council Member of the CII. He was first appointed as director on the Board of the Company on 10 May 2007.

Major directorships

Bajaj Auto Ltd.

Bajaj Finserv Ltd.

Bajaj Electricals Ltd.

Bajaj Finance Ltd.

Bajaj Holdings & Investment Ltd.

Committee chairmanships and memberships: Nil

** Chairmanship and membership of audit committee and stakeholder's relationship committee are considered.*

Shareholding in the Company as on 31 March 2021: He holds 5,95,045 equity shares (excludes shareholding held in other capacity) of ₹ 5 each.

Nature of expertise in specific functional areas: Management & Strategy, Global Business Leadership, Human Resources & Industrial Relations, Infrastructure & Real Estate, Economics and Statistics, etc.

Madhurkumar Ramkrishnaji Bajaj is not disqualified from being re-appointed as a director in terms of section 164 of the Act and will be eligible for payment of sitting fee and commission, as payable to other non-executive directors of the Company, as per the Remuneration Policy of the Company.

He was first appointed to the Board with effect from 10 May 2007 and his last drawn remuneration during FY2021 was ₹ 1,500,000. More details about the remuneration are available in the Annual Report. He is not related to any of the Key Managerial Personnel of the Company.

Disclosures of his relationship inter-se with other directors and on the number of Board meetings attended by him are given in the Corporate Governance Report.

None of the directors or key managerial personnel or their relatives, except Madhurkumar Ramkrishnaji Bajaj, are directly or indirectly are concerned or interested, financially or otherwise, except to the extent of their respective shareholding, if any, in the Company.

The Board commends item No. 3 of the Notice for consideration and approval of the shareholders.

Statement under section 102 of the Act and SEBI Listing Regulations

Item No. 4 of the Notice

The Board of Directors, at their meeting held on 28 April 2021, on recommendation of the Audit Committee, approved the re-appointment of Dhananjay V Joshi & Associates (firm registration no. 000030) Cost Accountants, as the Cost Auditor of the Company for the financial year 2021-22 on a remuneration of ₹ 65,000 (Rupees sixty-five thousand only) plus taxes, out-of-pocket, travelling and living expenses.

Section 148(3) of the Companies Act, 2013 and Rules made thereunder require the Board to appoint an individual, who is a cost accountant or a firm of cost accountants, as Cost Auditor on the recommendations of the Audit Committee, which shall also recommend remuneration for such Cost Auditor and such remuneration shall be considered and approved by the Board of Directors and ratified subsequently by the shareholders. The Board has given the necessary approvals with due recommendation from the Audit Committee. The resolution contained in item no. 4 of the Notice, accordingly, seeks members' approval/ratification for the remuneration of Cost Auditor of the Company for the financial year 2021-22.

None of the directors or key managerial personnel or their relatives are directly or indirectly concerned or interested, financially or otherwise, except to the extent of their respective shareholding, if any, in the Company.

The Board commends this ordinary resolution set out in item 4 of the Notice for for consideration and approval of the shareholders.

By order of the Board of Directors,

For **Bajaj Finserv Ltd.**



Sonal R Tiwari
Company Secretary
Membership No.: A16638

Pune: 28 April 2021

**BAJAJ FINSERV
LIMITED**

**14th
ANNUAL
REPORT**
2020-21







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CORPORATE INFORMATION

Board of Directors

Sanjiv Bajaj

Chairman & Managing Director

Madhur Bajaj

Rajiv Bajaj

D J Balaji Rao

Dr. Gita Piramal

Dr. Naushad Forbes

Anami N Roy

Manish Kejriwal

Chairman Emeritus

Rahul Bajaj

Audit Committee

Dr. Naushad Forbes

Chairman

D J Balaji Rao

Dr. Gita Piramal

Manish Kejriwal

Stakeholders Relationship Committee

Dr. Gita Piramal

Chairperson

Sanjiv Bajaj

Dr. Naushad Forbes

Nomination and Remuneration Committee

D J Balaji Rao

Chairman

Dr. Gita Piramal

Manish Kejriwal

Sanjiv Bajaj

Duplicate Share Certificate Issuance Committee

Sanjiv Bajaj

Chairman

Rajiv Bajaj

Manish Kejriwal

Corporate Social Responsibility Committee

Sanjiv Bajaj

Chairman

Dr. Naushad Forbes

Anami N Roy

Risk Management Committee

Dr. Naushad Forbes

Chairman

Sanjiv Bajaj

Anish Amin

President (Group Assurance, Risk and M & A)

Management

Sanjiv Bajaj

Chairman & Managing Director

Ranjit Gupta

President (Insurance)

V Rajagopalan

President (Legal & Taxation)

Anish Amin

President (Group Assurance, Risk and M & A)

Deepak Reddy

Group Head - Human Resources

Ganesh Mohan

Group Head - Strategy

Ajay Sathe

Group Head - Customer Experience & CSR

Rajeev Jain

Managing Director, Bajaj Finance Ltd.

Tapan Singhel

MD and CEO, Bajaj Allianz General Insurance Company Ltd.

Tarun Chugh

MD and CEO, Bajaj Allianz Life Insurance Company Ltd.

Atul Jain

CEO, Bajaj Housing Finance Ltd.

Rakesh Bhatt

CEO, Bajaj Finserv Direct Ltd.

Devang Mody

CEO, Bajaj Finserv Health Ltd.

CFO

S Sreenivasan

Company Secretary

Sonal R Tiwari

Auditors

S R B C & CO LLP

Chartered Accountants

Secretarial Auditor

Shyamprasad D Limaye

Practising Company Secretary

Cost Auditor

Dhananjay V Joshi & Associates

Cost Accountants

Bankers

Citibank N A

HDFC Bank

Registered under the Companies Act, 1956

Registered Office

Bajaj Auto Ltd. Complex,
Mumbai - Pune Road, Akurdi,
Pune - 411 035.

CIN: L65923PN2007PLC130075

Corporate Office

Bajaj Finserv House
Viman Nagar, Pune - 411 014

Share Transfer Agent

KFin Technologies Pvt. Ltd.

Selenium Tower B, Plot 31 - 32, Financial District,
Nanakramguda, Serilingampally Mandal,
Hyderabad - 500 032, Telangana.
Toll free: 1800 309 4001
Email id: einward.ris@kfintech.com

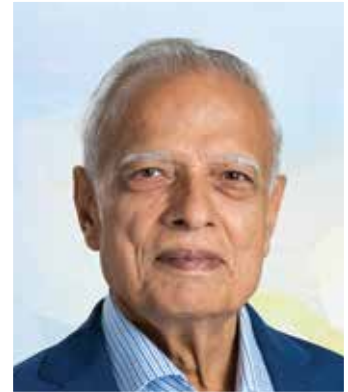
LEADING THE WAY



Sanjiv Bajaj



S Sreenivasan



Ranjit Gupta



V Rajagopalan



Anish Amin



Deepak Reddy



Ganesh Mohan



Ajay Sathe



Rajeev Jain



Tapan Singhel



Tarun Chugh



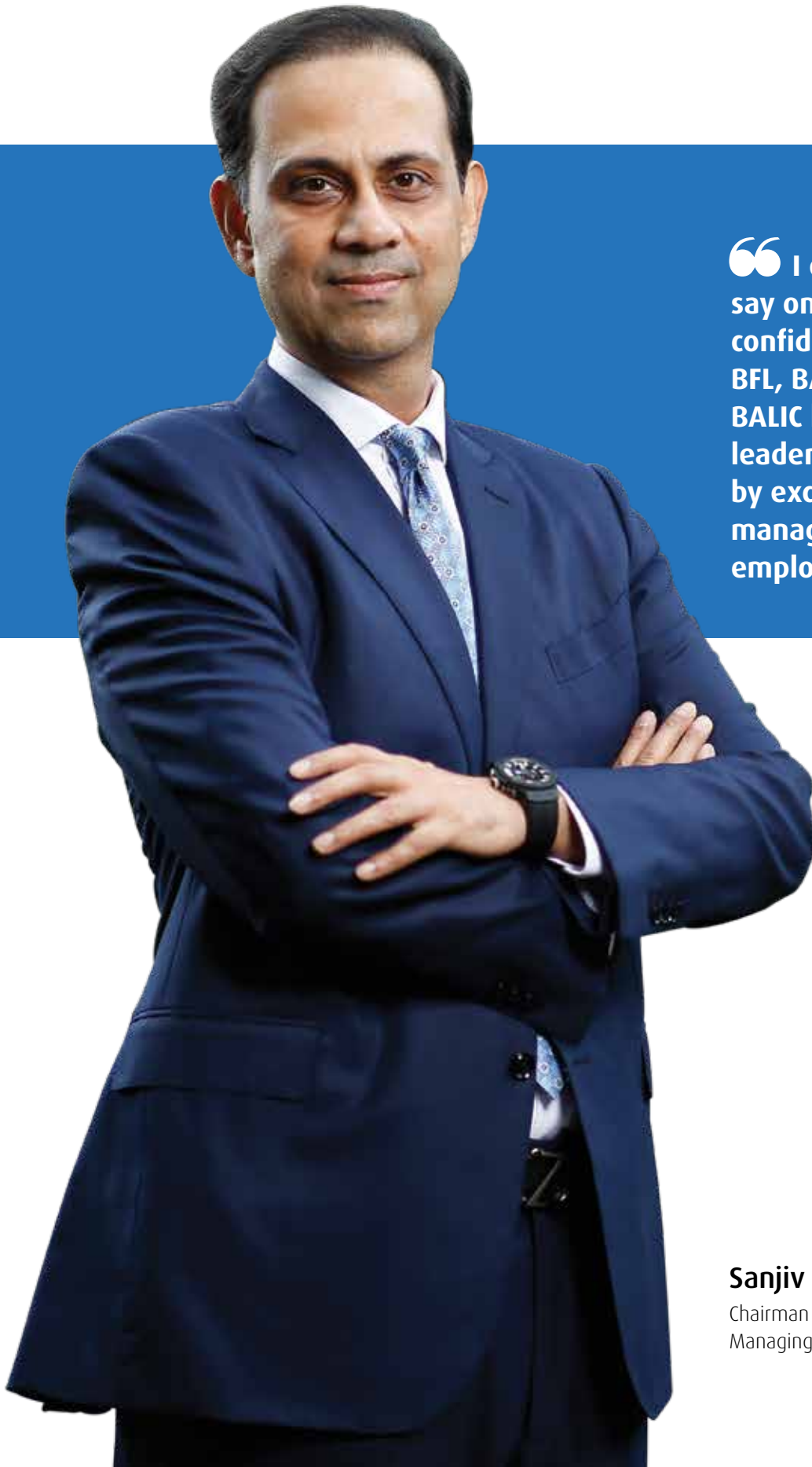
Atul Jain



Rakesh Bhatt



Devang Mody



“ I can, however, say one thing with confidence. BFS, BFL, BAGIC and BALIC have strong leadership backed by excellent teams of management and employees. ”

Sanjiv Bajaj

Chairman &
Managing Director

Chairman's Letter

Dear Shareholder,

As you know, your Company, Bajaj Finserv Ltd. (Bajaj Finserv or BFS) is the holding company for the various financial services businesses under the Bajaj group. The companies under BFS serve millions of customers by providing solutions for asset acquisition through financing, asset protection through general insurance, family and income protection in the form of life and health insurance and retirement and savings solutions.

BFS participates in the financing business through Bajaj Finance Ltd. (BFL), a company listed on The Stock Exchange, Mumbai (the BSE) and the National Stock Exchange (NSE). The shareholding of your Company in BFL was 52.74% as at the end of the reporting year. In its part, BFL has a 100% subsidiary — Bajaj Housing Finance Ltd. (BHFL) — which is registered with the National Housing Bank as a Housing Finance Company for its mortgage business. BFL also started a broking business in FY2020 through its 100% subsidiary, Bajaj Financial Securities Ltd. (BFinsec).

The protection and savings business is done through (i) Bajaj Allianz General Insurance Company Ltd. (BAGIC) for general insurance including health insurance; and (ii) Bajaj Allianz Life Insurance Company Ltd. (BALIC) for life insurance, savings and retirement plans.

Both BAGIC and BALIC are unlisted joint ventures with Allianz SE, one of the world's leading composite insurers. As on 31 March 2021, your Company held 74% of the equity capital in both BAGIC and BALIC, with the balance being held by Allianz.

How have these enterprises fared in a year that has been ravaged by COVID-19?

Let me begin with BFL. Despite being hit by the national lockdown that began on 25 March 2020 and continued till 31 May, followed by gradual dismantling of curbs that went on up to 30 November 2020, BFL has performed well. To be sure, not as well as we have seen BFL do over the past decade; but better than all expectations given the severe circumstances. Here are the key results:

- Number of new loans booked by BFL in FY2021 was 16.88 million.
- Customer franchise grew by 14% to 48.57 million.
- Despite COVID-19, assets under management (AUM) increased by 4% to ₹ 152,947 crore.
- Total income increased by 1% to ₹ 26,683 crore.
- Net interest income (NII) rose by 2% to ₹ 17,269 crore.
- Total operating expenses (opex) reduced by 6% to ₹ 5,308 crore. Consequently, opex to NII improved to 30.7% from 33.5% in FY2020.
- Pre-provision operating profit increased by 6% to ₹ 11,961 crore.
- Loan losses and provisions grew by 52% to ₹ 5,969 crore.
- Profit before tax decreased by 18% to ₹ 5,992 crore.
- Profit after tax reduced by 16% to ₹ 4,420 crore.
- BFL's capital adequacy ratio as of 31 March 2021 was over 28.3%, which continued to be well above the RBI norms. Tier I adequacy was over 25%.

Bajaj Housing Finance (BHFL), a 100% subsidiary of BFL, also did well in FY2021. BHFL's AUM increased by 19% to ₹ 38,871 crore; net interest income rose by 15% to ₹ 1,189 crore; and despite taking major impairment provisions on account of COVID-19, profit after tax grew by 8% to ₹ 453 crore.

BAGIC is one of India's leading composite general insurers offering all types of general insurance including motor, health, crop insurance, marine, and various forms of commercial lines of insurance. It has built a strong retail franchise and retained a leading position among private insurers. It was able to hold ground during FY2021 despite COVID-19 affecting not just the general and health insurance industry, but virtually all economic activity. BAGIC's summarised results are given below:

- Gross written premium (GWP) was ₹ 12,624 crore in FY2021.
- BAGIC's market share in the industry, including standalone insurers, was at 6.8% in FY2021, versus 7.2% a year earlier.
- Net earned premium reduced by 9% to ₹ 7,436 crore.
- Profit before tax increased by 29% to ₹ 1,769 crore.
- Profit after tax increased by 33% to ₹ 1,330 crore, the highest ever since its inception in 2001.
- The combined ratio was 96.9%.
- BAGIC's return on average equity was 20.3% in FY2021, which was 220 bps higher than the previous year.

In life insurance, BALIC recorded an all-time high Gross written premium (GWP) of ₹ 12,025 crore and an AUM of ₹ 73,773 crore in FY2021. Though market conditions for the industry, which depend on consumer savings, remained depressed for more than two quarters, BALIC recorded excellent growth, well above that of the market. The key results for FY2021 were:

- New business premium grew by 22% to ₹ 6,313 crore.
- Individual rated new business premium increased by 28% to ₹ 2,468 crore.
- Renewal premium rose by 25% to ₹ 5,712 crore.
- Consequently, GWP increased by 23% to ₹ 12,025 crore. This was BALIC's highest ever GWP.
- New business value (NBV), a key metric used to measure profitability of life insurance businesses, increased by strong 59% to ₹ 361 crore.
- Shareholders' PAT increased by 29% to ₹ 580 crore.

Thanks to excellent business and financial performance of BFL, BAGIC and BALIC under these severely trying times, your Company's financials have also done well. In FY2021:

- Consolidated revenue stood at ₹ 60,592 crore.
- Consolidated PAT was ₹ 4,470 crore.

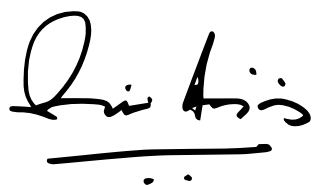
As I write, India has been swamped by a massive second wave of COVID-19 with daily infection rates of the kind not seen earlier. Frayed by the lack of hospital beds and oxygen, various states, districts and municipalities have started imposing local lockdowns. From an epidemiological point of view, it is difficult to predict how long this second wave will last and with what intensity; and when will it reduce to manageable levels.

In such a milieu, none can say with any degree of certainty how businesses will fare, especially in the first and second quarters of FY2022.

I can, however, say one thing with confidence. BFS, BFL, BAGIC and BALIC have strong leadership backed by excellent teams of management and employees. These companies have it in them to meet any crisis head-on — even one such as COVID-19 — and overcome them. This is the time for those who execute; and those who can turn this crisis into multiple opportunities.

In the meanwhile, stay safe. Vaccinate yourself and your family. Wear masks. Maintain social distancing. And remember that this too shall pass.

With my very best,



Sanjiv Bajaj

Chairman & Managing Director

Management Discussion and Analysis

Bajaj Finserv Ltd. ('Bajaj Finserv', 'BFS' or 'the Company') is the holding company for the various financial services businesses under the Bajaj group. It serves millions of customers by providing solutions for asset acquisition through financing, asset protection through general insurance, family and income protection in the form of life and health insurance and retirement and savings solutions.

As per the Master Direction – Core Investment Companies (Reserve Bank) Directions, 2016, as updated by the Reserve Bank of India (RBI) on 13 August 2020, the Company is termed as an Unregistered Core Investment Company (CIC).

As an Unregistered CIC, the Company is required to invest at least 90% of its net assets in group companies, of which at least 60% should be in the form of equity investments. Investments outside the group can only be made in specified short-term securities like money market instruments.

Bajaj Finserv's areas of business are given below:



Consumer Finance and Lending

BFS participates in the financing business through Bajaj Finance Ltd. (BFL), a company listed on The Stock Exchange, Mumbai (the BSE) and the National Stock Exchange (NSE).

In its part, BFL has a 100% subsidiary — Bajaj Housing Finance Ltd. ('BHFL' or 'Bajaj Housing') — which is registered with the National Housing Bank (NHB) as a Housing Finance Company (HFC) for its mortgage business.

BFL also started its broking business in FY2020 through its 100% subsidiary – Bajaj Financial Securities Ltd. ('BFInsec').

The shareholding of Bajaj Finserv in BFL was 52.74% as at the end of the reporting year.



Protection and Savings

These are done through (i) Bajaj Allianz General Insurance Company Ltd. (BAGIC) for general insurance including health insurance; and (ii) Bajaj Allianz Life Insurance Company Ltd. (BALIC) for life insurance and retirement plans. BAGIC and BALIC are both unlisted joint ventures with Allianz SE, one of the world's leading composite insurers.

In March 2021, both the insurance companies completed two decades since their inception.

As on 31 March 2021, Bajaj Finserv held 74% of the equity capital in both BAGIC and BALIC, with the balance being held by Allianz.

BFL also participates in savings business through its fixed deposits vertical.

Bajaj Finserv also has investments in renewable energy in the form of 138 windmills situated in Maharashtra with an aggregate installed capacity of 65.2 MW.

BFS has a 100% subsidiary, Bajaj Finserv Direct Ltd. (BFSD) — which has long term goal of creating a digital marketplace which offers the full range of financial products including loans, life insurance, general insurance, mutual funds, investments, payments and selected e-commerce. BFSD has the ability to scale up the business to much higher levels in years to come now that its business model is established.

BFS has a digital healthcare venture through another 100% subsidiary, Bajaj Finserv Health Ltd. (BFHL). It launched Aarogya care, a mobile healthcare app in September 2020. BFHL seeks to create a digital preventive, personalised and pre-paid health solution connecting customers with service providers such as hospitals, clinics, doctors, pharmacies, diagnostic centres and the like by offering a complete range of products including financial solutions. In the COVID-19 scenario, it had a year of slow growth; but is expected to settle its business model.

During the year, BFS made an application to the Securities and Exchange Board of India (SEBI) for grant of a licence to set up an asset management company to enter the mutual fund business.

The standalone and consolidated financial results of BFS for FY2021 are compliant with Indian Accounting Standards (Ind AS) and the previous period figures are comparable.

The standalone financial statements of the two insurance companies, BAGIC and BALIC, are prepared under applicable regulations of the Insurance Regulatory and Development Authority of India (IRDAI). Thus, the financials in the sections on BAGIC and BALIC in this chapter are as per Indian Generally Accepted Accounting Principles (Indian GAAP) and the regulations laid down by the IRDAI. However, for purposes of the consolidated financial results of BFS, these have been provided as Ind-AS compliant figures.

The COVID-19 pandemic

The COVID-19 pandemic is a once in a lifetime occurrence that has brought with it unimaginable suffering to people and to almost all sections of the economy. When the pandemic struck and led to nationwide lockdowns to curtail the transmission of disease, it was natural to fear that the global economy would stay in extreme stress of the kind not seen since the Great Depression and would have a long-lasting economic impact.

To counter the crippling impact of the lockdowns on economies, the world's policymakers have resorted to fiscal and monetary measures never seen before in global economic history. It still remains to be seen if these relief measures sufficed, and whether actions taken by governments across the globe adequately compensated for the disruptions created in the lives of people.

Thankfully, science prevailed. Multiple vaccines were found with impressive efficacy levels in less than a year. Announcement of successful development of vaccines seemed to lift spirits around the world. Unfortunately, the advent of winter saw several countries battle second waves of COVID-19 infections, including more virulent strains leading to partial lockdowns. The race between vaccines and variants is heating up as massive vaccination drives are underway. Much depends on blocking transmission and not just the disease.

Fortunately for India, which is home to some of the largest vaccine makers in the world, the supply constraints should be limited and temporary. Moreover, our experience in implementing large scale vaccination programmes should help in vaccinating our vulnerable population. Even so, with many states in India witnessing a seriously full-blown second surge of COVID-19, the vaccination challenge is enormous. It is estimated that at 3 million shots per day — a rate that is yet to be achieved — it will take another year to vaccinate all those who are 45 years and above.

To alleviate the economic stress induced by the pandemic the Government of India announced a ₹ 20.9 lakh crore economic package (or about 10% of GDP). Of this, 1.2% of GDP comprised direct fiscal spending and the rest consisted of (i) loans and guarantee schemes of ₹ 10.4 lakh crore, or about 5% of GDP and (ii) the RBI's liquidity measures of ₹ 8.01 lakh crore, or about 3.8% of GDP.

The grey cloud at present is the huge surge in infections that started with the second wave beginning in early March 2021. Hopefully, a serious increase in the pace of vaccinations across the country coupled with proper wearing of masks and social distancing will bring this surge down. If we keep all enterprises and workers open for business, this second surge should not affect the economy in a significant manner. However, that remains to be seen. For much depends on whether state governments react to the surge by large scale lockdowns; and whether the vaccination drive can be accelerated significantly.

Macroeconomic Overview

Given the impact of the pandemic, FY2021 was expected to be an extremely demanding year. The consensus was that GDP growth in FY2021 would not only be negative but also would constitute the greatest fall in growth since 1979-80.

After an estimated historic correction of (3.3%) in 2020, the International Monetary Fund (IMF) has projected the global economy to grow 6% in calendar year 2021 and 4.4% in 2022 on the back of the fiscal and monetary support provided by governments the world over coupled with widespread vaccination.

In fact, the degrowth in India's GDP was much larger than expected. For April-June 2020, real GDP contracted by a massive 24.4%. India had never recorded a quarter of negative growth since it began issuing such data publicly in 1996. No other large economy shrank so much during the pandemic. In the second quarter, July-September 2020, GDP again contracted by 7.3%. The consensus was that growth in the second half of the fiscal year would be far less than what was needed to erase the effect of the deep recession in the first half.

Thankfully, we began to witness early signs on resumption of economic activity in the second half of the year with several high frequency indicators suggesting that the economy was back on to positive growth. The third quarter (October-December 2020) recorded a GDP growth of 0.4%. And, as mentioned earlier, the second advance estimates of national income for FY2021 released by the CSO indicates a negative GDP growth of 8% for FY2021. Though this was bad enough, the contraction will be far less than earlier thought of — and we should see the fourth quarter (January-March 2021) showing relatively robust growth.

The most recent IMF forecast has also raised India's GDP growth estimate for FY2022 from 11.5% to 12.5%. If that were to occur, it will be the most significant growth turnaround among all the major nations of the world, including China.

Table 1 gives the data on real GDP and gross value added (GVA) growth for the four quarters of FY2021 and Table 2 gives data over the last four financial years.

Table 1: Growth in real GDP and GVA, India

Particulars	Q1-FY2021 (2nd AE)	Q2-FY2021 (2nd AE)	Q3-FY2021 (2nd AE)	Q4-FY2021 (2nd AE)
Real GDP growth	(24.4%)	(7.3%)	0.4%	(1.1%)
Real GVA growth	(22.4%)	(7.3%)	1.0%	2.5%

(AE) denotes advance estimate

Table 2: Growth in real GDP and GVA, India

Particulars	FY2018 (3rd RE)	FY2019 (2nd RE)	FY2020 (1st RE)	FY2021 (2nd AE)
Real GDP growth	6.8%	6.5%	4.0%	(8.0%)
Real GVA growth	6.2%	5.9%	4.1%	(6.5%)

Source: Government of India, Central Statistics Office (CSO). (AE) denotes advance estimate. (RE) denotes revised estimate

In the past, India has seen a recession only thrice: in 1957-58, 1965-66 and 1979-80. The reason was the same each time — that of monsoon shocks affecting agriculture, which was then a sizeable part of the economy. The lockdown induced recession in FY2021 was different with agriculture being a bright spot, since agricultural activity was largely unhindered even during the lockdown phase. The manufacturing sector that initially suffered has since benefitted from the recovery aided by the pent-up demand and shifting consumer preferences. The services sector is showing a weaker recovery especially hotels, travel and entertainment industry.

The Government of India's relief measures comprising (i) direct fiscal spending and transfers to the poor; (ii) loan and guarantee schemes; and (iii) the RBI's liquidity measures aided growth in bank credit, enabled abundant liquidity in the financial sector — which was directed toward impacted segments like the industrial and services sector.

While the RBI has maintained an accommodative stance so far, multiple factors like sticky inflation levels, elevated crude oil prices, and risks of US treasury yields will play a part in whether it can continue to maintain an ultra-accommodative stance; and that may have a consequential impact on interest rates in FY2022.

The government has taken on the onus of heavy lifting to revive the investment cycle. A growth-centric and expansionary Union Budget for 2021-22 puts out hope that it will set the tone for infrastructure growth over the next few years.

The fiscal deficit for 2021-22 is budgeted at 6.8% of India's GDP — though high but way below the revised estimate of 9.5% in 2020-21. Given the unprecedented economic havoc caused by the pandemic, such deficits are in line with actions taken globally. Indeed, most experts feel that FY2022 is a year when fiscal discipline will be kept in abeyance. Even so, implementation of the various budget measures is now all-crucial for the economic and fiscal health of the nation.

We believe that the resilience shown by the Indian economy coupled with (i) a growth-centric Union Budget and (ii) the RBI maintaining an accommodative stance, will see the Indian economy grow at a faster clip than other economies. However, the only cause for concern is the resurgence of infections and partial lockdowns in some states.

Consumer Finance and Lending

Bajaj Finance Ltd. (BFL)

Bajaj Finance Ltd. ('BFL' or 'Bajaj Finance') is a deposit taking Non-Banking Financial Company (NBFC) registered with the RBI. It is a subsidiary of Bajaj Finserv Ltd. and is engaged in the business of lending and acceptance of deposits. BFL has a diversified lending portfolio across retail, SMEs and commercial customers with significant presence in urban and rural India. It accepts public and corporate deposits and offers variety of financial services products to its customers.

BFL has two 100% subsidiaries. These are: (i) Bajaj Housing Finance Ltd. ('BHFL' or 'Bajaj Housing') which is registered with National Housing Bank as a Housing Finance Company (HFC); and (ii) Bajaj Financial Securities Ltd. ('BFinsec'), which is registered with the Securities and Exchange Board of India (SEBI) as a stock broker and depository participant. BFinsec commenced its operations in the financial year 2019-20 (FY2020).

BFL had to steer through a difficult year due to the COVID-19 pandemic. Having recorded enviable performance metrics over the last 12 years from FY2009 to FY2020 with compounded annual growth rate (CAGR) of 45% in its consolidated assets under management (AUM) and 58% in its consolidated profit after tax, BFL delivered marginal growth in its consolidated AUM of 4% and a degrowth in its consolidated profit after tax of 16% while ensuring adequate loan loss provisioning for risks emanating from COVID-19 induced stress.

Despite a significantly elevated level of losses in FY2021, BFL delivered return on assets and return on equity of 3.1% and 12.8% respectively on a consolidated basis. In this exceptional year of lower acquisition volumes, higher liquidity buffers and increased recovery costs, BFL once again demonstrated the resilience of its business model which generates strong pre-impairment profitability to absorb higher losses resulting from a crisis.

BFL remains well capitalised with a capital-to-risk weighted asset ratio (CRAR) of 28.31% as on 31 March 2021. It remains among the best capitalised large NBFCs in India.

BFL was among the early movers to transit to digital process in the financial services industry. It had moved from 'Physical' to 'Phygital' in a seamless manner and has embarked to move to the last phase, namely 'Digital', in the last three years.

Business transformation requires significant changes in operating processes and core technology stack. These are detailed below.

1. BFL is developing five proprietary marketplaces. These involve: (i) the 'EMI store', (ii) the 'Insurance Marketplace', (iii) the 'Investment Marketplace', (iv) 'BFL Health' and (v) the 'Broking App' with the help of group companies. These five apps will provide customers with an option to review, compare and buy host of financial products and services across electronics, insurance, investments and health category.
2. Having received approval for running its own wallet business, BFL has developed a wallet application called 'Bajaj Pay'. This will offer an integrated payment solution comprising of UPI, PPI, EMI card and credit card to its customers. BFL will offer 'Bajaj Pay' to its customers in the first quarter of FY2022.
3. BFL is also developing a 'Bajaj Pay' for merchants. This should broaden the payment solution offering to its approximately 102,000 merchants; and enable higher growth and larger market shares.
4. The company plans to partner with 25+ adjunct app ecosystem which have related products or services offering for its customers. These apps will provide adjacency to BFL's core offerings, and thus increase the 'customer stickiness'.

5. It is developing and significantly transforming four productivity apps: (i) the 'Sales One' app; (ii) the 'Merchant' app; (iii) the 'Collections' app; and (iv) the 'Partner' app. These apps will significantly improve productivity and efficiencies of employees, channel partners and the merchant ecosystem.

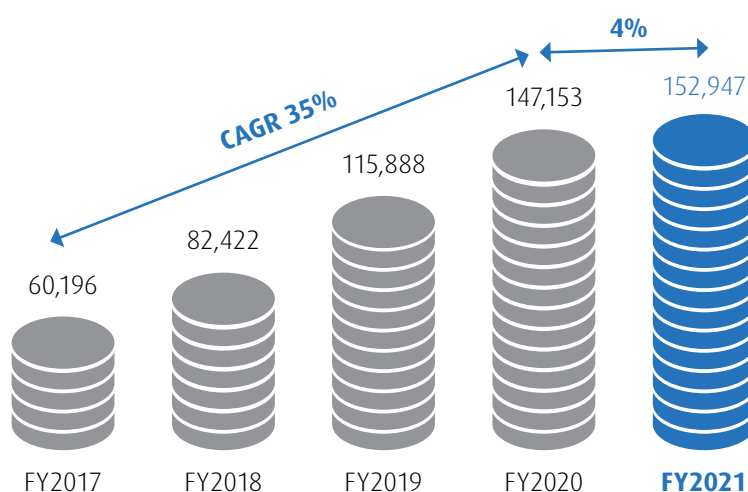
BFL: Consolidated Performance Highlights for FY2021

- Number of new loans booked: 16.88 million.
- AUM grew by 4% to ₹ 152,947 crore.
- Total income grew by 1% to ₹ 26,683 crore.
- Net interest income grew by 2% to ₹ 17,269 crore.
- Total operating cost to net interest income improved to 30.7% from 33.5% in FY2020.
- Pre-provision operating profit (PPOP): increased by 6% to ₹ 11,961 crore.
- Loan losses and provisions (or impairment on financial instruments): increased by 52% to ₹ 5,969 crore.
- Profit after tax (PAT): decreased by 16% to ₹ 4,420 crore.
- Capital adequacy ratio as of 31 March 2021 was 28.31%, which is well above the RBI norms. Tier I adequacy was 25.11%.

BFL is one of the largest and most diversified NBFCs in India. It has the experience of working with approximately 48.57 million customers since it started its transformational journey in FY2008 from a mono-line captive lender to a diversified financial service business. During this period, BFL expanded its footprint to 2,988 locations with distribution network of over 110,300 points of sale and created presence in the digital space.

Chart A gives a snapshot of BFL's consolidated AUM. Table 3 gives data on the consolidated AUM across the various business categories.

Chart A: BFL's consolidated assets under management (₹ In Crore)



Note: FY2021, FY2020 and FY2019 AUM are as per Ind AS, FY2018 AUM has been re-casted as per Ind AS while FY2017 AUM is as per the erstwhile Indian GAAP



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Consumer Finance

- Consumer Durable Loan
- Digital Product Loan
- Lifestyle Product Loan
- Lifecare Finance
- 2-Wheeler & 3-Wheeler Loan
- Personal Loan
- Home Loan
- Loan Against Property

Investments

- Systematic Deposit Plan
- Mutual Fund
- Term Deposit

Payments

- EMI Network Card
- Co-branded Credit Card
- Co-branded Wallet

Insurance

- Life, General & Health Insurance Distribution
- Pocket Insurance

SME Finance

- Working Capital Loan
- Loan to Self-employed and Professionals
- Secured Enterprise Loan
- Used-car Finance
- Medical Equipment Finance

Commercial Lending

- Vendor Finance
- Financial Institutions Lending
- Light Engineering Lending
- Specialty Chemicals Lending

Securities

- Loan Against Securities
- IPO Finance
- Trading Account
- Depository Services
- Margin Trading Finance
- HNI Broking
- Retail Broking

Table 3: BFL's consolidated assets under management across business categories

Assets under management	Consolidated		
	FY2021	FY2020	% Change
Consumer B2B - Auto Finance Business	12,111	13,085	(7%)
Consumer B2B - Sales Finance	11,526	12,657	(9%)
Consumer B2C Businesses	30,450	31,255	(3%)
SME Business	20,217	19,429	4%
Rural B2B - Sales Finance Businesses	2,883	2,669	8%
Rural B2C Businesses	11,822	10,659	11%
Commercial Lending Business	8,293	6,411	29%
Loans Against Securities	6,054	4,822	26%
Mortgages	49,591	46,166	7%
Total	152,947	147,153	4%

As can be seen from Table 3, mortgages, managed by BFL's 100% subsidiary BHFL, account for 32% of the consolidated AUM. This is followed by the consumer B2C business (20%), the SME business (13%), the rural business (10%), the consumer auto finance business (8%) and the consumer B2B sales finance business (8%).

Business Update

- 8.9 million consumer durable purchases were financed in FY2021 vs 13.4 million in FY2020.
- There were 23.8 million Existing Member Identification Card holders as at end of FY2021 of which BFL financed 8.7 million purchases in FY2021 as compared to 13.6 million in FY2020.
- During FY2021, BFL financed over 34% of domestic sales of two-wheelers and over 54% of domestic sales of three-wheelers of Bajaj Auto Ltd.
- BFL's rural footprint was further strengthened in FY2021 with the addition of 333 locations taking the total number of locations to 1,690. The AUM from rural business grew strongly at 10% to ₹ 14,705 crore.
- Government of India carved out a special Emergency Credit Line Guarantee Scheme (ECLGS) to provide top-up financing to mitigate the disruptions caused to SMEs and MSMEs. BFL disbursed ₹ 934 crore across 23,703 customers under ECLGS.
- The deposits book increased to ₹ 25,803 crore in FY2021, representing a growth of 20%. BFL's deposit book now contributes to 26% of its standalone borrowings and 20% of its consolidated borrowings as on 31 March 2021, compared 21% and 17%, respectively, as on 31 March 2020.

Financial Performance

Table 4 gives BFL's consolidated financial performance for FY2021 as well as FY2020.

Table 4: BFL's consolidated financial performance, FY2021 and FY2020

(₹ In Crore)

Particulars	FY2021	FY2020	% Change
Total income	26,683	26,385	1%
Interest and finance charges	9,414	9,473	(1%)
Net interest income (NII)	17,269	16,912	2%
Employee benefits expenses	2,499	2,548	(2%)
Depreciation and amortisation	325	295	10%
Other expenses	2,484	2,818	(12%)
Pre-provision operating profit (PPOP)	11,961	11,251	6%
Loan losses and provisions	5,969	3,929	52%
Profit before tax (PBT)	5,992	7,322	(18%)
Profit after tax (PAT)	4,420	5,264	(16%)
Other comprehensive income/ (expenses)	(57)	(115)	
Total comprehensive income	4,363	5,149	(15%)
Earnings per share (EPS) basic, in ₹	73.58	89.77	(18%)
Earnings per share (EPS) diluted, in ₹	73.00	89.07	(18%)
Book value per share, in ₹	614.11	538.40	14%

Provisions for expected credit losses

Through FY2021, BFL made prudent loss provisions and write-offs based on credit weaknesses arising out of the pandemic. In FY2021, it absorbed an elevated credit loss of ₹ 5,969 crore versus ₹ 3,929 crore in FY2020. Despite such provisioning, BFL delivered a consolidated pre-tax profit of ₹ 5,992 crore. This validates its business model, which creates an adequate quantum of pre-impairment profitability to absorb higher losses resulting from such unforeseen events.

BFL ended the year with a net NPA of 0.75% on consolidated basis. The standalone net NPA stood at 0.91%. On a consolidated basis, the provision coverage on non-NPA assets, excluding the management overlay provision, stood at 145 bps; and at 181 bps including the management overlay provision.

Asset Liability Management (ALM)

BFL's consolidated total borrowing was ₹ 131,645 crore as on 31 March 2021. Its Asset Liability Committee (ALCO), set up in line with the guidelines issued by the RBI, monitors asset liability mismatches to ensure that there are no imbalances or excessive concentrations on either side of the balance sheet.

BFL's robust liquidity management framework has ensured that enough liquidity was available throughout FY2021 to meet its debt service obligations, despite it having to offer EMI repayment moratoriums to its customers. It has maintained significantly cumulative positive ALM position across all buckets.

Bajaj Housing Finance Ltd. (BHFL)

Bajaj Housing Finance Ltd. (BHFL), a 100% subsidiary of BFL, started its lending operation from July 2017.

BHFL offers the following products to its customers: (i) home loans, (ii) loan against property, (iii) lease rental discounting, and (iv) developer financing. It also has a dedicated vertical offering home loans and loan against property to rural individuals and MSME customers. Table 5 gives BHFL's standalone financials.

Table 5: BHFL's standalone financial performance, FY2021 and FY2020

Particulars	(₹ In Crore)	
	FY2021	FY2020
Total income	3,155	2,646
Interest and finance charges	1,966	1,616
Net interest income (NII)	1,189	1,030
Total operating expenses	329	339
Pre-provision operating profit (PPOP)	860	691
Loan losses and provisions	247	124
Profit before tax (PBT)	613	567
Profit after tax (PAT)	453	421
Other comprehensive income/ (expenses)	1	(1)
Total comprehensive income	454	420
Earnings per share (EPS) basic, in ₹	0.93	1.12

Bajaj Financial Securities Ltd. (BFinsec)

BFinsec started its business operations from August 2019 with a strategy to ring fence Loan Against Securities (LAS) customers of BFL by providing them a full suite of investment products and services. It offers demat, broking, margin trade financing and financing for offer for sale to retail and HNI clients. It offers spread financing to its customers through BFL.

With a base of approximately 42,900 customers as of 31 March 2021, BFinsec offers HNI demat and broking, retail demat and broking and margin trade financing. BFinsec generated total income of ₹ 36 crore and profit after tax of ₹ 6 crore in FY2021.

Protection and Savings

General Insurance: Bajaj Allianz General Insurance Company Ltd. (BAGIC)

BAGIC is one of India's leading composite general insurers offering all types of general insurance including motor, health, crop insurance, marine, and various forms of commercial lines of insurance. It has built a strong retail franchise and retained a leading position among private insurers. BAGIC has been able to hold ground during FY2021 which saw COVID-19 affecting not just the general and health insurance industry, but virtually all economic activity.

BAGIC focuses on building a quality portfolio, supported by strong underwriting, multi-channel distribution and prudent financial management. In a market where most peers continue to chase market share, BAGIC has differentiated itself by focusing on building a profitable and diversified portfolio, balancing growth with profitability. It is one of the most respected brands in general insurance.

All of this is visible in BAGIC's continued healthy market share and all time high PAT of ₹ 1,330 crore in FY2021.

Industry Update

After recording approximately 17% CAGR in Gross written premium (GWP) in the last five years, the general insurance industry in India faced one of its most challenging years. As the national lockdown was announced towards the end of FY2020, the year started with the economy at a near standstill.

Production and sales of automobiles across all segments — two wheelers, private cars and commercial vehicles — were down for several months in the wake of the lockdown. The motor segment represents over 34% of the industry's gross premiums and hence this had a major impact on industry growth. Travel had come to a standstill and, correspondingly travel insurance segment also suffered negative growth for much of the year. Equally, however, there was a spurt in demand for health insurance policies for a few months, especially COVID-19 specific policies.

From Q3 FY2021 onwards, businesses started to revive and, by the end of the year, many segments reached their pre-COVID-19 levels in terms of growth. Having said so, it needs emphasising that recovery in a few segments like passenger carrying commercial vehicles is yet to gain full momentum.

On the Motor Third Party segment, where the price is fixed by means of a tariff, there was no increase in premium rates granted in FY2021 and no increase is expected for FY2022 either. This is a segment where the industry historically has loss ratios above 90%.

On the claims front, lower frequency of accidents in motor insurance and non-COVID-19 health insurance claims were positive events which were partially offset by a significant occurrence of COVID-19 claims in health insurance. Average claim sizes started moving up for motor and non-COVID-19 health claims as the recovery started.

Despite such challenging circumstances on all fronts and in spite of sharp decline in GWP in the first half of FY2021, the industry posted growth of 4.0% for FY2021. This was largely driven by growth in health and property insurance.

Growth rates in gross direct premium in India (GWP less reinsurance accepted) for the industry, and for BAGIC, are shown in the Table 6.

Table 6: Gross direct premium in India – the general insurance industry*

(₹ In Crore)

Particulars	Gross direct premium	
	FY2021	FY2020
BAGIC	12,570	12,780
Private sector	98,014	93,266
Public sector	71,826	73,263
Industry	169,840	166,529
Standalone health insurers (SAHI)	15,720	11,951
Industry including SAHI	185,560	178,480
Growth rates		
BAGIC	(1.6%)	15.6%
Private sector	5.1%	12.2%
Public sector	(2.0%)	6.4%
Industry	2.0%	9.5%
Standalone health insurers (SAHI)	31.5%	26.9%
Industry including SAHI	4.0%	10.7%

Source: GI Council figures, IRDA website and IRDA, Handbook of Insurance Statistics.

* excluding specialised insurers.

Further to a series of actions against various intermediaries in motor insurance distribution operating through a network of motor insurance service providers during the previous year, the IRDAI carried out review of its Motor Insurance Service Provider (MISP) guidelines. These recommendations are under examination. The IRDAI also made an effort to standardise products across the general insurance sector. Further, after the lockdown, the IRDAI announced measures to allow digital issuance of policies (with digital signatures) to ease business.

Business Update

BAGIC focused on immediate steps to tackle the pandemic — dealing with the well-being of employees, enabling work-from-home, providing customers with facilities to report claims and keep their policies renewed and so on. It further strengthened its business continuity plan based on its experience of handling the lockdown.

BAGIC has a strong focus on growing its retail business. While its total portfolio includes motor insurance, health insurance for individuals, other personal lines of insurance, insurance for commercial entities like shops, SMEs, etc., it continues to participate in annual tender driven businesses like crop insurance and government health schemes.

BAGIC posted degrowth of 1.6% (growth of 8.2% for H2 FY2021). Its growth during the year was lower than the industry due to depressed sales of highly profitable passenger carrying commercial vehicles for most part of the year where BAGIC had higher exposure than the industry. Parenthetically, that had also led to better than industry profitability for BAGIC in the previous years.

BAGIC continues to be among the more profitable general insurers vis-a-vis peers in the public and private sectors of comparable size.

Its combined ratio of 96.9% in FY2021 is expected to be one of the lowest in the industry, reflecting a sound balance between growth and profitability. BAGIC has done so by: (a) robust and prudent underwriting practices; (b) generation of cash flows through strong retention of premium and judicious investments of the proceeds; and (c) focus on high quality customer service.

Motor, property and retail health insurance are the major focus areas, with over 60% of gross premium coming from these lines.

BAGIC has one of the largest distribution network through tie ups with banks, NBFCs, individual agents, MISPs, POSPs and the proprietary Virtual Sales Offices.

It continued to expand network of independent bancassurance partners including private banks, public sector banks, regional banks, small finance banks and cooperative banks. During FY2021, BAGIC tied up with 15 new corporate agents, renewed its long-standing relationships with Canara Bank, several co-operative and medium sized commercial banks and NBFCs and also secured entry into automobile brands which hitherto it was not present.

During the year, BAGIC introduced several initiatives to further enhance its service. Some of these were:

1. Digital empowerment to offer faster, safer, efficient and better services to the customers, and a go-green initiative to ensure that processes become paperless as much as possible.
2. Several digital initiatives under the Digi-Sampark programme to stay connected with customers. The programme extended its reach to the customers and digital servicing peaked at an industry beating 80+%. The rapid development of a COVID-19 self-test BOT along with Social Trackback were wholeheartedly adopted by customers. Digi-Swasth, a mobile based digital end-to-end health check-up process was launched which ensured over 98% turnaround time for medicals with four hours.
3. Cloud adoption by migrating the retail health business to the cloud provided agility and scalability to the business. BAGIC launched a cloud-based hospital portal for cashless claims registration and settlement, which saw an uptake of 35,000+ claims processed in six months. Combined with automated, machine-vision based bill processing, it was able to settle health claims in a shorter time and with higher accuracy.

BAGIC: Performance Highlights for FY2021

- Gross written premium (GWP) stood at ₹ 12,624 crore in FY2021, degrowth of 1.6%. H2 FY2021 growth was however 8.2%.
- BAGIC's market share in the industry, including standalone insurers, was at 6.8% in FY2021 versus 7.2% a year earlier.
- Net earned premium for FY2021 was ₹ 7,436 crore.
- The combined ratio was 96.9%.
- PAT increased by 33% to ₹ 1,330 crore in FY2021 due to overall lower claim and expense ratios and higher investment income.
- Some 25 million policies were issued in the year, versus about 26.9 million in FY2020.
- 3,771,501 claims were reported in the year, versus 5,766,512 in FY2020.

Financial Performance

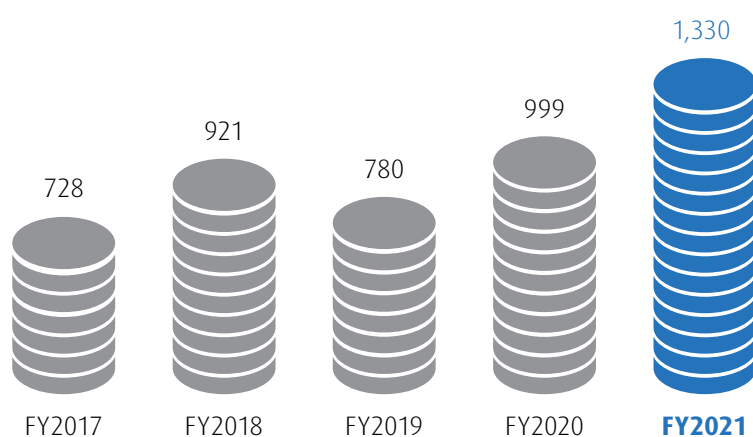
BAGIC's financial performance for FY2021 is summarised in Table 7.

Chart B plots the company's PAT over the last five years.

Table 7: BAGIC's financial performance, FY2021 and FY2020

Particulars	(₹ In Crore)		
	FY2021	FY2020	% Change
Gross written premium (GWP)	12,624	12,833	(2%)
Net earned premium	7,436	8,206	(9%)
Underwriting result	237	(11)	
Profit before tax	1,769	1,376	29%
Profit after tax	1,330	999	33%
Claims ratio	68.5%	70.7%	
Combined ratio*	96.9%	100.8%	
Return on average equity	20.3%	18.1%	

* Combined ratio is calculated according to the Master Circular on 'Preparation of Financial Statements of General Insurance Business' issued by the IRDAI effective from 1 April 2013.

Chart B: BAGIC's profit after tax (₹ In Crore)

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Capital and solvency

- Paid up capital, including share premium, stood at ₹ 277 crore as at 31 March 2021. No fresh capital was infused in FY2021.
- BAGIC completed 13 consecutive years since the last capital infusion and continues to be one of the most efficient users of capital in the private sector — as measured by the ratio of GWP to share capital and by GWP to shareholders' equity.
- Shareholders' equity of BAGIC was ₹ 7,524 crore as on 31 March 2021, versus ₹ 5,642 crore a year earlier.
- As on 31 March 2021, BAGIC's solvency margin was at 345%, which is well above the normal regulatory requirement of 150%.

Cash and investments

BAGIC's cash and investments as on 31 March 2021 were ₹ 23,150 crore, versus ₹ 18,746 crore in the previous year. Cash flow generation continued to be strong.

An expected economic recovery should give the general insurance business some tailwind in the coming year. Sales of new motor vehicles and investments in assets will be the key drivers. Demand for health insurance should pick up. However, given the overhang on several industries still operating below capacity, any slowing down in the progress of vaccination drives and the recent recurrence of a huge second wave of COVID-19 could spoil this scenario.

BAGIC's excellent solvency, large AUM in relation to its premium, liquidity, prudent underwriting, stable management team and strong brand positions have helped it in these challenging times. And should help it to come out of the crisis and make most of various opportunities.

Life Insurance, Savings and Retirement: Bajaj Allianz Life Insurance Company Ltd. (BALIC)

BALIC recorded an all-time high GWP of ₹ 12,025 crore and an AUM of ₹ 73,773 crore in FY2021. Although market conditions for the industry and overall consumer sentiments, remained depressed during the initial two quarters, BALIC recorded excellent growth, well above that of the industry growth.

During the year, BALIC continued its journey of transformation, which included:

- Enhanced product portfolio with launch of annuity proposition, new feature rich participating and unit linked products and revamped retail term offering.
- Continued focus on building profitable agency with investment in new sub-verticals and focus on balanced product mix.
- Developing direct selling channel (BALIC Direct), aimed at upselling and cross-selling opportunities to existing customers.
- Focus on existing channels productivity for all third party distribution and investment in new tie-ups with RBL Bank, Karur Vysya Bank, India Post Payment Bank, IDFC First Bank and building on the Axis Bank partnership.
- Continued focus towards gaining mind share in mass and mass affluent category of customers.
- Continued leadership in the online investment space and being Life Goal enablers.
- Digitisation of insurance operations (pre and post-sales) and continued focus on improving quality of business which includes persistency, customer grievances and claims servicing.
- Implementation of interest rate derivatives to manage the guarantees risk efficiently.
- Focus on new business value (NBV) through balanced product mix, enhancing productivity, cost control and improving persistency across cohorts.

The results of the steps taken towards transformation over the last few years have been visible through growth of new business and market share, customer retention, improvement in persistency, a revamped product portfolio including a new business line of providing annuity solution to customers, several technological advancements in serving the customers and distributors and brand enrichment.

Industry Update

After recording approximately 14% CAGR in Individual rated new business premium (IRNBP) in the last five years (FY2016 to FY2020), the life insurance industry faced one of its most challenging years. Consequent to the national lockdown, the year started at a near standstill economic activity. Retail consumers were holding on to cash in the wake of uncertainty about how long the COVID-19 pandemic and the lockdown would last. Until Q3 FY2021 there was low confidence that the economy might reach pre-COVID levels in Q4 FY2021. However, the life insurance industry recovered strongly during Q4 FY2021.

The overall industry recorded growth of 3% in IRNBP in FY2021. Within the industry, private sector grew by 8%, while LIC de-grew by 3%. BALIC recorded strong growth in IRNBP of 28% for the financial year ended 31 March 2021.

Table 8 gives the industry-wide data, along with BALIC.

Table 8: Premium in India — the life insurance industry

(₹ In Crore)

Particulars	Individual rated new business		New business (NB)	
	FY2021	FY2020	FY2021	FY2020
BALIC	2,468	1,927	6,313	5,179
Private sector	45,192	42,031	94,103	80,919
LIC	30,466	31,457	184,175	177,977
Industry	75,658	73,488	278,278	258,896
Growth rates				
BALIC	28.0%	10.6%	21.9%	5.2%
Private sector	7.5%	4.8%	16.3%	11.6%
LIC	(3.1%)	8.3%	3.5%	25.2%
Industry	3.0%	6.2%	7.5%	20.6%
Market share				
Private industry	59.7%	57.2%	33.8%	31.3%
LIC	40.3%	42.8%	66.2%	68.7%

Source: Life Council statistics.

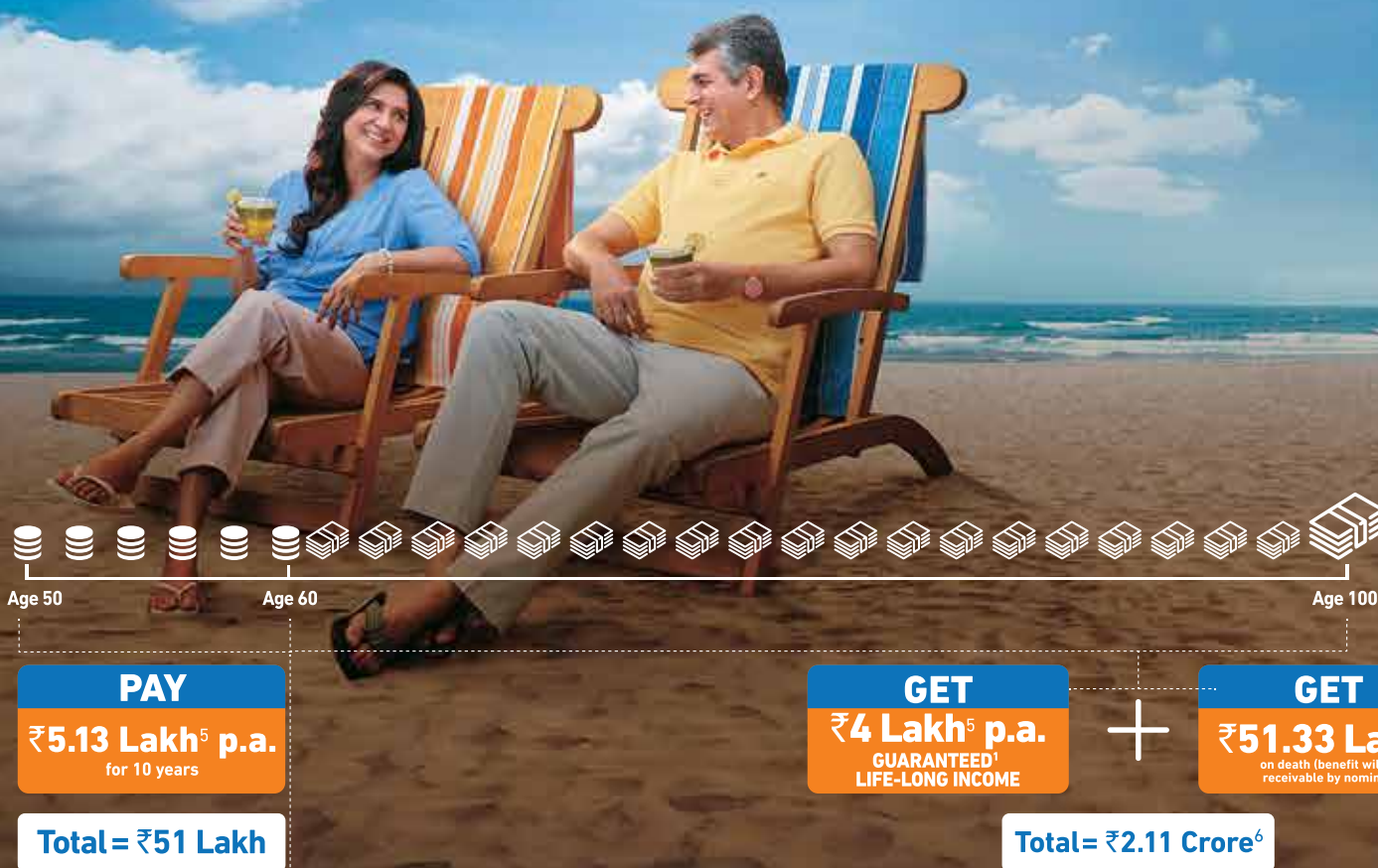
Note: Individual rated new business premium = (100% of first year premium and 10% of single premium excluding group products).

Group premium contributed 59% of the overall new business premium in FY2021 for the industry as a whole, versus 61% in FY2020. Of the total growth experienced by the industry, individual new business grew by 12%; and group new business by 4% in FY2021.

During the year, with the unprecedented pandemic situation, volatile equity markets and falling interest rates gave prominence to protection and guaranteed life insurance solutions for people looking to conserve wealth with secured returns.

ENJOY GUARANTEED¹ LIFE-LONG INCOME

DEFERRED ANNUITY



No medicals
required



Quick
issuance



Deferment option with annuity
guarantee¹ at policy inception

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IRDAI is not involved in activities like selling insurance policies, announcing bonus or investment of premiums. Public receiving such phone calls are requested to lodge a police complaint.

⁵In the above illustration Male Age – 50 years | Premium paying term – 10 years | Deferred Annuity | Premium paying frequency - Yearly | Regular Premium – ₹5,13,347 | Deferment Period – 10 years | Annuity Amount - ₹4,00,000 | Annuity Frequency - Yearly | Annuity option - Life annuity with Return of Purchase Price (ROP) on death | Purchase price/Regular premium is exclusive of Goods & Service Tax/any other applicable tax levied, subject to changes in tax laws if any.

⁶Assuming Death at age 100 years | Death benefit - ₹51,33,470 | Total Benefits received under policy - ₹2,11,33,470.

⁷Conditions Apply – The guaranteed benefits are dependent on the purchase price & annuity option chosen. For more details please refer to sales brochure.

Risk Factors and Warning Statements: Bajaj Allianz Life Insurance Company Limited and Bajaj Allianz Life Guaranteed Pension Goal are the names of the company and the product respectively and do not in any way indicate the quality of the product and its future prospects or returns. For more details on risk factors, terms and conditions please read sales brochure & policy document (available on www.bajajallianzlife.com) carefully before concluding a sale. Regd. Office Address: Bajaj Allianz House, Airport Road, Yerawada, Pune – 411006. Reg. No.: 116. CIN : U66010PN2001PLC015959, Call us on toll free No.: 1800 209 7272, Mail us : customercare@bajajallianz.co.in, Fax No: 02066026789. Bajaj Allianz Life Guaranteed Pension Goal is A Non Linked Non Participating Deferred & Immediate Annuity Plan (UIN: 116N167V01). The Logo of Bajaj Allianz Life Insurance Co. Ltd. is provided on the basis of license given by Bajaj Finserv Ltd. to use its "Bajaj" Logo and Allianz SE to use its "Allianz" logo. All charges/ taxes, as applicable, will be borne by the Policyholder.

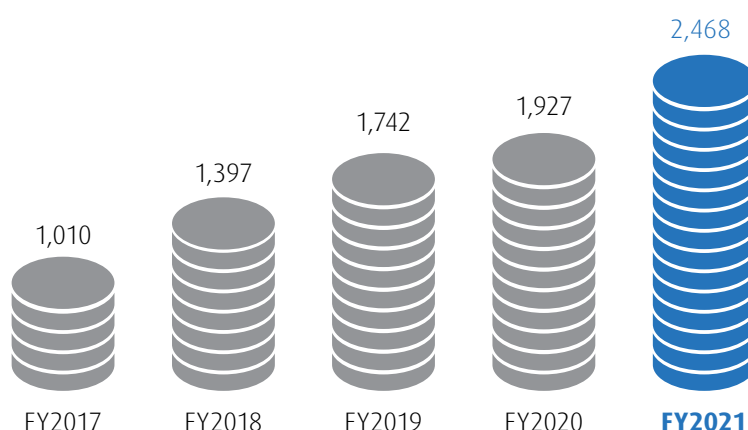
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Business Update

As with every company under the umbrella of Bajaj Finserv, the first set of priorities for BALIC as FY2021 began was on the immediate steps needed to tackle the effect of the lockdown. This focused on the well-being of employees, enabling work-from-home, providing additional technology support for distributors to connect with potential customers, launching new products for different customer needs, providing customers with facilities to report claims and keep their policies renewed and so on.

In terms of individual rated new business premium, BALIC registered a growth of 28%, which was significantly higher than the industry growth rate of 3%. The growth of BALIC is evident in the Chart C (CAGR for five years at 25%).

Chart C: BALIC's individual rated new business premium (₹ In Crore)



BALIC registered increase in market share from 2.6% in FY2020 to 3.3% in FY2021 on IRNBP basis. Within the private industry, its market share grew from 4.6% in FY2020 to 5.5% in FY2021.

BALIC grew the fastest within the top ten private players on the basis of IRNBP during FY2021.

In line with industry trends, BALIC's share of non-participating endowment, non-participating guaranteed savings and protection products increased to ~ 35% for FY2021 versus ~ 21% in FY2020.

BALIC's average ticket size of retail regular premium policies de-grew by 6% in FY2021 to over ₹ 57,782 versus ₹ 61,716 in FY2020 due to a higher share of non-participating guaranteed savings and protection products.

In FY2021, BALIC continued with its emphasis on a balanced and sustainable product mix, with a view of de-risking its business from volatile market movements. As a result, the proportion of ULIPs, in the product mix has been brought down from 51% in FY2020 to 41% in FY2021.

During the year, the company introduced numerous initiatives to enhance customer experience. Some of these were:

- First in the industry, Smart Assist, along with a voice calling feature to support new business sales; best-in-class WhatsApp service; implementation of CRM (iAhead) with 360 degree view of customers at all digital touch points; launch of E-Sampark (B2B2C), a platform for insurance consultants and sales managers to share personalised and approved marketing content on WhatsApp, email and social media; and the launch of the E-Welcome Kit.
- BALIC continued to provide customers with best-in-class product suites. It launched Flexi Income Goal, which is one of the most unique, comprehensive and competitive participating product in the industry. It also launched Smart Wealth Goal on the ULIP platform with multiple unique features for various customer needs.
- It scaled up alternate retail channels like Digitized Work Force, a work from home model in BALIC Direct, corporate distributorships, new bancassurance partnerships and increased the contribution of low cost variable agency models.

BALIC: Performance Highlights for FY2021

- Individual rated new business premium grew by 28% in FY2021 to ₹ 2,468 crore.
- Group protection new business premium decreased by 15% in FY2021 to ₹ 1,597 crore due to overall lower credit pick-up.
- New business premium grew by 22% to ₹ 6,313 crore.
- Renewal premium grew by 25% to ₹ 5,712 crore.
- Gross written premium (GWP) increased by 23% in FY2021 to ₹ 12,025 crore. BALIC registered its highest ever GWP during FY2021.
- PAT for FY2021 was ₹ 580 crore, primarily due to higher investment income partially offset by higher new business strain.
- New business value (NBV), a key metric used to measure profitability of life insurance businesses, increased by strong 59% to ₹ 361 crore.
- 13th month persistency* saw a marginal improvement to 79.8% in FY2021, from 79.2% in FY2020, and 25th month persistency* remained relatively flat at 71.3% in FY2021. All other cohorts registered growth over FY2021.
- Customer grievances saw a significant decline of 12% in FY2021 versus FY2020, to all time low of 44 grievances per 10,000 new policies issued.
- The embedded value of the company at FY2021 stood at ₹ 15,534 crore up from ₹ 13,438 crore at FY2020.
- AUM crossed ₹ 73,000 crore.

*Policies issued in the March to February period of the relevant years.

Financial Performance

BALIC's financial performance in FY2021 is summarised in Table 9.

Table 9: BALIC's financial performance, FY2021 and FY2020

Particulars	(₹ In Crore)		
	FY2021	FY2020	% Change
Gross written premium (GWP)	12,025	9,753	23%
New business premium	6,313	5,179	22%
- Individual rated new business premium	2,468	1,927	28%
- Group protection new business premium	1,597	1,872	(15%)
Renewal premium	5,712	4,574	25%
Policyholders' surplus	(69)	(10)	
Shareholders' profit after tax	580	450	29%
New business value (NBV)	361	227	59%

Investments

As on 31 March 2021, BALIC's AUM was ₹ 73,773 crore — up by 32% from ₹ 56,085 crore on 31 March 2020, reflecting a significant improvement in equity markets. Table 10 provides the data.

Table 10: BALIC's assets under management

Particulars	(₹ In Crore)	
	FY2021	FY2020
Shareholders' funds	10,058	9,237
Policyholders' linked funds	28,855	19,620
Policyholders' non linked funds	34,860	27,228
Total	73,773	56,085

Capital and solvency

- Total capital infused by shareholders in BALIC was ₹ 1,211 crore as on 31 March 2021. No fresh capital was infused in FY2021.
- Including accumulated profit of ₹ 9,076 crore and mark-to-market profit on equity investments of ₹ 394 crore as on 31 March 2021, the shareholders' net worth was ₹ 10,735 crore. For the previous year, accumulated profits were ₹ 8,662 crore, and shareholders' net worth was ₹ 9,731 crore.
- BALIC has a strong solvency ratio of 666% as on 31 March 2021, which is well in excess of the minimum regulatory requirement of 150%.

Indian Union Budget 2021 introduced taxation of proceeds from Unit Linked policies with premiums exceeding ₹ 250,000, which, hitherto were tax-free. BALIC had already taken steps over the last two years to balance the product mix. Its dependence on Unit linked business was reduced and the portfolio was re-balanced between pure protection, guaranteed endowments and linked business. In FY2021, BALIC was able to weather the adverse conditions reasonably well.

Towards the close of the year and subsequently in April 2021, a huge second wave of spread of COVID-19 was seen across India. While the growth of the life insurance industry in Q4 FY2021 was very good, the outlook for FY2022 will depend on how the pandemic evolves and the extent of localised lockdowns.

Renewable Energy and Conservation of Environment

Bajaj Finserv owns and operates 138 windmills in Maharashtra with total installed capacity of 65.2 MW. During FY2021, the Company continued generating green energy, thereby contributing to conservation of the environment. Apart from revenue from sale of power generated by these wind farms, BFS also earns revenue from Renewable Energy Certificates (RECs).

Due to low winds, the windmills generated 639 lakh units in FY2021, which was 19% lower than the FY2020 generation of 792 lakh units. Revenue generated from renewable energy in FY2021 was ₹ 24 crore versus ₹ 39 crore in the previous year, due to low generation and REC trade suspension by regulatory authorities during FY2021. The Company's application for renewing the permission for Open Access (sales to third parties) for a further period of 5 years has been approved by the Maharashtra State Electricity Distribution Co. Ltd.

Financials of Bajaj Finserv

BFS: Consolidated Performance Highlights for FY2021

In a year impacted by COVID-19 pandemic, following all time highs were registered:

- Consolidated revenue of ₹ 60,592 crore.
- Consolidated profit after tax of ₹ 4,470 crore.
- BFL consolidated – pre-provision operating profit of ₹ 11,961 crore.
- BAGIC profit after tax of ₹ 1,330 crore.
- BALIC gross written premium of ₹ 12,025 crore.

Standalone Financials

Standalone financials of the Company are given in Table 11 and the significant ratios in Table 12.

Table 11: Standalone financials of Bajaj Finserv, FY2021 and FY2020

Particulars	(₹ In Crore)	
	FY2021	FY2020
A. Income from wind farm activity	24	39
Administrative expenses	20	20
Profit from wind farm activity	4	19
B. Income from investments and others*	368	776
Other expenses	127	113
Profit before tax (PBT)	245	682
Tax expense	66	15
Profit after tax (PAT)	179	667

* Includes dividend received from BFL of ₹ Nil (Previous year : ₹ 509 crore).

Table 12: Significant standalone ratios of Bajaj Finserv

Particulars	FY2021	FY2020
Current ratio	4.2	1.7
Operating profit margin %	62.5%	83.6%
Net profit margin %	45.6%	81.8%
Return on net worth %	4.9%	20.0%

Consolidated Financials

The consolidated results are given in Table 13. These include the results of subsidiaries and joint venture and are prepared in accordance with the Ind AS.

Note on consolidated profit after tax

Under Ind AS, the insurance subsidiaries have chosen to hold a large part of the equity securities portfolio as Fair Value Through Profit and Loss Account. The spread of the COVID-19 pandemic resulted in a significantly larger than normal fall in the value of shares traded on the stock exchanges in Q4 FY2020. As on 31 March 2021, the BSE Sensex has rebounded by over 68% from 31 March 2020 levels, resulting in higher than normal mark-to-market gain on investments of insurance subsidiaries during FY2021. This has resulted in an increase in consolidated profit after tax of ₹ 892 crore for FY2021 compared to decrease of ₹ 451 crore in FY2020.

Consequent to the ongoing pandemic, BFL has as a matter of prudence, written off/provided for principal and interest of potentially unrecoverable loans, by also utilising the available expected credit loss provision. BFL continues to hold a management overlay of ₹ 840 crore in provisions, given the dynamic and evolving nature of the pandemic along with other variables.

Table 13: Consolidated financials of Bajaj Finserv, FY2021 and FY2020

(₹ In Crore)

Segment revenue			Segment results-profit after tax		
Particulars	FY2021	FY2020	Particulars	FY2021	FY2020
Life insurance	16,215	11,122	Life insurance	426	324
General insurance	17,961	17,018	General insurance	984	730
Wind-farm	24	39	Wind-farm	4	19
Retail finance	26,683	26,386	Retail finance	3,446	3,207
Investments and others	480	904	Investments and others	(167)	(104)
	61,363	55,469	Profit before MTM and Credit cost impact	4,693	4,176
Less: inter-segment	771	1,118	MTM and Credit cost impact	(223)	(807)
Total	60,592	54,351	Profit after MTM and Credit cost impact	4,470	3,369

In a year which was unprecedented in terms of external headwinds, the Company has performed creditably. All the major businesses have recorded profits and ended the year with better capital adequacy / solvency and net worth. The pressures on BFL due to the credit losses arising out of the moratorium were partly offset by strong growth in profit in BAGIC and a solid performance from BALIC.

Awards and Recognition

The Company, its subsidiaries and key personnel received several prestigious awards, some of which are given below.

BFS

Sanjiv Bajaj, Chairman & Managing Director of Bajaj Finserv was the Vice President of CII for the year 2020-21.

BFL

1. Company of the Year India 2019 by Economic Times (ET) Awards.
2. Great Place to Work with respect to best in industry: BFSI, Top 25 best large workplaces in Asia for 2019 and India's Best (Top 5) Companies to Work for in 2019.

BAGIC

1. 'Best Motor Insurance Provider of the Year' at Business Today-Money Today Financial Services Awards.
2. 'Best Digital Insurer in Asia' at IDC Financial Insights Innovation Awards 2021 for Digi-Enroll, an automated, interactive and customised portal for GMC Customers.
3. 'AI in BFSI Award' at ET Innotribe Awards for Digi-Swasth.
4. 'Celent Model Insurer Award 2021' for SkillSity, Company's learning platform, under Digital and Emerging Technologies category.

BALIC

1. The 'Best Digital Customer Experience Initiative' award for WhatsApp servicing, at the Customer FEST Leadership Awards 2021.
2. The 'Best Use of Innovation to enhance Customer Experience' at the Customer FEST Leadership Awards 2021 for Smart Assist, a first-of-its-kind co-browsing service in the insurance industry.
3. Ranked #2 amongst the Most Trusted Private Life Insurance Brand, Economic Times, and Brand equity – Nielsen.
4. Featured third time in a row among the Top 75 Most Valuable Indian Brands 2020 list, as per Kantar BrandZ Top 75 Most Valuable Indian Brands report

Cautionary Statement

Statements in this Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking' within the meaning of applicable laws and regulations. Actual results may differ from those expressed or implied. Important factors that could make a difference to the Company's operations include global economy, political stability, stock performance on stock markets, changes in government regulations, tax regimes, economic developments and other incidental factors. Except as required by law, the Company does not undertake to update any forward-looking statements to reflect future events or circumstances. Investors are advised to exercise due care and caution while interpreting these statements.

REPORT ON CORPORATE GOVERNANCE

Corporate governance is about promoting fairness, transparency, accountability, commitment to values, ethical business conduct and about considering all stakeholders' interests while conducting business.

In accordance with the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and amendments thereto, ('SEBI Listing Regulations'), given below are the corporate governance policies and practices of Bajaj Finserv Ltd. ('the Company', 'BFS' or 'Bajaj Finserv') for FY2021.

This report states compliance with requirements of the Companies Act, 2013, as amended (the 'Act') and SEBI Listing Regulations, as applicable to the Company. As will be seen, the Company's corporate governance practices and disclosures are well beyond complying with the statutory and regulatory requirements stipulated in the applicable laws.

Philosophy

For us, corporate governance is a reflection of principles entrenched in our values and policies and also embedded in our day-to-day business practices, leading to value driven growth. The commitment of Bajaj group to the highest standards of good corporate governance practices predates the provisions of SEBI Listing Regulations and clause 49 of erstwhile Listing Agreement. Ethical dealings, transparency, fairness, disclosure and accountability are the main thrusts of the Bajaj group. The Company maintains the same tradition and commitment.

Bajaj Finserv is conglomerate of different financial services businesses – lending, general and life insurance, digital distribution, digital healthcare platform, stock broking and so on – operated through its subsidiaries and joint ventures. Through its representation on the Boards of the subsidiaries, Bajaj Finserv seeks adoption of key group principles of corporate governance across its subsidiaries.

Key elements of Bajaj Finserv's corporate governance

- Compliance with applicable laws.
- Number of Board meetings are more than the statutory requirement, including meetings dedicated for discussing strategy, operating plans and risk.
- The Company's Board is composed of directors from diverse backgrounds and substantial experience, who are able to provide appropriate guidance to the executive management as required.
- The Board comprises of independent directors with outstanding track record and reputation.
- There are pre-Audit Committee meetings of the Audit Committee Chair with the statutory auditors, the internal auditor and members of executive management who are the process owners.
- There are separate meetings of independent directors without presence of non-independent directors or executive management.
- There is a confidential Board evaluation process where each Board member evaluates the performance of every Director, Committees of the Board, the Chairman of the Board and the Board itself.
- Presentations by key senior management team members of the Company and its subsidiaries to familiarise the directors with key elements of each of the businesses.
- Complete and detailed information provided to Board members in advance to enable them to evaluate matters carefully for meaningful discussions.

- Representation of the Company via non-executive and independent directors on the Boards of its unlisted material subsidiaries ensures an institutionalized structure of oversight over subsidiaries.
- Adoption of key governance policies and codes by the Board, which are made available to stakeholders for downloading/viewing from the Company's website. These include Whistle Blower Policy/Vigil Mechanism, Policy of Materiality of Related Party Transactions specifying thresholds, Policy for Determination of Materiality for Disclosure of Events, Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information, Code of Conduct for Directors and Senior Management, CSR Policy, Remuneration Policy, Policy on Material Subsidiaries and Dividend Distribution Policy, which are in line with best practices.
- Half-yearly letter from the Chairman is sent to all shareholders of the Company giving an update on the Company's performance.

Board of Directors

The Company's policy is to have an appropriate blend of independent and non-independent directors to maintain the independence of the Board and to separate the Board functions of governance and management.

Composition

In compliance with the provisions of regulation 17(1)(a) of SEBI Listing Regulations, the board of directors shall have an optimum combination of executive and non-executive directors with at least one independent woman director and not less than fifty per cent of the board of directors shall be non-executive directors.

As on 31 March 2021, the Board of the Company consisted of eight directors, with the Chairman being an executive director (Managing Director); four were non-executive independent (including one-woman director); and three were non-executive and non-independent. The Board does not have any institutional nominee director. As Table 1 shows, the Company is in compliance with SEBI Listing Regulations.

Rahul Bajaj is the Chairman Emeritus (non-director) of the Company with effect from the conclusion of the Board meeting held on 16 May 2019 with nil remuneration.

Number of meetings of the Board

As per the relaxation given by Ministry of Corporate Affairs (MCA) due to COVID-19 pandemic, all the Board and Committees meetings of the Company during the year under review were held through Video-Conferencing means.

During the year under review, the Board of Directors met six times, viz., 21 May 2020, 21 July 2020, 16 September 2020, 21 October 2020, 20 January 2021 and 16 March 2021. These meetings were scheduled well in advance and not more than one hundred and twenty days elapsed between any two meetings.

Attendance record of directors

Table 1: Composition of the Board and attendance of directors for FY2021

Name of director	Category	Relationship with other directors	Number of shares held by director as on 31 March 2021	Number of Board meetings attended during FY2021 (out of 6)	% attendance at Board meetings during last 3 years	Whether attended last AGM
Sanjiv Bajaj	Chairman & Managing Director, executive	Son of Rahul Bajaj and brother of Rajiv Bajaj	417,279	6	100.00	Yes
Madhur Bajaj	Non-executive	-	595,045	6	88.89	Yes
Rajiv Bajaj	Non-executive	Son of Rahul Bajaj and brother of Sanjiv Bajaj	115,318	5	83.33	Yes
D J Balaji Rao	Non-executive, independent	-	0	6	100.00	Yes
Dr. Gita Piramal	Non-executive, independent	-	0	6	100.00	Yes
Dr. Naushad Forbes	Non-executive, independent	-	0	6	94.44	Yes
Anami N Roy	Non-executive, independent	-	0	6	100.00	Yes
Manish Kejriwal	Non-executive	Son-in-law of Rahul Bajaj	0	6	78.57	Yes

Board diversity policy

In compliance with the provisions of SEBI Listing Regulations, the Board through its Nomination and Remuneration Committee (NRC) has devised a Policy on Board diversity. The Board comprises an adequate number of members with diverse experience and skills, such that it best serves the governance and strategic needs of the Company. The directors are persons of eminence in areas such as financial services, banking, business and operations, investment and treasury, education, marketing, taxation, finance, law, administration, research, etc. and bring with them experience/skills which add value to the performance of the Board. The directors are selected purely on the basis of merit with no discrimination on race, colour, religion, gender or nationality.

Brief resume of our eminent directors giving details on their qualifications and insights on aspects of diversity are placed on Company's website <https://www.bajajfinserv.in/about-us-board-of-directors>

Core Skills/expertise/competencies

As stipulated under Schedule V to SEBI Listing Regulations, core skills/expertise/competencies as required in the context of the business and sector for it to function effectively and those actually available with the Board have been identified by the Board of Directors.

As a green initiative, the chart/matrix of such core skills/expertise/competencies, along with the names of directors who possess such skills, is placed on the Company's website <https://www.bajajfinserv.in/miscellaneous>

Opinion of the Board

The Board hereby confirms that, in its opinion, the independent directors fulfil the conditions specified under SEBI Listing Regulations and the Act and are independent of the Management of the Company.

Non-executive directors' compensation

The members of the Company, vide a special resolution passed at the Annual General Meeting (AGM) of the Company held on 19 July 2017, have approved the payment of commission up to a sum not exceeding one percent of the net profit of the Company, calculated in accordance with the provisions of sections 197 and 198 of the Act, to the non-executive directors as may be decided by the Board of Directors at its discretion from time to time during the period of five years commencing from 1 April 2017.

In terms of the said approval and as approved by the Board at their meeting held on 12 March 2019, the non-executive directors of the Company are being paid commission at the rate of ₹ 150,000 per meeting of the Board and its Committees attended by them during FY2021, as a member, subject to overall ceiling of one percent of net profit. Further, the Board at their meeting held on 28 April 2021 has increased the commission at the rate of ₹ 200,000 with effect from 1 May 2021.

During the year under review, sitting fee of ₹ 100,000 per meeting was paid to non-executive directors (independent and non-independent) for every meeting of the Board and/or Committee of the Board (of which they are members) attended by them.

The Company believes that non-executive (including independent) directors' compensation must reflect the time, effort, attendance and participation in Board and Committee meetings. The payment which is proportionate to attendance ensures directors' remuneration is commensurate with their time, effort, attendance and participation.

The Company does not have a stock option programme for any of its directors.

Information placed before the Board

The Company believes that the Board should be transparently provided with all relevant information for the effective functioning of the Company. The Board is presented with relevant information on various matters related to the working of the Company, especially those that require deliberation at the highest level.

Presentations are also made to the Board by members of the senior management team/functional heads on important matters from time to time. Since the Company operates through its subsidiaries in diverse businesses, special presentations are made on specific businesses and/or topics as part of a familiarisation of directors with the businesses. Where required, the senior management team members of subsidiary companies are invited to make presentations on specific topics. Directors have separate and independent access to the officers of the Company. In addition to such items as are required to be placed before the Board for its noting and/or approval, information is provided on various other significant items as well.

During the year under review, presentations were made, among others, on the business by insurance subsidiaries, risk update by the consumer finance subsidiary, top risks of the Company and its material subsidiaries on half-yearly basis, comprehensive quarterly review on financial statements and investments for all subsidiaries, business performance updates by wholly owned subsidiaries, annual operating plans and budgets for subsidiaries, legal updates etc.

Pursuant to the various regulatory requirements and considering business needs, the Board is apprised on the following:

- Business plans, forecast and strategic initiatives for the Company and its subsidiaries.
- Capital expenditure and updates.
- Internal financial controls.
- Succession planning and organisation structure.
- Performance of subsidiaries.
- Status of compliance with Companies Act, 2013, SEBI Regulations and shareholder related matters.
- Risk management system, risk management policy and strategy followed.
- Compliance with corporate governance standards.
- Minutes of meetings of risk management and other board committees of the Company and its subsidiaries.

In terms of quality and importance, the information supplied by the Management to the Board of the Company is far ahead of the list mandated under regulation 17(7) read with Part A of Schedule II to SEBI Listing Regulations. The independent directors of the Company at their meetings held on 21 May 2020 and 16 March 2021 have expressed their satisfaction on the quality, quantity and timeliness of flow of information between the Company's Management and the Board.

With a view to leveraging technology and moving towards paperless systems for the preservation of the environment, the Company has, since several years, adopted a web-based application for transmitting Board/Committee meetings papers. The directors of the Company receive Board papers in electronic form through this secured application. The application meets high standards of security and integrity required for storage and transmission of Board/Committee papers in electronic form.

Directors & Officers liability insurance policy

The Company has in place a Directors & Officers Liability Insurance Policy which is renewed every year. It covers directors (including independent directors) of the Company and its subsidiaries. The Board is of opinion that the quantum and risk presently covered is adequate.

Orderly succession to Board and senior management

One of the key functions of the Board is of selecting, compensating, monitoring and, when necessary, replacing key managerial personnel and overseeing succession planning.

Pursuant to regulation 17(4) of SEBI Listing Regulations, the framework of succession planning for appointment of Board/Management is placed before the Board for its review.

Succession planning is a critical element of the Human Resources strategy at the Company. In selecting between a 'build versus buy' talent model, the Company places emphasis on building talent. This strategy is enabled by hiring most of our employees near the entry level and grooming them using a 'grow from within' career management framework.

Directorships and memberships of Board committees

Table 2: Number of directorships/committee positions of directors as on 31 March 2021 (including BFS)

Name of director	Directorships			Committee positions in listed and unlisted public limited companies	
	In equity listed companies	In unlisted public limited companies	In private limited companies	As Member (including as chairperson)	As chairperson
Sanjiv Bajaj	5	5*	9	7	0
Madhur Bajaj	5	0	4	0	0
Rajiv Bajaj	5	0	3	0	0
D J Balaji Rao	5	0	0	4	2
Dr. Gita Piramal	4	0	2	7	3
Dr. Naushad Forbes	5	0	9	6	1
Anami N Roy	6	3	2	5	2
Manish Kejriwal	3	1	1	6	0

*includes three BFS subsidiaries.

Notes: For the purpose of considering the limit of the committees in which a director can serve, all public limited companies, whether listed or not, have been included and all other companies including private limited companies, foreign companies and companies under section 8 of the Act, have been excluded. Only Audit Committee and Stakeholders' Relationship Committee are considered for the purpose of reckoning committee positions.

None of the directors holds office as a director, including as an alternate director, in more than twenty (20) companies at the same time. None of them has directorships in more than ten (10) public companies. For reckoning the limit of public companies, directorships of private companies that are either a holding or subsidiary company of a public company are included; and those in dormant companies are excluded. For the purpose of reckoning the directorships in listed companies, only equity listed companies have been considered.

As per the declarations received, no director serves as an independent director in more than seven (7) equity listed companies or in more than three (3) equity listed companies if he/she is a whole-time director in any listed company.

None of the directors serves as a member in more than ten (10) committees or a chairperson in more than five (5) committees across all public companies in which he/she is a director.

Notwithstanding the number of directorships, as given above, the outstanding attendance record and participation of the directors in Board/Committee meetings indicate their commitment and ability to devote adequate time to their responsibilities as the Company's fiduciaries.

Directorships in equity listed companies

Table 3: Name of equity listed entities where directors of the Company held directorships as on 31 March 2021

Name of director	Name of equity listed entities	Category of director
Sanjiv Bajaj	a) Bajaj Auto Ltd.	Non-executive
	b) Bajaj Finance Ltd.	Chairman, non-executive
	c) Bajaj Finserv Ltd.	Chairman & Managing Director, executive
	d) Bajaj Holdings & Investment Ltd.	Managing Director & CEO, executive
	e) Maharashtra Scooters Ltd.	Chairman, non-executive
Madhur Bajaj	a) Bajaj Auto Ltd.	Vice-Chairman, Non-executive
	b) Bajaj Finance Ltd.	Non-executive
	c) Bajaj Finserv Ltd.	
	d) Bajaj Holdings & Investment Ltd.	
	e) Bajaj Electricals Ltd.	
Rajiv Bajaj	a) Bajaj Auto Ltd.	Managing Director & CEO, executive
	b) Bajaj Finance Ltd.	Non-executive
	c) Bajaj Finserv Ltd.	
	d) Bajaj Holdings & Investment Ltd.	
	e) Bajaj Electricals Ltd.	
D J Balaji Rao	a) Bajaj Auto Ltd.	Non-executive, independent
	b) Bajaj Finance Ltd.	
	c) Bajaj Finserv Ltd.	
	d) Bajaj Holdings & Investment Ltd.	
	e) John Cockerill India Ltd.	
Dr. Gita Piramal	a) Bajaj Auto Ltd.	Non-executive, independent
	b) Bajaj Finance Ltd.	
	c) Bajaj Finserv Ltd.	
	d) Bajaj Holdings & Investment Ltd.	

	a) Bajaj Auto Ltd.	
	b) Bajaj Finance Ltd.	
Dr. Naushad Forbes	c) Bajaj Finserv Ltd.	Non-executive, independent
	d) Bajaj Holdings & Investment Ltd.	
	e) Zodiac Clothing Company Ltd.	
	a) Bajaj Auto Ltd.	
	b) Bajaj Finance Ltd.	
Anami N Roy	c) Bajaj Finserv Ltd.	Non-executive, independent
	d) Bajaj Holdings & Investment Ltd.	
	e) Glaxosmithkline Pharmaceuticals Ltd.	
	f) Finolex Industries Ltd.	
	a) Bajaj Finserv Ltd.	
Manish Kejriwal	b) Bajaj Holdings & Investment Ltd.	Non-executive
	c) Bharti Airtel Ltd.	Non-executive, independent

Certificate from Practising Company Secretary

The Company has received a certificate from Shyamprasad D Limaye, Practising Company Secretary, to the effect that none of the directors on the Board of the Company has been debarred or disqualified from being appointed or continuing as directors of the Company by the MCA or any other statutory authority. This certificate forms part of this Annual Report.

Review of legal compliance reports

During the year, the Board periodically reviewed compliance reports with respect to the various laws applicable to the Company, as prepared and placed before it by the Management.

Code of Conduct

Regulation 17(5) of SEBI Listing Regulations, requires listed companies to lay down a code of conduct for its directors and senior management, incorporating duties of directors as laid down in the Act. Accordingly, the Board at their meeting held on 10 September 2014 adopted a Code of Conduct for directors and Senior Management of the Company at www.bajajfinserv.in/miscellaneous-code-of-conduct.pdf

All the Board members and Senior Management personnel have affirmed compliance with the Code for the year ended 31 March 2021. A declaration to this effect signed by the Chairman & Managing Director forms part of this Annual Report.

Maximum tenure of independent directors

In terms of the Act, independent directors shall hold office for a term of up to five consecutive years on the Board of a company but shall be eligible for re-appointment on passing of a special resolution by the company and disclosure of such appointment in the Board's report. The maximum tenure of independent directors of the Company is in accordance with the Act and regulation 25(2) of SEBI Listing Regulations.

Formal letter of appointment to independent directors

The Company issues a formal letter of appointment/re-appointment to independent directors in the manner as provided in the Act. As per regulation 46(2) of SEBI Listing Regulations, the terms and conditions of appointment/re-appointment of independent directors are on the Company's website <https://www.bajajfinserv.in/policies-and-codes>

Performance evaluation

In terms of regulation 19(4) read with section A(2) of Part D of Schedule II to SEBI Listing Regulations, the Company has framed a Policy stipulating the criteria for evaluation of directors and the Board. In the light of SEBI's Guidance Note dated 5 January 2017 on Board Evaluation, the NRC and Board of Directors at their meeting held on 14 March 2017 revised the Policy containing criteria for performance evaluation. The same was reviewed by the Board at their meeting held on 21 May 2020. See <https://www.bajajfinserv.in/media/corporate/downloads/evaluation-criteria.pdf>

In view of the amendments to section 178(2) of the Act, the Board of Directors of the Company at their meeting held on 12 March 2018 had approved that the evaluation of the performance of the Board, its Committees, the Chairperson and individual directors would be carried out by the Board, while NRC would only review its implementation and compliance.

Pursuant to the provisions of the Act and SEBI Listing Regulations, the Board carried out an annual performance evaluation of its own performance, and that of its Committees, the Chairperson and individual directors. Other than Chairman of the Board and NRC, no other director has access to the individual ratings given by Directors. The manner in which formal annual evaluation of performance was carried out by the Board, for the year under review, is as under:

- The Company sent an email dated 2 February 2021 requesting the Directors to carry out annual performance evaluation, based on the aforesaid criteria, through the automated online survey module process deployed with a questionnaire-cum-rating sheets.
- From the individual rating sheets received from the Directors, a report on summary of the ratings and a consolidated report were generated in respect of the performance evaluation of the Board, its Committees, the Chairperson and individual directors.
- This consolidated report was noted and deliberated by the Board at their meeting held on 16 March 2021. Directors were individually communicated of their respective rating by the Chairman & Managing Director of the Company.
- The NRC reviewed the implementation and compliance of the performance evaluation at their meeting held on 16 March 2021.

Based on the report and evaluation, the Board and NRC at their meetings held on 16 March 2021, determined as required under law that the appointment of all independent directors may continue.

- Details on the evaluation of the Board, the non-independent directors and the Chairperson of the Company as carried out by the independent directors at their meeting held on 16 March 2021 have been furnished in a separate para elsewhere in this Report.
- The criteria and process followed by the Company were reviewed by the NRC and the Board on 21 May 2020 and were found satisfactory.

Remuneration Policy

The Board, on the recommendation of the NRC has framed a Remuneration Policy. This Policy, *inter alia*, provides (a) criteria for determining qualifications, positive attributes and independence of directors, (b) a policy on remuneration for directors, key managerial personnel and other employees, and (c) details of the Employee Stock Option Scheme.

The Policy is directed towards a compensation philosophy and structure that will reward and retain talent and provides for a balance between fixed and incentive pay, reflecting short-term and long-term performance objectives appropriate to the working of the Company and its goals. This Remuneration Policy is placed on the Company's website

<https://www.bajajfinserv.in/remuneration-policy-21.pdf>

Familiarisation programmes

To familiarise the Independent Directors with the 'Company's operations, as required under regulation 25(7) of SEBI Listing Regulations, the Company on an ongoing basis endeavours to keep the Board (including independent directors) abreast relating to the industry in which Company operates, business models, risk metrics, mitigation and management, governing regulations, information technology including cyber security, their roles, rights and responsibilities and major developments and updates regarding the Company and group, etc.

During the year review, the directors were updated extensively on the following through presentations at the Board meetings:

- a) Impact of COVID-19, risks arising out of it and countermeasures for the Company and its subsidiaries;
- b) Regulatory changes having a bearing on industry and Company's and its subsidiaries business model.

The details of familiarisation programmes are placed on Company's website https://www.bajajfinserv.in/familiarisation-programme_for-independent-directors-02012021-converted.pdf.pdf

Whistle Blower Policy/Vigil Mechanism

Pursuant to section 177(9) of the Act and regulation 22 of SEBI Listing Regulations, the Company has framed its Whistle Blower Policy. Further, in terms of SEBI (Prohibition of Insider Trading) Regulations, 2015, as amended, the Board at their meeting held on 12 March 2019 amended the existing Whistle Blower Policy.

The Whistle Blower Policy/Vigil Mechanism provides a mechanism for the directors or employees to report, without fear of victimisation, any unethical behaviour, suspected or actual fraud, violation of the Company's code of conduct, instances of leak or suspected leak of unpublished price sensitive information, etc. which are detrimental to the organisation's interest. The mechanism protects the whistle blower from any kind of discrimination, harassment, victimisation or any other unfair employment practice. The directors in all cases and employees in appropriate or exceptional cases have direct access to the Chairman of the Audit Committee. The Company affirms that no employee has been denied access to the Audit Committee. There was no case reported during the year under review.

The said policy has been communicated to the employees within the organisation and is placed on the Company's website <https://www.bajajfinserv.in/media/corporate/downloads/whistle-blower-policy-website.pdf>

Subsidiary companies

The Company has Bajaj Finance Ltd., Bajaj Allianz Life Insurance Company Ltd., Bajaj Allianz General Insurance Company Ltd. and Bajaj Housing Finance Ltd. as its 'material subsidiaries' as prescribed under regulation 16(1)(c) of SEBI Listing Regulations. The Company has two wholly owned subsidiaries viz., Bajaj Finserv Direct Ltd. and Bajaj Finserv Health Ltd. The Company also has Bajaj Financial Securities Ltd. as its subsidiary which is a wholly owned subsidiary of Bajaj Finance Ltd. Details of the subsidiaries, including their performance, business, etc. is given in the [Directors' Report](#) and the consolidated financial statements. These material subsidiaries have eminent and professional Board of Directors comprising of highly qualified persons. Brief profile of these directors is placed on Company's website www.bajajfinserv.in

A policy on 'material subsidiaries' in terms of regulation 16(1)(c) of SEBI Listing Regulations, as approved by the Board of Directors at their meeting held on 12 March 2019 is placed on www.bajajfinserv.in/policy-for-material-subsidiaries-13march.pdf

During the year under review, the Audit Committee reviewed the financial statements of and, in particular, the investments made by each of its unlisted subsidiary companies, to the extent applicable. Minutes of the Board meetings of these subsidiary companies were regularly placed before the Board of the Company along with a statement of significant transactions and arrangements entered into by these subsidiary companies, as applicable. Provisions under regulation 24 and 24A of SEBI Listing Regulations, with reference to the subsidiary companies were duly complied, to the extent applicable.

Related party transactions

All related party transactions (RPTs) entered into by the Company during the year under review, were on arm's length basis and in the ordinary course of business, did not attract provisions of section 188 of the Act and were also not material RPTs under regulation 23 of SEBI Listing Regulations.

During the year under review, as required under section 177 of the Act and regulation 23 of SEBI Listing Regulations, all RPTs were entered with the approval of the Audit Committee. Details of such transactions were placed before the Audit Committee for noting/review, on a quarterly basis.

A statement showing the disclosure of transactions with related parties as required under Indian Accounting Standard 24 (Ind AS 24) including transaction with promoter/promoter group holding 10% or more in the Company is set out separately in this [Annual Report](#).

Pursuant to regulation 23(9) of SEBI Listing Regulations, disclosures of RPTs on a consolidated basis are submitted to the stock exchanges on a half-yearly basis and published on the Company's website <https://www.bajajfinserv.in/finserv-shareholder-download>

There were no material transactions entered into with related parties, during the period under review which may have had any potential conflict with the interests of the Company at large.

The Policy on materiality of RPTs stipulating the threshold limits and also on dealing with RPTs which was approved by the Board at their meeting held on 12 March 2019 has been placed on the Company's website <https://www.bajajfinserv.in/miscellaneous-terms-of-reference-for-audit-committee>

Disclosures

Suitable disclosures have been made in the financial statements, together with the management's explanation in the event of any treatment being different from that prescribed in Ind AS.

Audit Committee

The Company had set up its Audit Committee on 30 January 2008 under erstwhile Companies Act, 1956 and clause 49 of erstwhile Listing Agreement. It is to be noted that though the Act and SEBI Listing Regulations, require a minimum of three members in the Audit Committee, the Company, by way of good corporate governance, has an additional independent director as a member – making an independent directors' majority of 75%. Pre-audit meetings are held where the Chairman of the Audit Committee thoroughly reviews, along with Management, the observations of the internal and statutory auditors.

Out of four, three members including the Chairman are independent directors. All members of the Audit Committee are non-executive directors and are 'financially literate' as required under the provisions of the Act and regulation 18(1)(c) of SEBI Listing Regulations. Moreover, the Chairman and members of the Audit Committee have accounting or related financial management expertise.

The terms of reference of this Committee are in accordance with the Act and SEBI Listing Regulations. These broadly include oversight of the Company's financial reporting process and disclosure of its financial information, review of financial statements, review of compliances and review of systems and controls, approval or any subsequent modification of transactions with related parties, review of compliance with SEBI (Prohibition of Insider Trading) Regulations, 2015, as amended. The terms of reference for this Committee are placed on Company's website <https://www.bajajfinserv.in/miscellaneous-terms-of-reference-for-audit-committee>

Meetings and attendance

During the year under review, the Audit Committee met four times, viz., 21 May 2020, 21 July 2020, 21 October 2020 and 20 January 2021. These meetings were scheduled well in advance and not more than one hundred and twenty days elapsed between any two meetings.

In addition to the members of the Audit Committee, these meetings were attended by the Chief Financial Officer, internal audit functionaries, the cost auditor and the statutory auditors of the Company as well as such executives who were considered necessary for providing inputs to the Committee. During the year, the Board has accepted all recommendations of this Committee.

Table 4: Composition of the Audit Committee and attendance record of members for FY2021

Name of director	Category	Number of meetings attended (out of 4)	% attendance at meetings during last 3 years
Dr. Naushad Forbes	Chairman, non-executive and independent	4	100.00
D J Balaji Rao	Non-executive, independent	4	
Dr. Gita Piramal	Non-executive, independent	4	
Manish Kejriwal	Non-executive	4	

Sonal R Tiwari, the Company Secretary acted as the secretary to this Committee.

Pursuant to the terms of reference, the Audit Committee, *inter alia*, discussed and deliberated on the financial results, appointment/re-appointment and remuneration of statutory auditors, review of internal audit functions, review and approval of related party transactions including granting of omnibus approval for the proposed transactions, review of investment related reports of the Company, review of utilisation of loans and/or advances from/investment by the holding company in its subsidiaries, etc.

Dr. Naushad Forbes, Chairman of the Audit Committee, was present to answer shareholders' queries at the AGM held on 21 July 2020.

Nomination and Remuneration Committee

Bajaj Finserv constituted the NRC of the Board on 30 January 2008. The Committee reviews the remuneration of the Senior Management team and also acts as the Compensation Committee for implementation of the Bajaj Finserv Ltd. Employee Stock Option Scheme 2018 (BFS-ESOS) of the Company. The terms of reference of the Committee, *inter alia*, includes formulation of criteria for determining qualifications, positive attributes and independence of a director, recommendation of persons to be appointed to the Board and Senior Management and specifying the manner for effective evaluation of performance of Board, its Committees, Chairperson and individual directors, recommendation of Remuneration Policy for directors, key managerial personnel and other employees, formulation of criteria for evaluation of performance of independent directors and the Board, review of remuneration of senior management team, devising a Policy on Board diversity, etc. The terms of reference are placed on Company's website <https://www.bajajfinserv.in/miscellaneous-terms-of-reference-for-nomination-and-remuneration-committee>

During the year under review, the Committee met three times, viz., 21 May 2020, 16 September 2020 and 16 March 2021. The Board of Directors at their meeting held on 28 April 2021 re-constituted this Committee for induction of Sanjiv Bajaj as member with effect from 28 April 2021. During the year, the Board has accepted all recommendations of this Committee.

Table 5: Composition of the Nomination and Remuneration Committee and attendance record of members for FY2021

Name of director	Category	Number of Meetings attended (out of 3)
D J Balaji Rao	Chairman, non-executive, independent	3
Dr. Gita Piramal	Non-executive, independent	3
Manish Kejriwal	Non-executive	3

Sonal R Tiwari, the Company Secretary acted as the secretary to this Committee.

D J Balaji Rao, Chairman of NRC was present to answer shareholders' queries at the AGM held on 21 July 2020.

Risk Management Committee

As per the RBI guidelines on corporate governance, the Board of Directors of the Company had constituted a Risk Management Committee in 2010. Subsequently, SEBI, through its circular dated 15 September 2014, revised clause 49 of the erstwhile Listing Agreement making a risk management committee applicable to the top 100 listed companies by market capitalisation. The Board at their meeting held on 14 October 2014 reconstituted the Risk Management Committee.

The terms of reference of the Committee, *inter alia*, includes managing the integrated risk, laying down procedures to inform Board about risk assessment and minimisation procedures in the Company, framing, implementing and monitoring the risk management plan for the Company including cyber security and performing such other functions as the Board may deem fit from time to time. The terms of reference for this Committee are placed on Company's website <https://www.bajajfinserv.in/terms-of-reference-for-risk-management-committee>

During the year under review, the Committee met thrice, viz., 21 May 2020, 21 October 2020 and 16 March 2021.

Table 6: Composition of the Risk Management Committee and attendance record of members for FY2021

Name of member	Category	No. of meetings attended (out of 3)
Dr. Naushad Forbes	Chairman, non-executive, independent	3
Sanjiv Bajaj	Chairman & Managing Director, executive	3
Anish Amin	President (Group Assurance, Risk and M & A)	3

Sonal R Tiwari, the Company Secretary acted as the Secretary to this Committee.

At these meetings, the top risks for the Company and its material subsidiaries were discussed. Since the risk substantially remains with the subsidiaries, periodically certain relevant risk aspects of select subsidiaries are presented and discussed. During the year, aspects of risk pertaining to the insurance subsidiary, viz., Bajaj Allianz Life Insurance Company Ltd. and for consumer finance subsidiary viz., Bajaj Finance Ltd., such as credit risk, liquidity risk, cyber risk, technology risk and human resources risk, etc. were discussed at length.

The Company has a Risk Management framework duly approved by its Board. The Committee and Board have laid down procedures to inform it of the Company's risk assessment and minimisation procedures. These are periodically reviewed by this Committee and Board to ensure that the Management identifies and controls risk through a properly defined framework.

During the year under review, the Company did not trade in or have any exposure in the commodities market.

Stakeholders Relationship Committee

The Board of Directors of the Company constituted its Stakeholders Relationship Committee at their meeting held on 30 January 2008.

The terms of reference of this Committee, *inter alia*, includes review of measures taken for effective exercise of voting rights by shareholders, review of adherence to the service standards in respect of various services rendered by the share transfer agent and to look into grievances of shareholders of the Company. These terms of reference are placed on Company's website <https://www.bajajfinserv.in/miscellaneous-terms-of-reference-for-stakeholders-relationship-committee>

During the year under review, the Committee met once on 20 January 2021.

Table 7: Composition of the Stakeholders Relationship Committee and attendance record of members for FY2021

Name of director	Category	Attendance at the meeting held on 20 January 2021
Dr. Gita Piramal	Chairperson, non-executive, independent	Yes
Sanjiv Bajaj	Chairman & Managing Director, executive	Yes
Dr. Naushad Forbes	Non-executive, independent	Yes

Sonal R Tiwari, Company Secretary and the Compliance Officer, acted as the secretary to this Committee. The secretarial auditor was also present.

During the year under review, the Committee, *inter alia*, reviewed the status of investors' services rendered, apprised itself of the major developments on matters relating to better investors services and relations. Few members of this Committee met senior executives of KFin Technologies Pvt. Ltd. and deliberated on facilitating better service standards and operations for investors. The Committee expressed its satisfaction on the overall status of compliances and actions taken on various investors related matters.

Dr. Gita Piramal, Chairperson of the Stakeholders Relationship Committee, was present to answer shareholders' queries at the AGM held on 21 July 2020.

Table 8: Investors' complaints attended and resolved during FY2021

Particulars	Number of investors' complaints attended/resolved
Number of complaints outstanding at the beginning of the year	Nil
Number of complaints received	2
Number of complaints resolved	2
Number of complaints pending/not solved to the satisfaction of shareholder as at the end of the year	Nil

Pursuant to regulation 39(4) of SEBI Listing Regulations, for dealing with physical unclaimed shares, the Company has a demat account with HDFC Bank titled 'Bajaj Finserv Ltd.-Unclaimed Suspense Account', to which all the unclaimed shares stand transferred. More details on this subject and on shareholders' related matters have been furnished in the chapter on 'General Shareholder Information'.

Duplicate Share Certificate Issuance Committee

To meet the requirements of section 46 of the Act, read with rule 6 of the Companies (Share Capital and Debentures) Rules, 2014 and regulation 39 of SEBI Listing Regulations, the Board of Directors, constituted a Duplicate Share Certificate Issuance Committee to approve issuing of duplicate share certificate in lieu of original share certificate(s) that were lost or misplaced.

Table 9: Composition of the Duplicate Share Certificate Issuance Committee and attendance record of members for FY2021

Name of director	Category	Attendance at the meeting held on 20 January 2021
Sanjiv Bajaj	Chairman & Managing Director, executive	Yes
Rajiv Bajaj	Non-executive	Yes
Manish Kejriwal	Non-executive	No

During the year under review, the Committee, *inter alia*, issued duplicate share certificates in respect of 13,055 (previous year 16,037) equity shares.

Independent directors' meeting

During the year, in compliance with Schedule IV to the Act and regulation 25(3) of SEBI Listing Regulations, the independent directors held their separate meeting on 16 March 2021, without the attendance of non-independent directors and members of the Management, *inter alia*, for the following:

- Noting of the report of Performance Evaluation of Board and Committees for FY2021 from Chairman & Managing Director of the Company
- Review of the performance of non-independent directors and the Board.
- Review of the performance of the Chairman of the Company.
- Assess the quality, quantity and timeliness of flow of information to the Board.
- Noting of the organisation chart of the Company.

The independent directors present elected Dr. Gita Piramal as the Chairperson for the meeting, deliberated on the above and expressed their satisfaction on all matters. All independent directors were present at the meeting.

Remuneration of directors

Pecuniary relationship/transaction with non-executive directors

During the year under review, there were no pecuniary relationship/transactions of any non-executive directors with the Company, apart from remuneration as directors.

Criteria of making payments to non-executive directors

Non-executive directors of the Company play a crucial role in the independent functioning of the Board. They bring in an external perspective to decision-making and provide leadership and strategic guidance while maintaining objective judgment. They also oversee the corporate governance framework of the Company.

The Remuneration Policy, *inter alia*, disclosing the criteria of making payments to non-executive directors, key managerial personnel and employees is placed on the Company's website <https://www.bajajfinserv.in/remuneration-policy-21.pdf>

Non-executive directors

All non-executive directors are paid sitting fees and commission as per the details provided in the Form MGT-7 (annual return) as placed on the Company's website <https://www.bajajfinserv.in/finserv-shareholder-download>

Chairman & Managing Director

During the year under review, the Company has paid remuneration to Sanjiv Bajaj, Chairman & Managing Director of the Company, as provided in Form MGT-7 (annual return) as placed on the Company's website <https://www.bajajfinserv.in/finserv-shareholder-download>

The tenure of Sanjiv Bajaj, Chairman & Managing Director of the Company is for a period of five years up to 31 March 2022 and is governed by a service contract for a period of five years up to 31 March 2022 and notice period is of ninety days and is in compliance with the applicable provisions of the Act. Salary and perquisites include all elements of remuneration i.e., salary, allowances and benefits. No bonus, pension and performance linked incentive is paid. The Company has not issued any stock options. He is entitled to superannuation benefits payable in the form of an annuity from an approved life insurance company, which forms part of the perquisites allowed to him.

Pursuant to section 197(14) of the Act, Sanjiv Bajaj, Chairman & Managing Director of the Company, who is also the non-executive, Chairman of Bajaj Finance Ltd. (BFL) has been paid sitting fees of ₹ 18 lakh (previous year ₹ 16 lakh) and is being given commission of ₹ 36 lakh (previous year ₹ 32 lakh) from subsidiary, BFL for FY2021, in the same manner as is done for the other non-executive directors of BFL. As non-executive director of Bajaj Housing Finance Ltd. (BHFL), he has been paid sitting fee of ₹ 7 lakh (previous year ₹ 5.50 lakh) for FY2021. For all other subsidiaries, it is nil.

Details of remuneration to directors

The Company has adopted the Bajaj Finserv Ltd. Employee Stock Option Scheme 2018 (BFS-ESOS) for the benefit of the permanent employees and/or directors of the Company and/or its holding (if any, in future) and subsidiary company(ies), but excluding independent directors and any employee being a promoter or belonging to the promoter group. Further disclosures on BFS-ESOS are placed on Company's website <https://www.bajajfinserv.in/miscellaneous>

The Company has not granted stock options to any of its directors and hence, it does not form part of the remuneration package payable to any executive and/or non-executive director. During the year under review, none of the directors, were paid any performance-linked incentive and the Company did not advance any loans to any of the non-executive directors and/or Managing Director.

Management

Management discussion and analysis

This is given as a separate chapter in the Annual Report.

Disclosure of material transactions

Under regulation 26(5) of SEBI Listing Regulations, senior management is required to make disclosures to the Board relating to all material financial and commercial transactions where they had or were deemed to have had personal interest that might have been in potential conflict with the interest of the Company. As per the disclosure submitted by Senior Management, there were no such transactions during FY2021.

Compliances regarding insider trading

Pursuant to SEBI (Prohibition of Insider Trading) Regulations, 2015, as amended, (SEBI PIT Regulations) the Company has a Board approved Code of Conduct to Regulate, Monitor and Report Trading by insiders ('Code of Conduct'), a Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information ('Code of Fair Disclosure') and Institutional mechanism for prevention of insider trading.

During the year under the review, the Board at their meeting held on 21 October 2020 revised the Code of Conduct in line with the amended SEBI PIT Regulations. Wherever non-compliances by the employees concerned were observed, penalties were levied and the amount were remitted to the stipulated Fund. The Company also, by means of periodic communications, makes the designated employees conversant with the important obligations under the insider trading regulations. The status of compliance with SEBI PIT Regulations are reviewed by Audit Committee and Board on a periodic basis.

Means of communication

Quarterly, half-yearly, and annual financial results and other public notices issued for the shareholders of Company are published in numerous leading dailies, such as Financial Express, Business Standard, Sakal and Kesari. The Company also issues official press releases. The Company also sends its half-yearly financial results, along with a detailed write-up, to all members.

The Company's website <https://www.bajajfinserv.in/corporate-bajaj-finserv#1500935942318> contains all important public domain information including financial results, various policies framed by the Board of Directors, schedule and transcripts of earnings call with investors, various notices/matters concerning the shareholders, presentations made to the media, analysts and institutional investors, etc.

This website contains information as prescribed under the Act and SEBI Listing Regulations, including all financial and other vital official news releases communicated to the BSE Ltd. (BSE) and National Stock Exchange of India Ltd.(NSE), details of the corporate contact persons and share transfer agent of the Company, shareholding pattern, etc. The Company promptly discloses material events or information to BSE and NSE, which are also placed on Company's website.

Sections 20 and 136 of the Act read with Companies (Accounts) Rules, 2014, permit companies to service delivery of documents electronically at the registered email address of members. During the year under review, the Company sent documents, such as Notice calling the annual general meeting, audited financial statements, Directors' Report, Auditors' Report, credit of dividend intimation letters, etc. in electronic form to the email addresses provided by the members as made available by them to the Company through the depositories.

Information on general body meetings and details of special resolution(s) passed

During the preceding three years, the AGMs of the Company were held at the registered office, i.e. at the Bajaj Auto Ltd. Complex, Mumbai-Pune Road, Akurdi, Pune 411 035 on the following dates and time; and the following special resolutions were passed:

Details of AGM	Date and time of AGM	Details of Special Resolution(s) passed at the AGMs, if any	Voting percentage of shareholders participated		
			Particulars	% Favour	% Against
11th AGM	19 July 2018 at 4.15 p.m.	i. Approval for the Bajaj Finserv Ltd. Employee Stock Option Scheme;	All shareholders	99.55	0.45
			Non-promoter category	98.17	1.83
		ii. Issue and allotment of equity shares to employees of holding and subsidiary company(ies) under the Bajaj Finserv Ltd. Employee Stock Option Scheme; and	Particulars	% Favour	% Against
			All shareholders	99.56	0.44
			Non-promoter category	98.20	1.80
		iii. Approval of acquisition of equity shares from secondary market for implementation of Bajaj Finserv Ltd. Employee Stock Option Scheme to the employees of the Company and that of the employees of holding and subsidiary companies.	Particulars	% Favour	% Against
			All shareholders	99.54	0.46
			Non-promoter category	98.16	1.84
12th AGM	25 July 2019 at 4.15 p.m.	i. Re-appointment of Nanoo Gobindram Pamnani as an independent director of the Company for a second term of five consecutive years with effect from 1 April 2019;	Particulars	% Favour	% Against
			All shareholders	98.57	1.43
			Non-promoter category	93.58	6.42
		ii. Re-appointment of Balaji Rao Jagannathrao Doveton as an independent director of the Company for a second term of five consecutive years with effect from 1 April 2019;	Particulars	% Favour	% Against
			All shareholders	98.70	1.30
			Non-promoter category	94.13	5.87
		iii. Re-appointment of Dr. Gita Piramal as an independent director of the Company for a second term of five consecutive years with effect from 16 July 2019;	Particulars	% Favour	% Against
			All shareholders	99.86	0.14
			Non-promoter category	99.35	0.65
		iv. Continuation of Rahulkumar Kamalnayan Bajaj as a non-executive and non-independent director of the Company from 1 April 2019 to 16 May 2019; and	Particulars	% Favour	% Against
			All shareholders	99.98	0.02
			Non-promoter category	99.90	0.10

Details of AGM	Date and time of AGM	Details of Special Resolution(s) passed at the AGMs, if any	Voting percentage of shareholders participated		
			Particulars	% Favour	% Against
		v. Approval relating to payment of remuneration to Sanjivnayan Rahulkumar Bajaj, Managing Director & CEO of the Company.	All shareholders	94.18	5.82
			Non-promoter category	73.82	26.18
13th e-AGM	21 July 2020 at 4.15 p.m.	Nil	Not Applicable		

It can be seen from the above, all resolutions proposed by the Board have been passed with overwhelming majority by the shareholders. The percentage of votes in favour, when reckoned to the exclusion of promoters/promoter group category is majorly with overwhelming majority.

The shareholders who participated at the last e-AGM sought clarifications on wide-ranging subjects such as retail financing segment, cash flow, life and general insurance segment reporting, dividend payouts, plan for layoff of employees due to COVID-19 situation, impact of pandemic on businesses, cost of virtual AGM, new digital initiatives, contribution to PM CARES Fund, cost of borrowings, etc.

Special resolutions passed through postal ballot

During the year under review, no special resolution was passed by way of postal ballot.

Details of capital market non-compliance, if any

No penalty or stricture has been imposed on the Company by any stock exchange, SEBI or any statutory authority on any matter related to capital markets during the last three years.

Compliance certificate

The Chairman & Managing Director and CFO have certified to the Board with regard to the financial statements and other matters as required under regulation 17(8) read with Part B of Schedule II to SEBI Listing Regulations.

Report on corporate governance

This chapter, read together with the information given in the 'Directors' Report' and the chapters on 'Management Discussion and Analysis' and 'General Shareholder Information', constitute the compliance report on corporate governance for FY2021.

The Company has been regularly submitting the quarterly compliance report to the stock exchanges, as required under regulation 27(2) of SEBI Listing Regulations.

Auditors' certificate on corporate governance

The Company has obtained a certificate from its statutory auditor regarding compliance with the provisions relating to corporate governance laid down in Part E of Schedule V to SEBI Listing Regulations. This is annexed to the [Directors' Report](#).

Statutory Auditors

S R B C & CO LLP are the Statutory Auditors of the Company. Total fees paid by the Company and its subsidiaries, on a consolidated basis, to their respective statutory auditors including all entities in their network firm/entity of which they are a part are as follows:

Particulars	Total amount in ₹
Fees as Statutory Auditors	
Audit Fees including Limited Review Fees	17,570,000
Certificates etc.	3,111,900
Out of Pocket Expenses	431,321
Sub-Total [A]	21,113,221
Fees for other services	
Tax Audit	820,000
Others	16,685,908
Sub-Total [B]	17,505,908
Total [A+B]	38,619,129

Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

During the year under review, the Company has not received any complaint under this Act.

Compliance of mandatory and discretionary requirements

Mandatory

The Company has complied with all the mandatory requirements of SEBI Listing Regulations.

Discretionary

The Company has also complied with the discretionary requirements as under:

A. The Board

Since the Company has an executive Chairman, the requirement to maintain a non-executive chairperson's office at the company's expense and allowing reimbursement of expenses in performance of his duties is not applicable.

B. Shareholder rights

A half-yearly declaration of financial performance including summary of significant events in the preceding six months is sent to each household of shareholders.

C. Modified opinion(s) in audit report

The Company confirms that its financial statements are with unmodified audit opinion.

D. Reporting of internal auditor

The internal auditor reports directly to the Audit Committee.

GENERAL SHAREHOLDER INFORMATION

14th Annual General Meeting (AGM)

Day and Date	Wednesday, 21 July 2021
Time	12.15 p.m.
Venue/Mode	The Company is conducting meeting through Video Conferencing ('VC')/Other Audio-Visual Means ('OAVM')
Financial Year	1 April 2020 to 31 March 2021

The Ministry of Corporate Affairs (MCA) through its circulars dated 8 April 2020, 13 April 2020, 5 May 2020 and 13 January 2021, read with SEBI circulars dated 12 May 2020 and 15 January 2021, have provided an option to companies to conduct AGM during the calendar year 2021 through 'VC or OAVM' and send financial statements (including Board's report, Auditors' Report and other documents to be attached therewith) through email.

Accordingly, the Annual Report of the Company for FY2021 along with the [Notice of AGM](#) are being sent by email to the members and all other persons/entities entitled to receive the same. As stated above, 14th AGM of the Company will be convened through VC or OAVM.

Financial calendar

Approval of audited annual results for the year ending 31 March	April/early May
Mailing of Annual Reports	June
Annual General Meeting	July
Unaudited first quarter financial results	July
Unaudited second quarter financial results	October
Unaudited third quarter financial results	January/early February

Share transfer agent

In terms of regulation 7 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI Listing Regulations'), KFin Technologies Pvt. Ltd. ('KFin') continues to be the share transfer agent and handle all relevant share registry services.

All physical transfers (to the extent permitted), transmission, transposition, issue of duplicate share certificate(s), issue of demand drafts in lieu of dividend warrants, etc., as well as requests for dematerialisation/rematerialisation are processed at KFin. Work related to dematerialisation/rematerialisation is handled by KFin through connectivity with NSDL and CDSL.

Dates of book closure

The register of members and share transfer books of the Company will remain closed from Saturday, 10 July 2021 to Wednesday, 21 July 2021 (both days inclusive) for the purpose of payment of dividend.

Dividend and date of payment

The Board of Directors of the Company has recommended a dividend of ₹ 3 per equity share (60%) of face value of ₹ 5 each for the year 2020-21, subject to approval by shareholders at the ensuing AGM, as against ₹ 5 per equity share (100%) for the previous year.

Dividend on equity shares, if declared, at the AGM, will be credited/dispatched between Monday, 26 July 2021 and/or Tuesday, 27 July 2021, as under:

- (a) to all those members holding shares in physical form, as per the details provided to the Company by the share transfer agent of the Company, i.e. KFin, as on closing hours on Friday, 9 July 2021; and
- (b) to all those beneficial owners holding shares in electronic form as per beneficial ownership details provided to the Company by National Securities Depository Ltd. and Central Depository Services (India) Ltd., as of the end of the day on Friday, 9 July 2021.

Payment of dividend

SEBI Listing Regulations read with SEBI circular dated 20 April 2018, require companies to use any electronic mode of payment approved by the Reserve Bank of India (RBI) for making payment to shareholders. Accordingly, dividend, if declared in ensuing AGM, will be paid through electronic mode, where the bank account details of the shareholders are available. Where the dividend is paid through electronic mode, intimation regarding such remittance would be sent separately to the shareholders. In cases where the dividend cannot be paid through electronic mode, it will be paid by account payee/non-negotiable instruments/warrants with bank account details printed thereon. In case of non-availability of bank account details, address of the members will be printed on such payment instruments.

Pursuant to the circular mentioned above, the Company has written to members holding shares in physical form requesting them to furnish details regarding their PAN and bank details for payment of dividend through electronic mode. Those members who are yet to respond to the Company's appeal in this regard are again requested to take action in the matter at the earliest.

To enable payment of dividend for the year 2020-21 through electronic mode, members holding shares in physical form are requested to furnish updated particulars of their bank account to KFin along with a photocopy of a cancelled cheque of the bank account and self-attested copy of PAN card before 9 July 2021. Members holding shares in electronic form are requested to furnish their bank account details to their respective depository participants and ensure that such changes are recorded by them.

Tax deducted at source on dividend

As per the amended Income Tax Act, 1961, there will be no Dividend Distribution Tax payable by the Company. The dividend, if declared will be taxable in hands of the shareholders. For details, members are requested to refer to the [Notice of AGM](#).

Unclaimed dividends

As per section 124(5) of the Companies Act, 2013 (the 'Act'), any money transferred by the Company to the unpaid dividend account and remaining unclaimed for a period of seven years from the date of such transfer shall be transferred to the Investor Education and Protection Fund (the 'Fund') set up by the Central Government. Accordingly, the unpaid/unclaimed dividend for the financial year 2007-08 to 2012-13 has already been transferred by the Company to the said Fund from September 2015 onwards.

Unpaid/unclaimed dividend for the year 2013-14 shall be due for transfer to the Fund in August 2021. Members are requested to verify their records and send their claim, if any, for 2013-14, before such amounts become due for transfer. Communications are being sent to members who have not yet claimed dividend for 2013-14, requesting them to claim the same as well as unpaid dividend, if any, for subsequent years.

The followings are the details of unclaimed dividends which are due to be transferred to the Fund in the coming years including current year. Once again, members who have not claimed the dividends till date are requested to verify their records and send their claim, if any, before the same becomes due for transfer to IEPF:

Year	Dividend type	Date of declaration	Last date for claiming dividend	Due date for transfer to IEPF
2013-2014	Final	16 July 2014	15 August 2021	14 September 2021
2014-2015	Final	22 July 2015	21 August 2022	20 September 2022
2015-2016	Interim (confirmed as Final)	20 March 2016	19 April 2023	19 May 2023
2016-2017	Final	19 July 2017	18 August 2024	17 September 2024
2017-2018	Final	19 July 2018	18 August 2025	17 September 2025
2018-2019	Final	25 July 2019	24 August 2026	23 September 2026
2019-2020	Interim (confirmed as Final)	9 March 2020	7 April 2027	7 May 2027

The Company has uploaded the details of unclaimed dividend on the Company's website <https://www.bajajfinserv.in/investor-relations-unclaimed--dividend> and also on website specified by the Ministry of Corporate Affairs <http://www.iepf.gov.in/IEPF/services.html>

Transfer of shares to IEPF

Pursuant to section 124(6) of the Act and Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, as amended (the 'IEPF Rules'), all shares in respect of which dividend has not been paid or claimed for seven consecutive years or more shall be transferred by the Company to the demat account of the IEPF Authority within thirty (30) days of expiry of said seven (7) years. The Company takes various steps to reach out to shareholders through emails and phone calls whose shares are liable to be transferred to IEPF. The Company will send individual letters through ordinary/speed post/email to such shareholders whose dividend from the year 2013-14 has remained unclaimed, requesting them to claim the amount of unpaid dividend, before the Company transfers the related shares to the demat account of IEPF Authority. The Company will publish a notice in newspapers intimating the members regarding the said transfer. These details are also made available on the Company's website <https://www.bajajfinserv.in/investor-relations-unclaimed--dividend>

During the year under review, the Company transferred 3,253 (previous year 55,506) equity shares of face value of ₹ 5 each relating to 26 shareholders (previous year 94) to the demat account of the IEPF Authority held with NSDL. Details of such shareholders, whose shares are transferred to IEPF and their unpaid dividends for subsequent years are available on the Company's website <https://www.bajajfinserv.in/investor-relations-unclaimed--dividend>

Shareholders can claim such unpaid dividends and underlying shares transferred to the Fund by following the procedure prescribed in the IEPF Rules. A link to the procedure to claim is available on the Company's website <https://www.bajajfinserv.in/investor-relations-unclaimed--dividend>. Shareholders are requested to get in touch with the nodal officer for further details on the subject at investors@bajajfinserv.in

Share transfer system

SEBI's amended regulation 40 of SEBI Listing Regulations, prohibits the transfer of securities (except transmission or transposition of shares) in physical form from 1 April 2019. Accordingly, the Company has sent letters to members holding shares in physical form advising them to de-materialise their holdings. During the year 2020-21, no shares were transferred in the physical form except for those for whom the transfer deed was lodged prior to 1 April 2019 and were returned due to deficiencies in the document, and thus re-lodged after 1 April 2019.

Further, SEBI through its circular has fixed 31 March 2021 as the cut-off date for re-lodgment after and has provided that such transferred shares shall be issued only in demat mode and issued operational guidelines for effecting demat to the transferee's account.

Share transfers received by KFin/Company are registered within 15 days from the date of receipt, provided the documents are complete in all respects. The total number of shares transferred in the physical category during 2020-21 was 29,317 versus 66,137 during 2019-20. Such details were placed before the Board of Directors on a quarterly basis.

Dematerialisation/rematerialisation of shares and liquidity

During the year 2020-21, 28,377 shares were dematerialised, compared to 186,015 shares in 2019-20. A total of five (5) shares were rematerialised during 2020-21, versus 31 shares in 2019-20. Shares held in physical and electronic mode as on 31 March 2021 are given in Table 1.

Table 1: Shares held in physical and electronic mode

Particulars	Position as on 31 March 2021		Position as on 31 March 2020	
	No. of shares	% to total shareholding	No. of shares	% to total shareholding
Physical	9,298,521	5.84	9,332,473	5.86
Demat				
NSDL	145,677,121	91.54	145,815,723	91.63
CDSL	4,161,802	2.62	3,989,094	2.51
Sub-total	149,838,923	94.16	149,804,817	94.14
Total	159,137,444	100.00	159,137,290	100.00

Stock code

1. BSE Ltd. (BSE)	532978
2. National Stock Exchange of India Ltd. (NSE)	BAJAJFINSV
3. ISIN for depositories (NSDL and CDSL)	INE918I01018
4. Bloomberg	BJFIN IN
5. Reuters	BJFS.BO BJFS.NS

Listing on stock exchanges

Shares of the Company are currently listed on the following stock exchanges:

Name	Address
1. BSE Ltd. (BSE)	25th Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001
2. National Stock Exchange of India Ltd. (NSE)	Exchange Plaza, C-1, Block G, Bandra-Kurla Complex, Bandra (E), Mumbai 400 051

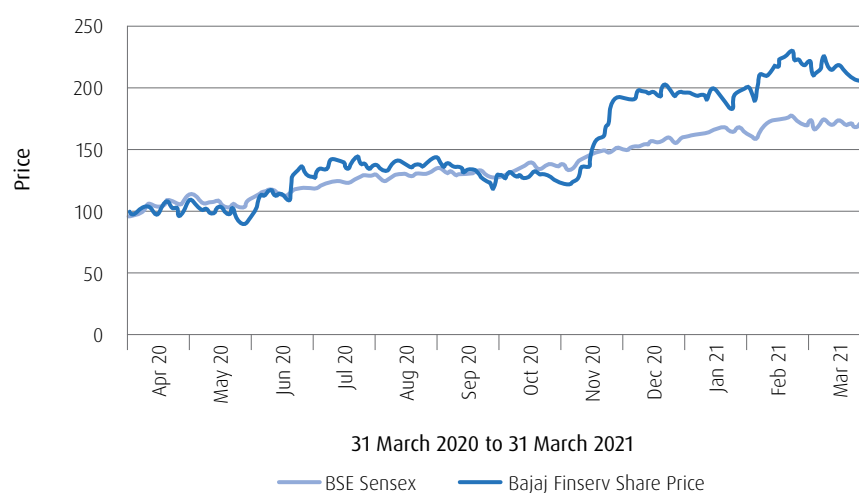
Pursuant to SEBI Listing Regulations, the Company has entered into Uniform Listing Agreement with BSE and NSE. For 2020-21, the listing fees payable to these stock exchanges have been paid in full.

Market price data

Table 2: Monthly highs and lows of equity shares of Bajaj Finserv Ltd. during 2020-21 (₹ vis-à-vis BSE Sensex)

Month	BSE		NSE		Closing BSE Sensex
	High (₹)	Low (₹)	High (₹)	Low (₹)	
Apr 20	5,174.65	4,292.45	5,175.00	4,288.00	33,717.62
May 20	5,035.75	3,985.60	5,050.00	3,985.30	32,424.10
Jun 20	6,500.00	4,480.30	6,455.00	4,476.75	34,915.80
Jul 20	6,709.30	5,812.80	6,710.00	5,802.65	37,606.89
Aug 20	6,699.00	5,982.75	6,700.00	6,060.00	38,628.29
Sep 20	6,452.95	5,401.00	6,455.00	5,400.00	38,067.93
Oct 20	6,171.95	5,514.85	6,169.50	5,511.05	39,614.07
Nov 20	9,100.00	5,563.45	9,009.00	5,560.00	44,149.72
Dec 20	9,453.05	8,578.50	9,450.00	8,569.65	47,751.33
Jan 21	9,385.00	8,275.00	9,388.85	8,273.70	46,285.77
Feb 21	10,586.40	8,636.80	10,579.00	8,638.00	49,099.99
Mar 21	10,441.80	8,962.20	10,444.95	8,960.05	49,509.15

Bajaj Finserv Ltd. stock performance Vs BSE Sensex, during 2020-21, indexed to 100 on 31 March 2020



Distribution of shareholding

Table 3 gives details about the pattern of shareholding across various categories as on 31 March 2021, while Table 4 gives the data according to size classes.

Table 3: Distribution of shareholding across categories

Categories	31 March 2021		31 March 2020	
	No. of shares	% to total capital	No. of shares	% to total capital
Promoter and Promoter Group	96,757,348	60.80	96,757,348	60.80
Resident Individuals	26,751,776	16.81	26,733,026	16.80
Foreign Institutional Investors/Foreign Portfolio Investors	14,439,164	9.07	13,711,004	8.62
Bodies Corporates/NBFCs	8,446,434	5.31	8,477,870	5.33
Mutual Funds	4,729,005	2.97	6,309,254	3.96
Nationalised and other banks	69,715	0.04	151,861	0.09
Alternate Investment Fund	568,470	0.36	359,559	0.23
NRIs and OCBs	547,755	0.34	542,360	0.34
Others	6,827,777	4.30	6,095,008	3.83
Total	159,137,444	100.00	159,137,290	100.00

Table 4: Distribution of shareholding according to size classes as on 31 March 2021

Categories	Number of members	% to total members	Number of shares	% to total shares
1 to 500	197,790	97.53	5,026,212	3.17
501 to 1000	1,852	0.91	1,336,259	0.84
1001 to 2000	1,219	0.60	1,746,002	1.10
2001 to 3000	503	0.25	1,248,561	0.78
3001 to 4000	267	0.13	935,403	0.59
4001 to 5000	173	0.09	785,093	0.49
5001 to 10000	363	0.18	2,506,328	1.57
10001 and above	631	0.31	145,553,586	91.46
Total	202,798	100.00	159,137,444	100.00

Shareholders' and investors' grievances

The Board of Directors of the Company has a Stakeholders Relationship Committee to specifically look into and resolve grievances of security-holders viz., shareholders. The queries/complaints received, if any, from SEBI/ROC/Stock Exchanges/ shareholders are promptly attended. During the year under review two (2) complaints were received which related to non-receipt of dividend and demat of shares. As on 31 March 2021, there were no pending complaints/issues to be addressed or resolved.

SEBI has issued a circular SEBI/HO/OIAE/IGRD/CIR/P/2020/152 dated 13 August 2020 laying down mechanism for redressal of investor complaints by companies and stock exchanges effective from 1 September 2020. It lays down the procedure for handling complaints by the stock exchanges as well as the standard operating procedure for actions to be taken against listed companies for failure to redress investor grievances. An investor can raise complaints in the nature of non-receipt of dividend, non-receipt of duplicate share certificate, delay in demat/remat, etc. Complaints pertaining to deposits and IEPF matters is not governed by this circular.

For further details members are advised to refer the aforesaid circular.

Green initiative

The Company believes in driving environmental initiatives. As a step in this direction, it availed of special services offered by NSDL/CDSL to update email addresses of shareholders holding shares with depository participant registered with NSDL/CDSL respectively and who have not registered their email addresses. This would enable such shareholders to immediately receive various communication from the Company from time to time including the Annual Report, dividend credit intimation, half-yearly communication, etc. through email. Shareholders who have not updated their email addresses, are requested to update the same by sending a request to the Company/KFin or their respective depository participant.

KPRISM-Mobile service application by KFin

Members are requested to note that our share transfer agent has launched a new mobile application KPRISM and a website <https://kprism.kfintech.com/> for our investors. Members can download the mobile app and see their portfolios serviced by KFINTECH; check their dividend status; request for Annual Reports; register change of address; register change in the bank account or update the bank mandate; and download the standard forms. This android mobile application can be downloaded from Play Store.

Demat suspense account with HDFC Bank for unclaimed shares

According to the provisions of SEBI Listing Regulations, the Company has a demat account titled 'Bajaj Finserv Ltd. - Unclaimed Suspense Account' with HDFC Bank Ltd., Pune, to which unclaimed shares were transferred.

Voting rights on such shares will remain frozen till the rightful owner claims these shares. The Company, acting as a trustee in respect of the unclaimed shares, follows the modalities for the operation of the said account in the manner set out in regulation 39(4) of SEBI Listing Regulations.

The summary of this account for 2020-21 is as follows:

Sr. No.	Particulars	Number of shareholders	Number of shares
i.	Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account as on 1 April 2020	1	7
ii.	Number of shareholders who approached the Company for transfer of shares from the Unclaimed Suspense Account during the year 2020-21	0	0
iii.	Number of shareholders to whom shares were transferred from the Unclaimed Suspense Account during the year 2020-21	0	0
iv.	Number of shareholders whose shares were transferred to the IEPF Authority during the year 2020-21	0	0
v.	Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account as on 31 March 2021	1	7

Nomination

Individual shareholders holding shares singly or jointly in physical form can nominate a person in whose name the shares shall be transferable in the case of death of the registered shareholder(s). The prescribed nomination form (SH-13) will be sent by KFin upon such request and is also available on the Company's website <https://www.bajajfinserv.in/nomination-form-new.pdf>

Nomination facility for shares held in electronic form is also available with depository participants.

Credit rating

The Company has neither issued any debt instruments nor undertaken any fixed deposit programme or any scheme or proposal involving mobilisation of funds in India or abroad. As such, the Company does not have list of credit ratings under regulation 34 read with Schedule V to SEBI Listing Regulations.

Live webcast of the AGM

Pursuant to regulation 44(6) of SEBI Listing Regulations, top 100 listed entities shall, with effect from 1 April 2019, provide one-way live webcast of the proceedings of their AGM. Accordingly, the Company has entered into an arrangement with KFin, to facilitate live webcast of the proceedings of the ensuing AGM scheduled on 21 July 2021.

Members who are entitled to participate in the AGM can view the proceedings of AGM by logging on to the e-voting website of KFin at <https://emeetings.kfintech.com/> using the secure login credentials provided for e-voting.

AGM through VC

Pursuant to MCA circulars, the Company will also provide two-way video conferencing or webex facility to members for participating in the 14th AGM. For more details, please refer to [Notice of AGM](#), as placed on the Company's website <https://www.bajajfinserv.in/finserv-investor-relations-annual-reports> and on the website of stock exchanges.

Voting through electronic means

Pursuant to section 108 of the Act and the Rules made thereunder and provisions under SEBI Listing Regulations, every listed company is required to provide its members the facility to exercise their right to vote at general meetings by electronic means. The Company has entered into an arrangement with KFin, the authorised agency for this purpose, to facilitate such e-voting for its members. SEBI vide its circular dated 9 December 2020 relating to e-voting facility to be provided by listed entities, requires public non-institutional shareholder(s)/retail shareholder(s) holding shares in dematerialization mode to cast their vote(s) through their demat accounts/websites of Depositories (NSDL/CDSL)/ Depository Participants. Members are requested to refer to [Notice of AGM](#) for detailed procedure in this regard.

Further, in accordance with the Companies (Management and Administration) Rules, 2014 and MCA circulars, the Company will also provide e-voting facility for members attending the ensuing AGM through VC or OAVM. Shareholders who are attending the AGM through VC or OAVM and who have not already cast their votes by remote e-voting shall be able to exercise their right of voting at the meeting. The cut-off date, as per the said Rules, shall be **14 July 2021** and the remote e-voting shall be open for a period of 3 (three) days, from **18 July 2021 (9.00 a.m.)** till **20 July 2021 (5.00 p.m.)**. Detailed procedure is given in the [Notice of AGM](#) and is also placed on the Company's website <https://www.bajajfinserv.in/finserv-investor-relations-annual-reports>

Shareholders may get in touch with the Company Secretary at investors@bajajfinserv.in for further assistance.

The Board has appointed Shyamprasad D Limaye, Practising Company Secretary, as Scrutiniser for the e-voting process.

Outstanding convertible instruments/ADRs/GDRs/Warrants

The Company does not have any outstanding convertible instruments/ADRs/GDRs/Warrants as on date.

Commodity price/foreign exchange risk and hedging activities

The Company, being a financial service company, is not exposed to commodity price/foreign exchange risk and hedging activities under regulation 34 of Schedule V to SEBI Listing Regulations.

Address for correspondence

Investors can correspond with the office of the share transfer agent of the Company or at registered office of the Company at the following addresses:

Share transfer agent

KFin Technologies Pvt. Ltd.

Unit: Bajaj Finserv Ltd.
Selenium Tower B, Plot 31 & 32,
Financial District, Nanakramguda,
Serilingampally Mandal,
Hyderabad - 500 032, Telangana.

Contact persons

Bhaskar Roy/Mohd. Mohsinuddin
Toll Free Number: 1800 309 4001
Email: einward.ris@kfintech.com
Website: www.kfintech.com

Company's Registered Office

Bajaj Finserv Ltd.
Bajaj Auto Ltd. Complex, Mumbai-Pune Road,
Akurdi, Pune 411 035

Company Secretary and Compliance Officer

Sonal R Tiwari
Tel No: (020) 6610 7458
Email: investors@bajajfinserv.in
Website: <https://www.bajajfinserv.in/corporate-bajaj-finserv>

DIRECTORS' REPORT

DIRECTORS' REPORT

At the outset, your Company's Board of Directors commiserates with the families of all employees, shareholders and others who succumbed to this dreadful COVID-19 pandemic.

Your directors present their 14th Annual Report along with the audited standalone and consolidated financial statements for the year ended 31 March 2021. This Report read with the [Management Discussion and Analysis](#) includes the details of macro-economic scenario, Company's performance, various initiatives by the Company as well as its approach to risk management.

Circulation of Annual Reports in electronic form

The Ministry of Corporate Affairs (MCA) through circulars dated 8 April 2020, 13 April 2020, 5 May 2020 and 13 January 2021, read with SEBI circulars dated 12 May 2020 and 15 January 2021, have provided an option to companies to conduct AGM during the calendar year 2021 through 'VC or OAVM' and send financial statements (including Directors' report, Auditors' Report and other documents to be attached therewith) through email.

Accordingly, the financial statements (including Directors' Report, Corporate Governance Report, Management Discussion & Analysis, Auditors' Report and other documents to be attached therewith) are being sent through electronic mode to those shareholders whose email addresses are registered with the Company's share transfer agent viz., KFin Technologies Private Ltd. (KFin)/Depository Participants, and whose names appear in the Register of Members as on Friday, 18 June 2021. The Company has also made arrangements for those shareholders who have not yet registered their email addresses to get the same registered by following the procedure prescribed in the [Notice of Annual General Meeting \(AGM\)](#).

The Annual Report for the year ended 31 March 2021 is also available on Company's website <https://www.bajajfinserv.in/finserv-investor-relations-annual-reports>

Financial results

The financial results of the Company are elaborated in the Management Discussion & Analysis Report.

The highlights of the **standalone financial results** are as follows:

Particulars	(₹ In Crore)	
	FY2021	FY2020
Total income	392.03	815.16
Total expenses	146.93	133.28
Profit before tax	245.10	681.88
Tax expense	66.32	15.02
Profit for the year	178.78	666.86
Earnings per share (₹)	11.2	41.9

Closing balances in reserve/other equity

(₹ In Crore)

Particulars	FY2021	FY2020
Securities premium account	929.27	929.26
General reserve	1,197.14	1,197.14
Share based payments reserve	102.90	32.45
Treasury shares	(184.22)	(200.17)
Retained earnings	1,676.26	1,497.18
Total	3,721.35	3,455.86

Note: Detailed movement of above reserves can be seen in 'Statement of Changes in Equity'.

The highlights of the **consolidated financial results** are as follows:

(₹ In Crore)

Particulars	FY2021	FY2020
Total income	60,591.57	54,351.47
Total expenses	50,729.05	46,050.47
Profit before tax	9,862.34	8,301.66
Tax expense	2,494.96	2,308.06
Profit after tax	7,367.38	5,993.60
Profit attributable to non-controlling interests	2,896.92	2,624.47
Profit for the year	4,470.46	3,369.13
Earnings per share (₹)	280.9	211.7

Presentation of standalone and consolidated financial statements

The financial statements of the Company for FY2021, on a standalone and consolidated basis, have been prepared in compliance with the Companies Act, 2013 (the 'Act') applicable Accounting Standards and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and amendments thereto, ('SEBI Listing Regulations') and are disclosed in accordance with Schedule III of the Act. The consolidated financial statements incorporate the audited financial statements of the subsidiaries and joint ventures of the Company.

Indian Accounting Standards, 2015

The annexed financial statements comply in all materials aspects with Indian Accounting Standards (Ind AS) notified under section 133 of the Act, Companies (Indian Accounting Standards) Rules, 2015 and other relevant provisions of the Act.

Dividend distribution Policy

As mandated under regulation 43A of SEBI Listing Regulations, the Board of Directors of the Company at its meeting held on 27 October 2016 adopted a Dividend Distribution Policy for the Company, which sets out the parameters and circumstances that will be taken into account by the Board in determining the distribution of dividend to its shareholders. The said Policy is placed on Company's website www.bajajfinserv.in/miscellaneous-divident-policy.pdf

Dividend

The Directors recommend for consideration of shareholders at the ensuing AGM, payment of a dividend of ₹ 3 per equity share (60%) of face value of ₹ 5 each for the year ended 31 March 2021 amounting to ₹ 47.74 crore. The dividend recommended is in accordance with the principles and criteria as set out in the Dividend Distribution Policy of the Company.

For the year ended 31 March 2020, the dividend paid was ₹ 5 per equity share (100%) of face value of ₹ 5 each. The amount of dividend and the tax thereon aggregated to ₹ 79.57 crore.

In view of the amendment to the Income Tax Act, 1961 through the Finance Act, 2020, imposition of Dividend Distribution Tax has been abolished. The dividend, if declared at the ensuing AGM will be taxable in the hands of the shareholders of the Company. For further details on taxability, please refer to [Notice of AGM](#).

COVID-19 pandemic

The COVID-19 pandemic which is a once in a lifetime occurrence has brought with it an unimaginable suffering to people and to almost all sections of the economy. The nationwide lockdowns to curtail the transmission of disease, had put the global economy in extreme stress of the level not seen since the Great Depression and would have a long-lasting economic impact. The recent surge in infections that started with the second wave beginning in early March 2021 brings with it greater challenges. The impact of the above on the performance of the Company and its subsidiaries have been discussed in detail in 'Management Discussion and Analysis'.

Employee stock option scheme

The Company grants share-based benefits to eligible employees with a view to attract and retain talent, align individual performance with the Company's objectives and promoting increased participation by them in the growth of the Company. During the year 2018-19, the Company adopted the Bajaj Finserv Ltd. Employee Stock Option Scheme 2018 (BFS-ESOS) on 19 July 2018 and since then there has been no change in the scheme. The BFS ESOS is in compliance with SEBI (Share Based Employee Benefits) Regulations, 2014, and the same has been certified by the Statutory Auditors of the Company.

In line with regulation 14 of SEBI (Share Based Employee Benefits) Regulations, 2014, a statement giving complete details as at 31 March 2021, is available on the Company's website www.bajajfinserv.in/miscellaneous

Grant wise details of options vested, exercised and cancelled are provided in the notes to the standalone financial statements.

The Company has not issued any sweat equity shares or equity shares with differential voting rights during the year 2020-21.

Share capital

The paid-up equity share capital as on 31 March 2021 was ₹ 79.57 crore consisting of 159,137,444 fully paid-up equity shares of face value of ₹ 5 each. During the Rights Issue of equity shares made by the Company in 2012, certain shares had been kept in abeyance as required by law. With resolution of a few cases during the year under review, the Company has allotted 154 equity shares of the face value of ₹ 5 each at the original Rights Issue price of ₹ 650 per share to the eligible shareholders.

There was no public issue, rights issue, bonus issue or preferential issue, etc. during the year under review.

Classification as a Core Investment Company (CIC)

Under the Master Direction – Core Investment Companies (Reserve Bank) Directions, 2016, the Company is termed as an Unregistered Core Investment Company (CIC) as per Reserve Bank of India Guidelines dated 13 August 2020.

Operations

Detailed information on the operations of the different business lines and state of affairs of the Company are covered in the [Management Discussion and Analysis Report](#).

Subsidiaries and joint venture

Following are the subsidiary and joint venture companies of the Company as at 31 March 2021:

Name of the company	% Shareholding	Status
Bajaj Allianz Life Insurance Company Ltd. (BALIC)	74%	Subsidiary
Bajaj Allianz General Insurance Company Ltd. (BAGIC)	74%	Subsidiary
Bajaj Finance Ltd. (BFL)	52.74%	Subsidiary
Bajaj Finserv Direct Ltd. (100% subsidiary of Bajaj Finserv Ltd.)	100%	Subsidiary
Bajaj Finserv Health Ltd. (100% subsidiary of Bajaj Finserv Ltd.)	100%	Subsidiary
Bajaj Housing Finance Ltd. (BHFL) (100% subsidiary of Bajaj Finance Ltd.)	-	Subsidiary
Bajaj Financial Securities Ltd. (100% subsidiary of Bajaj Finance Ltd.)	-	Subsidiary
Bajaj Allianz Financial Distributors Ltd.	50%	Joint Venture
Bajaj Allianz Staffing Solutions Ltd. (100% subsidiary of Bajaj Allianz Financial Distributors Ltd.)	-	Joint Venture

Detailed information on the performance and financial position of each subsidiary/joint venture of the Company is covered in the 'Management Discussion and Analysis' and in Form AOC-1 of consolidated financial statements.

The financial statements of the subsidiary companies are also available on the Company's website

<https://www.bajajfinserv.in/finserv-investor-relations-annual-reports>

The Company's Policy for determination of material subsidiary has been placed on the Company's website

<https://www.bajajfinserv.in/policy-for-material-subsidiaries-13march.pdf>

In terms of the said Policy BFL, BAGIC, BALIC and BHFL are material subsidiaries of the Company. During the year under review, no company became or ceased to be our subsidiary or joint venture company. The Company does not have any associate company.

Inclusion in S&P BSE Sensex

With effect from 22 June 2020, the Company has been included in the prestigious S&P BSE Sensex index of BSE Ltd.

Adoption of Confederation of Indian Industry (CII) charters

The Company has established several policies covering the Code of Conduct for its directors and employees including anti-corruption clauses, as well as policies for fair and responsible workplace practices. These policies are integrated into business operations. The Company has also signed the following charters of CII in this regard, which further strengthens the Company's commitment to these policies.

1. Model Code of Conduct for Ethical Business Practices.
2. Charter on Fair & Responsible Workplace Guidelines for Collaborative Employee Relations.
3. Charter on Fair & Responsible Workplace Guidelines for Contract Labour.

Further details are available in our 'Business Responsibility Report'.

Annual return

A copy of the annual return as provided under section 92(3) of the Act, in the prescribed form, which will be filed with the Registrar of Companies/MCA, is placed on Company's website <https://www.bajajfinserv.in/finserv-shareholder-download>

Number of meetings of the Board

Six (6) meetings of the Board were held during the year under review as against the statutory requirement of four meetings. Details of the meetings and attendance thereat forms part of the 'Corporate Governance Report'.

Directors' responsibility statement

The financial statements are prepared in accordance with the provisions of the Act and guidelines issued by SEBI and the Indian Accounting Standards (Ind AS) under historical cost convention on accrual basis except for certain financial instruments, which are measured at fair values. Accounting policies have been consistently applied except where a newly issued Accounting Standard is initially adopted or a revision to an existing Accounting Standard requires a change in the accounting policy. These form a part of the Notes to the Financial Statements.

In accordance with the provisions of section 134(3)(c) of the Act and based on the information provided by the Management, the directors state that:

- (i) in the preparation of the annual accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- (ii) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the year ended 31 March 2021;
- (iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) they have prepared the annual accounts on a going concern basis;
- (v) they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and
- (vi) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and are operating effectively.

Declaration by independent directors

The independent directors have submitted their declaration of independence, as required under section 149(7) of the Act, stating that they meet the criteria of independence as provided in section 149(6) of the Act and regulation 16 of SEBI Listing Regulations. The independent directors have also confirmed compliance with the provisions of rule 6 of Companies (Appointment and Qualifications of Directors) Rules, 2014, as amended, relating to inclusion of their name in the databank of independent directors.

The Board took on record the declaration and confirmation submitted by the independent directors regarding the meeting the prescribed criteria of independence, after undertaking due assessment of the veracity of the same as required under regulation 25 of SEBI Listing Regulations.

Policy on directors' appointment and remuneration

The salient features of the Remuneration Policy on directors' appointment and remuneration forms a part of the 'Corporate Governance Report'. The said Policy is placed on the Company's website <https://www.bajajfinserv.in/remuneration-policy-21.pdf>

Particulars of loans, guarantees or investments

Information regarding loans, guarantees and investments covered under section 186 of the Act are detailed in the financial statements.

Related party transactions

No Related Party Transactions (RPTs) were entered into by the Company during the year under review which could have attracted the provisions of section 188 of the Act. Further, there being no 'material' RPTs as defined under regulation 23 of SEBI Listing Regulations, there are no details to be disclosed in form AOC-2 in that regard.

During the year 2020-21, pursuant to section 177 of the Act and regulation 23 of SEBI Listing Regulations, all RPTs were placed before the Audit Committee for its prior approval. These were reviewed by the Audit Committee on quarterly basis. Details of transactions with related parties during the year under review are provided in the notes to the financial statements. All related party transactions during the year were conducted at arms' length and were in the ordinary course of business.

The revised Policy on materiality of RPTs and also on dealing with RPTs have been formulated by the Board at its meeting held on 16 July 2014 and amended on 14 October 2014. The Policy was further amended on 12 March 2019, *inter alia*, by stipulating threshold limits. The said Policy is available on Company's website <https://www.bajajfinserv.in/bfs-signed-material-rpt-policy-12-march-2019.pdf>

Material changes and commitments

There have been no material changes and commitments, affecting the financial position of the Company, which have occurred between the end of the financial year of the Company and the date of this Report.

Conservation of energy and technology absorption

Particulars regarding conservation of energy are as follows:

The Company is engaged in wind-farm activities in addition to its financial services activities. A summary of the performance of the wind power division is available in the 'Management Discussion and Analysis Report' which forms part of this Annual Report. Being essentially a financial services company, no particulars regarding technology absorption are required to be given in this Report.

Steps taken to conserve energy and utilise alternate sources of energy:

The Company has installed a renewable energy (wind) project with a capacity of 65.2 MW. During the year under review, it generated 639 lakh units, which it sold to third parties.

It, however, is unable to make captive use of wind energy, because new regulations do not permit the same where monthly demand is less than 700 KW. The Company has installed LED lamps in place of tube lights and CFL, thereby reducing energy consumption in lighting by around 3,338 units during the year.

The Company implements various energy conservation measures and initiatives which are highlighted in the 'Business Responsibility Report' of the Company.

Foreign exchange earnings and outgo

Total foreign exchange earned by the Company was nil during the year under review, as well as during the previous year. Total foreign exchange outflow during the year under review was ₹ 0.88 crore, as against ₹ 0.64 crore in the previous year.

Risk Management Policy

Information on the development and implementation of a Risk Management Policy for the Company including identification, assessment and control of elements of risk, which in the opinion of the Board may threaten the existence of the Company, is given in the 'Corporate Governance Report'.

Corporate Social Responsibility (CSR)

The CSR Committee comprises of three directors viz., Sanjiv Bajaj, Dr. Naushad Forbes and Anami Roy. During the year 2020-21, the Committee met once. The attendance record of members is given in the Annual Report on CSR activities. Section 135 of the Act and the Companies (Corporate Social Responsibility Policy) Rules, 2014 have been amended substantially with effect from 22 January 2021.

In terms of the provisions of the Act read with amended Companies (Corporate Social Responsibility Policy) Rules, 2014, the 'Annual Report on CSR activities' in the format prescribed under Annexure II of the said Rules is annexed to this Report.

In line with the said amendments, the Board, at their meeting held on 28 April 2021, amended the existing CSR Policy. The Policy including the composition of the CSR Committee is uploaded on the Company's website <https://www.bajajfinserv.in/policies-and-codes>

The Chief Financial Officer has certified that the funds disbursed have been utilised for the purpose and in the manner approved by the Board for FY2021.

Formal annual evaluation of the performance of the board, its committees, chairperson and individual directors

Information on the manner in which a formal annual evaluation has been made by the Board of its own performance and that of its Committees, Chairperson and Individual directors is given in the 'Corporate Governance Report'.

Directors and key managerial personnel-changes

A. Director liable to retire by rotation

The independent directors hold office for a fixed term not exceeding five years from the date of their appointment and are not liable to retire by rotation. The Act, mandates that at least two-thirds of the total number of directors (excluding independent directors) shall be liable to retire by rotation and one-third of such directors shall retire from office at every AGM. Accordingly, Madhur Bajaj (DIN 00014593), director, being the longest in the office among the three (3) directors liable to retire by rotation, retires from the Board this year and, being eligible, has offered his candidature for reappointment. Prescribed details of Madhur Bajaj are given in the [Notice of AGM](#).

B. Key Managerial Personnel

There was no change in Key Managerial Personnel during the year under review.

As per the requirements of SEBI Listing Regulations, details of all pecuniary relationship or transactions of the non-executive directors vis-à-vis the Company are disclosed in the 'Corporate Governance Report'.

Significant and material orders passed by the regulators or courts

During the year under review, no significant or material orders passed by any regulator or court or tribunal, impacting the going concern status and Company's operations in future.

Internal audit

At the beginning of each financial year, an audit plan is rolled out after it has been approved by the Company's Audit Committee. The plan is aimed at evaluation of the efficacy and adequacy of internal control systems and compliance thereof, robustness of internal processes, policies and accounting procedures and compliance with laws and regulations. Based on the reports of internal audit function, process owners undertake corrective action in their respective areas. Significant audit observations and corrective actions thereon are presented to the Audit Committee on quarterly basis.

Details of internal financial controls with reference to the financial statements

The Company has documented its internal financial controls considering the essential components of various critical processes, both physical and operational. This includes its design, implementation and maintenance along with periodic internal review of operational effectiveness and sustenance, and whether these are commensurate with the nature of its business and the size and complexity of its operations.

This ensures orderly and efficient conduct of its business, including adherence to the Company's policies, safeguarding of its assets, prevention of errors, accuracy and completeness of the accounting records, the timely preparation of reliable financial information and prevention and detection of frauds and errors. Internal financial controls with reference to the financial statements were adequate and operating effectively.

Maintenance of cost records

Provisions relating to maintenance of cost records as specified by the Central Government under section 148 of the Act, are applicable to the Company. These have been complied with for FY2021.

Statutory disclosures

- The financial statements of the Company and its subsidiaries are placed on the Company's website <https://www.bajajfinserv.in/finserv-investor-relations-annual-reports>
- Details as required under section 197(12) of the Act read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 containing, *inter alia*, ratio of remuneration of directors and KMP to median remuneration of employees, percentage increase in the median remuneration are annexed to this Report.
- Details of top ten (10) employees in terms of the remuneration and employees in receipt of remuneration as prescribed under rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, containing details prescribed under Rule 5(3) of the said Rules, which form part of the Directors' Report, will be made available to any member on request, as per provisions of section 136(1) of the Act.
- The directors' responsibility statement as required by section 134(5) of the Act, appears in this report.
- There is no change in the nature of business of the Company during FY2021.
- A Cash Flow Statement for FY2021 is attached to the Balance Sheet.
- Pursuant to the legislation 'The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013', the Company has a Policy on Prevention of Sexual Harassment at Workplace and has constituted an Internal Complaints Committee. There was no case reported during the year under review.

Corporate governance

Pursuant to SEBI Listing Regulations, a separate chapter titled 'Report on Corporate Governance' has been included in this Annual Report, along with the reports on 'Management Discussion and Analysis' and 'General Shareholder Information'.

All Board members and Senior Management Personnel have affirmed compliance with the Code of Conduct for the year 2020-21. A declaration to this effect signed by the Chairman & Managing Director of the Company is included in this Annual Report.

The Chairman & Managing Director and Chief Financial Officer have certified to the Board with regard to the financial statements and other matters as required under regulation 17(8) of SEBI Listing Regulations.

A certificate from the statutory auditors of the Company regarding compliance of conditions of corporate governance is annexed to this Report.

Business Responsibility Report

Regulation 34(2) of SEBI Listing Regulations, *inter alia*, provides that the annual report of the top 1000 listed entities based on market capitalisation (calculated as on 31 March of every financial year) shall include a Business Responsibility Report (BRR) describing the initiatives taken by them from an environment, social and governance perspective.

Since Bajaj Finserv is such a listed entity, the Company, as in the previous years, has presented its BRR for 2020-21, which is part of this Annual Report.

This BRR highlights the initiatives, actions, processes and the way the Company and its subsidiaries conducts its business in line with its environmental, social and governance obligations.

As a green initiative, this BRR, has been placed on the Company's website
<https://www.bajajfinserv.in/finserv-investor-relations-annual-reports>

A copy of the BRR will be made available by email to any shareholder on request.

Secretarial standards of ICSI

The Company has complied with the requirements prescribed under the Secretarial Standards on meetings of the board of directors (SS-1) and general meetings (SS-2) read with the MCA circulars granting exemptions in view of the COVID-19 pandemic.

Auditors

Statutory auditor

In terms of section 139 of the Act, S R B C & CO LLP, Chartered Accountants, (Firm Registration No. 324982E/E300003) were appointed as statutory auditors of the Company to hold office from the conclusion of the 10th AGM till the conclusion of the 15th AGM. The statutory auditors have confirmed they are not disqualified from continuing as auditors of the Company.

The statutory audit report for the year 2020-21, is unmodified, does not contain any qualification, reservation or adverse remark or disclaimer by the statutory auditor.

Secretarial auditor

Pursuant to the provisions of section 204 of the Act and the Rules made thereunder, the Board has re-appointed Shyamprasad D Limaye, Practising Company Secretary (FCS No. 1587, CP No. 572), to undertake the secretarial audit of the Company. The secretarial audit report for the year 2020-21 as issued by him in the prescribed form MR-3 is annexed to this Report. Further, pursuant to amendments under SEBI Listing Regulations and SEBI circular dated 8 February 2019, a report on secretarial compliance as required under regulation 24A is being submitted to the stock exchanges as obtained from Shyamprasad D Limaye for FY2021. These reports do not contain any qualification, reservation or adverse remark or disclaimer.

As per regulation 24A of SEBI Listing Regulations, a listed company is required to annex a secretarial audit report of its material unlisted subsidiary to its Annual Report. In line with this and as a green initiative, the secretarial audit report of BALIC, BAGIC and BHFL (though a debt listed company) for FY2021 is placed on Company's website

<https://www.bajajfinserv.in/finserv-investor-relations-annual-reports>

Cost auditor

Following section 148 of the Act, and the Rules made thereunder, the Board of Directors had, on the recommendation of the Audit Committee, re-appointed Dhananjay V Joshi & Associates (firm registration no. 000030), Cost Accountants, to audit the cost accounts of the Company for FY2022 on a remuneration of ₹ 65,000 plus taxes, out-of-pocket, travelling and living expenses, subject to ratification by the shareholders at the ensuing AGM.

Accordingly, a resolution seeking members' ratification for the remuneration payable to the Cost Auditor is included in the [Notice of AGM](#).

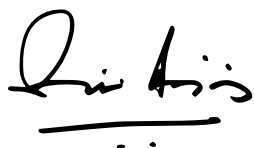
The auditors i.e. statutory auditors, secretarial auditors and cost auditors have not reported any matter under section 143(12) of the Act, and therefore, no details are required to be disclosed under section 134(3)(ca) of the Act.

Acknowledgement

The Board places its gratitude and appreciation for the support and co-operation from its members and other regulators.

The Board also places on record its sincere appreciation for the commitment and hard work put in by the Management and the employees in these trying times.

On behalf of the Board of Directors



Sanjiv Bajaj
Chairman & Managing director

Pune: 28 April 2021

Annual Report on CSR activities for the financial year ended 31 March 2021

1. Brief outline of the Company's CSR Policy:

Introduction

The vision and philosophy of late Shri Jamnalal Bajaj, the founder of Bajaj Group, guide the Corporate Social Responsibility (CSR) activities of the group. He embodied the concept of trusteeship in business and common good, and laid the foundation for ethical, value-based and transparent functioning.

Bajaj Group believes that the true and full measure of growth, success and progress lies beyond balance sheets or conventional economic indices. It is best reflected in the difference that business and industry make to the lives of people.

Through its social investments, the Bajaj Group addresses the needs of communities residing in the vicinity of its facilities by taking sustainable initiatives in the areas of health, education, environment conservation, infrastructure and community development, and response to natural calamities. For society, however, Bajaj is more than a corporate identity. It is a catalyst for social empowerment and the reason behind the smiles that light up a million faces.

It is this goodwill that has made us work towards 'Activating Lives'.

Guiding principles

The Company believes that social investments should:

- **Benefit generations:** The Company believes in 'investment in resource creation' for use over generations. The Company tries to identify sustainable projects which will benefit society over long periods.
- **Educate for self-reliance and growth:** To usher in a growth-oriented society and thereby a very strong and prosperous nation, by educating each and every Indian.
- **Promote health:** The Company believes good health is a pre-requisite for both education and productivity.
- **Encourage for self-help:** To guide and do hand holding for self-help, individually and collectively, to create excellence for self and for the team.
- **Be focused:** The Company believes that activities should be preferably focused around locations where it has its presence and hence can effectively guide, monitor and implement specific projects.
- **Target those who need it most:** Care for the sections of the society, which are socially at the lowest rung irrespective of their religion or caste or language or colour.
- **Sustain natural resources:** The Company encourages balanced development and ensure least adverse impact on the environment – Growth with Mother Nature's blessings.

Brief Contents of CSR Policy

Section 135 of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules, 2014 have been amended substantially with effect from 22 January 2021. Accordingly, the CSR Policy which was framed by the Company on 14 May 2014 has got amended on 28 April 2021, with approvals of the CSR Committee and Board of Directors. The Policy, *inter alia*, covers the following:

- Philosophy, Approach and Direction
- Guiding Principles for selection, implementation and monitoring of activities
- Guiding Principles for formulation of Annual Action Plan

2. Composition of the CSR Committee:

Sr. No.	Name of director	Designation/ nature of directorship	Number of meetings of CSR committee held during the year	Number of meetings of CSR committee attended during the year
1.	Sanjiv Bajaj	Chairman	1	1
2.	Dr. Naushad Forbes	Member		1
3.	Anami N Roy	Member		1

3. Web-link where Composition of CSR Committee and CSR Policy approved by the Board are disclosed on the website of the Company: <https://www.bajajfinserv.in/policies-and-codes>
4. Details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable (attach the report): Not Applicable
5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any: Nil
6. Average net profit of the Company as per section 135(5): ₹ 35.12 crore
7. (a) Two percent of average net profit of the Company as per section 135(5): ₹ 0.70 crore
- (b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years: Nil
- (c) Amount required to be set off for the financial year, if any: Nil
- (d) Total CSR obligation for the financial year (7a+7b-7c): ₹ 0.70 crore
8. (a) Details of CSR spent or unspent for the financial year:

Total amount spent for the financial year (₹ In Crore)	Amount Unspent (₹ In Crore)				
	Total amount transferred to Unspent CSR Account as per section 135(6)		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5)		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
0.73	Not Applicable, since there is no unspent amount				

(b) Details of CSR amount spent against ongoing projects for FY2021:

Sr. No.	Name of the Project	Item from the list of activities in Schedule VII	Local area (Yes/No)	Location of the project		Project duration	Amount allocated for the project (₹ In Crore)	Amount spent in the current financial year (₹ In Crore)	Mode of implementation - Direct (Yes/No)	Mode of implementation - Through Implementing Agency
				State	District					Name
1	Direct-Employability and Skill Development Initiative	Promoting Education (ii)	Yes	PAN India	PAN India	12 months	1.00	0.10	Yes	Not Applicable
2	Therapy of hearing impaired students	Special Education (ii)	Yes	Mumbai	Mumbai	36 months	0.60	0.22	No	The Education Audiology and Research Society (EAR), Mumbai
3	Free cleft reconstruction surgeries of children from poor families	Healthcare (i)	Yes	PAN India	PAN India	15 months	0.38	0.38	No	Smile Train India
Total (i)								0.70		
Amount spent in administrative overheads (ii)								0.03		
Total (i) + (ii)								0.73		

Notes: i) There is no amount transferred to unspent CSR account for any of the projects as per section 136(6).
 ii) Information on CSR Registration number for the implementing agencies is not given in point 8(b) above since the process of registration is yet to commence at MCA's end or at initial stages.

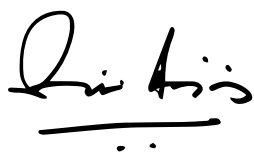
(c) Details of CSR amount spent against other than ongoing projects for FY2021: Nil**(d) Amount spent in administrative overheads:** ₹ 0.03 crore**(e) Amount spent on Impact Assessment, if applicable:** Nil**(f) Total amount spent for the financial year (8b+8c+8d+8e):** ₹ 0.73 crore**(g) Excess amount for set off, if any:** Nil

9. (a) Details of Unspent CSR amount for the preceding three financial years: Not Applicable

(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s):
Not Applicable

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year: Not Applicable

11. Specify the reason(s), if the company has failed to spend two percent of the average net profit as per section 135(5): Not Applicable



Sanjiv Bajaj
Chairman & Managing Director
Chairman of CSR Committee

Pune: 28 April 2021

CSR AT BAJAJ FINSERV AND ITS SUBSIDIARIES



The Bajaj Group's humanitarian philosophy was articulated by Shri Jamnalalji Bajaj, who had advised that all business activities should look for opportunities for philanthropy and that these philanthropic contributions to society should be above any thought of business gains. As the Government of India implemented Corporate Social Responsibility rules in 2014, the Bajaj Group of Companies significantly scaled up its activities in the social development space. The Group has collaborated with more than 300 NGO partners – the projects supported are in health, education, women's empowerment, and environmental sustainability – and has made fund allocations of over ₹ 13,000 crore till date.



Healthcare and child welfare are the two main focus areas in the Group's philanthropic work. Specifically, the Group companies support interventions in fighting malnutrition; reaching out to underserved communities with holistic healthcare facilities; and provision of shelter for street children.



Healthcare

The absence of affordable healthcare is one of the main challenges for India, and this drawback leads to high maternal and infant mortality rates and malnourishment as well as widespread communicable and non-communicable diseases. The Bajaj Group strives to mitigate this through a wide variety of projects that provide vulnerable communities with access to best-in-class treatment for paediatric cancer, epilepsy, diabetes, heart ailments, etc.

In addition to direct tertiary care (which is the level of care where sophisticated healthcare infrastructure is required), our programmes with our NGO partners Bandhan (Konnagar, West Bengal) and CRY (Rajasthan) also seek to provide healthcare to expecting mothers and children in rural areas.

Ensuring child health in the first few years of their life, when the growth spurt occurs, is a key priority. The prevalence of underweight children in India is among the highest in the world, and malnourished children often either perish early or grow up with diseases. The Bajaj Group has supported a diverse range of interventions addressing this issue in 500+ remote tribal villages across India – conventional nutrition support in districts of Maharashtra (Gadchiroli, Nandurbar, Palghar, Amravati); technology-led mother and child healthcare in tribal areas of southern Rajasthan; and revival of traditional millet superfoods by gene campaign in Uttarakhand.



Child Protection

The Group's support for child protection and shelter programmes –implemented by Rainbow Homes, SOS, Pride, Tara Mobile Creche, Janaseva Foundation, Seva Mandir, and others – provides vulnerable children with protection and also education and life skills. In many cases, a safe shelter for the children enables their parents to undertake their economic activities. Together, these protection-focused interventions reach more than 2.5 lakh children, and entail a commitment of over ₹ 100 crore.



COVID-19 response

On March 26, 2020, the day the Government of India imposed the nationwide lockdown to curb the spread of the novel coronavirus, the Bajaj Group pledged ₹ 100 crore to the fight against COVID-19. Working with the Government of India and a network of 200+ NGO partners, the Group made a commitment to ensure that resources like healthcare and other necessities of life reach those who need it the most. The Group made a contribution of ₹ 47 crore towards the upgrade of key healthcare infrastructure across Pune, Sikar, Udhampur, and Aurangabad.

The focus was on upgrading the Urban, Rural and Peri-urban facilities via the provision of equipment and consumables, and by supporting the operation of COVID-19 care units and isolation wards. Critical equipment was provided to the tertiary care facilities in our core districts and 21 facilities were targeted for key healthcare upgrade in a phased manner. These facilities have played a key role during the second wave of the pandemic.

In related programmes, the Group reached out to people left in deep distress by the stoppage of economic activities following the lockdown. More than 20 lakh meals were distributed in Pune and Aurangabad; 10,000 dry ration packets and equivalent were distributed in Sikar; and more than 40 lakh meals/ration equivalent were given to migrants in Maharashtra, Uttarakhand, and Rajasthan.

Supporting distressed livelihoods was a key part of the Group's strategy in the first wave of the pandemic. Projects were initiated with Jankidevi Bajaj Gram Vikas Sanstha (JBGVS), Sasakawa India Leprosy Foundation, Pradan, Sahjeevan, Gramin Evam Samajik Vikas Sanstha, iCreate India, SVP-Jagruti, Aarohi, and Reanalysis (in collaboration with JBGVS) to start pilots on livelihood, focusing on geographies that had seen the return of migrant workers, so that they would not remain unemployed.



Employment

Banking, financial service and insurance (BFSI) is a growing sector in India that requires very specific attitude, skills, and domain knowledge. To help fresh graduates and final-year undergraduate students to make a career in BFSI, a special course has been designed by Bajaj Finserv. This course, CPBFI (a customised certificate programme in banking, finance, and insurance) not only increases the employability of the Indian youth, but also creates a local talent pool for the BFSI sector in Tier 2 and 3 cities.

To design the course, the Group has partnered with a top management school and experts in the field of mental health. The CPBFI training is imparted by a team of corporate trainers, who go beyond the curriculum and share their corporate experience with the students, becoming their mentors in the process.

A final round of interviews is conducted by recruiters from Bajaj Finserv and its subsidiaries, where the students gain experience of a corporate recruitment process and receive feedback about their own readiness for the industry. Bajaj Finserv has already conducted 2 job fairs on a pilot basis. Going forward, a placement division would be set up to provide employment opportunities for the CPBFI alumni in BFSI and allied sectors. The project is functional across 9 states and 55 districts and more than 9,500 students have benefited from the programme.

Annexure to Directors' Report

Remuneration details under Rule 5(1) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 for the year ended 31 March 2021

Name of the Director/Key Managerial Personnel		Ratio of remuneration of director to median remuneration of employees	% increase in remuneration in FY 2020-21
(A) Whole-time director			
Sanjiv Bajaj-Chairman & Managing Director		67.49	60.01
(B) Non-Executive directors¹			
Madhur Bajaj		0.35	50.00
Rajiv Bajaj		0.29	0.00
D J Balaji Rao		0.76	18.18
Dr. Gita Piramall		0.82	16.67
Dr. Naushad Forbes		0.82	55.56
Anami Roy		0.06	0.00
Manish Kejriwal		0.06	0.00
(C) Key Managerial Personnel			
Sanjiv Bajaj, Chairman & Managing Director			60.01
S Sreenivasan-CFO			-4.63
Sonal R Tiwari, Company Secretary			10.13
(D) Remuneration of the Median Employee (other than whole-time director)			9.73
(E) Permanent employees as on 31 March 2021 ²		105	

- 1 (a) Remuneration (i.e. commission@ ₹ 150,000) is payable to non-executive (including independent) directors is based on the number of meetings of the Board and its Committees attended by them as members during the year under review.
- (b) Remuneration to directors does not include sitting fee paid to them for attending Board/Committee meetings.
- (c) There has been no change in the payment criteria for remuneration to non-executive (including independent) directors. The variation reflected in the column '% increase in remuneration in FY2021' is either due to change in the committee composition, membership or chairpersonship.
- 2 'Permanent employees' does not include trainees, probationers and contract employees.
- 3 During FY 2020-21, strength of the Company increased by 34.62% and median remuneration by 9.73%.
- 4 The average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year 2019-20 was 8.23% and its comparison with the average percentile increase in the managerial remuneration was ₹ 32.09%. The said increase was primarily on account of annual fixed pay increase.

Notes on Disclosures under Rule 5

- A In FY2021, the remuneration of median employee other than whole-time director increased by 9.73% over the previous year.
- B Increase in the remuneration of Managerial Person, which was 60.01% during the year under review, was given, keeping in view the trends of remuneration in industry and also keeping in view the perquisite valuation of the accommodation which was provided to him as per the terms of his appointment. The remuneration is in excess of 5% of net profit calculated under section 198 of the Act and is in accordance with the shareholders' approvals.
- C The remuneration paid as above was as per the Remuneration Policy of the Company.

Secretarial Audit Report (Form MR-3)

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule 9 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

For the financial year ended 31 March 2021.

To,
The Members,
Bajaj Finserv Ltd.
(CIN: L65923PN2007PLC130075)
Bajaj Auto Ltd. Complex,
Mumbai-Pune Road,
Akurdi, Pune-411035.

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and adherence to good corporate practices by Bajaj Finserv Ltd. (hereinafter called as 'the Company'). Subject to limitation of physical interaction and verification of records caused by COVID-19 Pandemic lock down while taking review after completion of financial year, the Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of Secretarial Audit, and subject to letter annexed herewith, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended 31 March 2021, complied with the applicable statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place subject to the reporting made hereinafter:

I have examined the books, registers, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31 March 2021, according to the provisions of:

- 1) The Companies Act, 2013 and the Rules made thereunder;
- 2) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made thereunder;
- 3) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- 4) Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- 5) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') to the extent applicable:
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
 - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

- (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009;
 - (h) The Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018; and
 - (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- 6) Rules, Regulations and Guidelines issued by the Reserve Bank of India as are applicable to Non-Deposit taking NBFC/ Core Investment Company which are specifically applicable to the Company.

I have also examined compliance with the applicable clauses of the following:-

- (i) Secretarial Standards pursuant to section 118(10) of the Act, issued by the Institute of Company Secretaries of India.
- (ii) Listing Agreements entered into by the Company with BSE Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE) as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Directions, Guidelines, Standards, etc. mentioned above.

I further report that the Board of Directors of the Company is duly constituted with proper balance of executive directors, non-executive directors and independent directors including one woman director. There were no changes in the composition of the Board of Directors during the period under review.

Adequate notices were given to all directors for the Board Meetings, including Committees thereof, along with agenda and detailed notes on agenda at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting by the directors. The decisions were carried unanimously.

I further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that the Company

- I. has allotted 154 equity shares on 'right basis' out of the shares kept in abeyance earlier and complied with the Act and Rules formed thereunder, during the reporting period.
- II. had made application for compounding of contravention of Para 9(1)(A) and Para 9(1)(B) of FEMA 20 relating to delay of reporting of receipt of Foreign Exchange and Allotment in respect that of in the financial year 2012-13 and the compounding fee of ₹ 63,083 was levied by RBI and is paid by the Company.

I further report that during the audit period, there was no other event/action having major bearing on affairs of the Company.

Shyamprasad D.Limaye
FCS 1587 CP 572
UDIN: F001587C000195286

Pune: 28 April 2021

To,
The Members,
Bajaj Finserv Ltd.
(CIN: L65923PN2007PLC130075)
Bajaj Auto Ltd. Complex,
Mumbai-Pune Road,
Akurdi, Pune-411035.

My Secretarial Audit Report for Financial Year ended on 31 March 2021 of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the Company. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the process and practices, I followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Account of the company.
4. Wherever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of event etc.
5. The compliance of the provisions of corporate and other applicable laws, rules, regulations, standards is the responsibility of Management. My examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the Management has conducted the affairs of the Company.

Shyamprasad D.Limaye
FCS 1587 CP 572
UDIN: F001587C000195286

Pune: 28 April 2021

Independent Auditors' Report on compliance with the conditions of Corporate Governance

[As per provisions of Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended]

The Members of **Bajaj Finserv Ltd.**

1. The Corporate Governance Report prepared by Bajaj Finserv Ltd. (hereinafter the 'Company'), contains details as specified in regulations 17 to 27, clauses (b) to (i) of sub – regulation (2) of regulation 46 and para C, D, and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ('the Listing Regulations') ('Applicable criteria') for the year ended 31 March 2021 as required by the Company for annual submission to the Stock exchange.

Management's responsibility

2. The preparation of the Corporate Governance Report is the responsibility of the Management of the Company including the preparation and maintenance of all relevant supporting records and documents. This responsibility also includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Corporate Governance Report.
3. The Management along with the Board of Directors are also responsible for ensuring that the Company complies with the conditions of Corporate Governance as stipulated in the Listing Regulations, issued by the Securities and Exchange Board of India.

Auditors' responsibility

4. Pursuant to the requirements of the Listing Regulations, our responsibility is to provide a reasonable assurance in the form of an opinion whether, the Company has complied with the conditions of Corporate Governance as specified in the Listing Regulations.
5. We conducted our examination of the Corporate Governance Report in accordance with the Guidance Note on Reports or Certificates for Special Purposes and the Guidance Note on Certification of Corporate Governance, both issued by the Institute of Chartered Accountants of India ('ICAI'). The Guidance Note on Reports or Certificates for Special Purposes requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.
6. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.
7. The procedures selected depend on the auditors' judgment, including the assessment of the risks associated in compliance of the Corporate Governance Report with the applicable criteria. Summary of procedures performed include:
 - i. Read and understood the information prepared by the Company and included in its Corporate Governance Report;
 - ii. Obtained and verified that the composition of the Board of Directors with respect to executive and non-executive directors has been met throughout the reporting period;
 - iii. Obtained and read the Register of directors as on 31 March 2021 and verified that atleast one independent woman director was on the Board of Directors throughout the year;
 - iv. Obtained and read the minutes of the following Committee meetings/other meetings held between 1 April 2020 to 31 March 2021:
 - (a) Board of Directors;
 - (b) Audit Committee;

- (c) Annual General Meeting (AGM);
 - (d) Nomination and Remuneration Committee;
 - (e) Stakeholders Relationship Committee;
 - (f) Risk Management Committee;
 - (g) Corporate Social Responsibility (CSR) Committee; and
 - (h) Duplicate Share Certificate Issuance Committee.
- v. Obtained necessary declarations from the directors of the Company.
 - vi. Obtained and read the policy adopted by the Company for related party transactions .
 - vii. Obtained the schedule of related party transactions during the year and balances at the year-end. Obtained and read the minutes of the Audit Committee meeting where in such related party transactions have been pre-approved prior by the Audit Committee.
 - viii. Performed necessary inquiries with the Management and also obtained necessary specific representations from Management.
8. The above-mentioned procedures include examining evidence supporting the particulars in the Corporate Governance Report on a test basis. Further, our scope of work under this report did not involve us performing audit tests for the purposes of expressing an opinion on the fairness or accuracy of any of the financial information or the financial statements of the Company taken as a whole.

Opinion

9. Based on the procedures performed by us, as referred in paragraph 7 above, and according to the information and explanations given to us, we are of the opinion that the Company has complied with the conditions of Corporate Governance as specified in the Listing Regulations, as applicable for the year ended 31 March 2021, referred to in paragraph 4 above.

Other matters and Restriction on Use

10. This report is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.
11. This report is addressed to and provided to the members of the Company solely for the purpose of enabling it to comply with its obligations under the Listing Regulations with reference to compliance with the relevant regulations of Corporate Governance and should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care or for any other purpose or to any other party to whom it is shown or into whose hands it may come without our prior consent in writing. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

For S R B C & CO LLP
ICAI Firm Registration Number: 324982E/E300003
Chartered Accountants

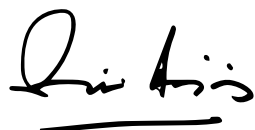
per Vaibhav Kumar Gupta
Partner
Membership Number: 213935
UDIN: 21213935AAAACJ1271

Pune: 28 April 2021

Declaration by Chief Executive Officer (CEO)

[Regulation 34(3) read with Schedule V (Part D) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

I, Sanjiv Bajaj, Chairman & Managing Director of Bajaj Finserv Ltd. hereby declare that all members of the Board of Directors and Senior Management have affirmed compliance with the Code of Conduct of Board of Directors and Senior Management of the Company for the year ended 31 March 2021.



Sanjiv Bajaj
Chairman & Managing Director

Pune: 28 April 2021

Certificate by Practising Company Secretary

[Pursuant to Schedule V read with regulation 34(3) of SEBI Listing Regulations (as amended)]

In the matter of Bajaj Finserv Ltd. (CIN L65923PN2007PLC130075) having its registered Office at Bajaj Auto Ltd. Complex, Mumbai-Pune Road, Akurdi, Pune - 411035.

On the basis of examination of the books, minute books, forms and returns filed and other records maintained by the Company and declarations made by the directors and explanations given by the Company, and subject to limitation of physical interaction and verification of records caused by COVID-19 Pandemic lock down;

I certify that the following persons are directors of the Company (during 01 April 2020 to 31 March 2021) and none of them have been debarred or disqualified from being appointed or continuing as directors of companies by the Board/Ministry of Corporate Affairs or any such statutory authority.

Sr. No.	Name of Director	DIN	Designation
1	Madhurkumar Ramkrishnaji Bajaj	00014593	Non-Executive Director
2	Sanjivnayan Rahulkumar Bajaj	00014615	Chairman & Managing Director
3	Rajivnayan Rahulkumar Bajaj	00018262	Non-Executive Director
4	Balaji Rao Jagannathrao Doveton	00025254	Independent Director
5	Dr. Naushad Darius Forbes	00630825	Independent Director
6	Dr. Gita Piramal	01080602	Independent Director
7	Anami N Roy	01361110	Independent Director
8	Manish Santoshkumar Kejriwal	00040055	Non-Executive Director

Shyamprasad D. Limaye
FCS 1587 CP 572
UDIN: F001587C000195286

Pune: 28 April 2021

CONSOLIDATED FINANCIAL STATEMENTS

Independent Auditors' Report on the Consolidated Financial Statements

To the Members of **Bajaj Finserv Ltd.**

Opinion

We have audited the accompanying consolidated financial statements of Bajaj Finserv Ltd. (hereinafter referred to as 'the Holding Company'), its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group') and its joint venture, comprising of the consolidated Balance Sheet as at 31 March 2021, the consolidated Statement of Profit and Loss, including other comprehensive income, the consolidated Cash Flow Statement and the consolidated Statement of Changes in Equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as 'the consolidated financial statements').

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiaries and one joint venture, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013, as amended ('the Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its joint venture as at 31 March 2021, their consolidated profit including other comprehensive income, their consolidated cash flows and the consolidated statement of changes in equity for the year ended on that date.

Basis for opinion

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's responsibilities for the audit of the consolidated financial statements' section of our report. We are independent of the Group and a joint venture in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Emphasis of matter

We draw attention to note 2A(B)(1) to these consolidated financial statements, relating to the consolidated financial statements of Bajaj Finance Ltd., a subsidiary of the Holding Company, which describes the uncertainty caused by the continuing COVID-19 pandemic and the related probable events which could impact Bajaj Finance Ltd.'s estimates of impairment of loans to its customers.

Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year ended 31 March 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of audit procedures performed by us and by other auditors of components not audited by us, as reported by them in their audit reports furnished to us by the management, including those procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent Auditors' Report on the Consolidated Financial Statements (Contd.)

Key audit matters

How our audit addressed the key audit matter

(a) Impairment of financial assets as at balance sheet date (expected credit losses)

(as described in note 46(5) of the consolidated financial statements)

Ind AS 109 requires the Group to provide for impairment of its financial assets designated at amortised cost and fair value through other comprehensive income (including loan receivables and investments) using the expected credit loss (ECL) approach. ECL involves an estimation of probability-weighted loss on financial instruments over their life, considering reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions which could impact the credit quality of the Group's financial assets.

In the process, a significant degree of judgment has been applied by the Management for:

- staging of the financial assets (i.e. classification in 'significant increase in credit risk' ('SICR') and 'default' categories);
- grouping of borrowers based on homogeneity by using appropriate statistical techniques;
- estimation of behavioral life;
- determining macro-economic factors impacting credit quality of receivables;
- estimation of losses for financial assets with no/minimal historical defaults.

Additional considerations on account of COVID-19

Considering the evolving nature of the COVID-19 pandemic, which has continued to impact the business operations of the subsidiaries engaged in lending, resulting in higher loan losses, the Group has maintained a management overlay of around ₹ 840 crore as part of its ECL, to reflect among other things the increased risk of deterioration in macro-economic factors. Given the unique nature of the pandemic and the extent of its economic impact which depends on future developments including governmental and regulatory measures and the Group's responses thereto, the actual credit loss can be different than that being estimated.

In view of such high degree of management's judgment involved in estimation of ECL, accentuated by the COVID-19 pandemic and related events, it is a key audit matter.

- Read and assessed the Group's accounting policies for impairment of financial assets and their compliance with Ind AS 109.
- For subsidiaries engaged in lending, read and assessed their policy with respect to one-time restructuring offered to customers pursuant to the 'Resolution Framework for COVID-19-related Stress' issued by RBI on 6 August 2020 and tested the implementation of such policy on a sample basis.
- Evaluated the reasonableness of the management estimates by understanding the process of ECL estimation and related assumptions and tested the controls around data extraction and validation.
- Assessed the criteria for staging of financial assets based on their past-due status to check compliance with requirement of Ind AS 109. Tested a sample of performing (stage 1) assets to assess whether any SICR or loss indicators were present requiring them to be classified under stage 2 or 3.
- Assessed the additional considerations applied by the Management for staging of loans as SICR or default categories in view of the aforesaid policy on one-time restructuring.
- Tested the ECL model, including assumptions and underlying computation. Assessed the floor/minimum rates of provisioning applied by the Group for financial assets with inadequate historical defaults.
- Tested assumptions used by the Management in determining the overlay for macro-economic factors (including COVID-19 pandemic).
- Tested assumptions used by the Management for determining fair value of investments and the cash flow projections of the investee with reference to past experience. Assessed whether the assumptions are adjusted for business outlook on account of COVID-19.
- Assessed disclosures included in the consolidated financial statements in respect of expected credit losses including the specific disclosures made with regards to the impact of COVID-19 on ECL estimation.

(b) IT systems and controls

Financial accounting and reporting processes, especially in the financial services sector, are fundamentally reliant on IT systems and IT controls to process significant transaction volumes, hence we identified IT systems and controls over financial reporting as a key audit matter for the Group.

Automated accounting procedures and IT environment controls, which include IT governance, general IT controls over program development and changes, access to programs and data and IT operations, are required to be designed and to operate effectively to ensure reliable financial reporting.

- We tested the design and operating effectiveness of the Group's IT access controls over the information systems that are important to financial reporting and various interfaces, configuration and other identified application controls.
- We tested IT general controls (logical access, changes management and aspects of IT operational controls). This included testing requests for access to systems were reviewed and authorised.
- We tested the Group's periodic review of access rights. We also tested requests of changes to systems for approval and authorisation.
- In addition to the above, we tested the design and operating effectiveness of certain automated controls that were considered as key internal controls over financial reporting.

Independent Auditors' Report on the Consolidated Financial Statements (Contd.)

Key audit matters	How our audit addressed the key audit matter
<p>(c) Outstanding Motor Third Party (TP) claims</p> <p>The joint auditors of Bajaj Allianz General Insurance Company Ltd. ('BAGIC'), a subsidiary of the Holding Company, have reported that outstanding Motor TP claims represent estimates of future payments of reported claims for losses and related expenses at balance sheet date.</p> <p>The valuation of reported third party loss involves a high degree of subjectivity and estimation. For such claims, a provision is made on the basis of the amounts that are likely to be paid against each claim as estimated by BAGIC in light of the information available at the balance sheet date and which is subsequently modified for changes, as appropriate, based on availability of additional information.</p> <p>Resultantly, outstanding Motor TP claims is an area which requires auditors' attention, especially considering the significant degree of judgment which is required to be applied to determine this amount.</p>	<p>The procedures performed by the joint auditors of BAGIC, as reported by them to determine the appropriateness of the outstanding Motor TP claims by undertaking the following procedures:</p> <ul style="list-style-type: none"> • Obtained an understanding of the BAGIC's process of Motor TP claims provisioning, which takes into consideration factors such as evaluation of legal precedents and professional judgments of lawyers. • Tested the design, implementation and operating effectiveness of key controls over the Motor TP claims provisioning as at the year end. • Performed substantive audit procedures and tested samples of outstanding Motor TP claims along with their underlying documentation for assessing existence and accuracy. • Assessed the appropriateness of the overall Motor TP estimate made by BAGIC.

Other information

The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon. The Holding Company's Board of Directors is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated financial statements in terms of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group including its joint venture in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. The respective Board of Directors of the companies included in the Group and of its joint venture are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and of its joint venture and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group and of its joint venture are responsible for assessing the ability of the Group and of its joint venture to continue as a

Independent Auditors' Report on the Consolidated Financial Statements (Contd.)

going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are also responsible for overseeing the financial reporting process of the Group and of its joint venture.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Holding Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its joint venture to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and its joint venture to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its joint venture of which we are the independent auditors, to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned

Independent Auditors' Report on the Consolidated Financial Statements (Contd.)

scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the financial year ended 31 March 2021 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matter

- (a) The consolidated financial statements include the Group's share of net loss of ₹ 0.18 crore for the year ended 31 March 2021, as considered in the consolidated financial statements, in respect of one joint venture, whose financial statements, other financial information have been audited by other auditors and whose reports have been furnished to us by the Management. Our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this joint venture, and our report in terms of sub-sections (3) of section 143 of the Act, in so far as it relates to the aforesaid joint venture, is based solely on the report of such other auditors.
- (b) The auditors of Bajaj Allianz Life Insurance Company Ltd. ('BALIC'), a subsidiary, have reported that the actuarial valuation of liabilities for life policies in force and for policies in respect of which premium has been discontinued but liability exists as at 31 March 2021 is the responsibility of the BALIC's Appointed Actuary. The actuarial valuation of these liabilities for life policies in force and for policies in respect of which premium has been discontinued but liability exists as at 31 March 2021 has been duly certified by the BALIC's Appointed Actuary and in his opinion, the assumptions for such valuation are in accordance with Ind AS 104 'Insurance Contracts', Ind AS 109 'Financial Instruments', the guidelines and norms issued by the Insurance Regulatory Development Authority of India ('IRDAI'/'Authority') and the Institute of Actuaries of India in concurrence with the IRDAI. BALIC's auditors have relied upon Appointed Actuary's certificate in this regard for forming their opinion on the valuation of liabilities for life policies in force and for policies in respect of which premium has been discontinued but liability exists in financial statements of BALIC.
- (c) The auditors of Bajaj Allianz General Insurance Company Ltd. ('BAGIC'), a subsidiary, have reported that the actuarial valuation of liabilities in respect of claims Incurred But Not Reported (IBNR) and claims Incurred But Not Enough Reported (IBNER) of BAGIC is the responsibility of the BAGIC's Appointed Actuary. The actuarial valuation of these liabilities as at 31 March 2021 has been duly certified by the BAGIC's Appointed Actuary. The BAGIC's Appointed Actuary has also certified that in his opinion, the assumptions for such valuation are in accordance with Ind AS 104 'Insurance Contracts', Ind AS 109 'Financial Instruments', the guidelines and norms issued by the Insurance Regulatory Development Authority of India ('IRDAI'/'Authority') and the Institute of Actuaries of India in concurrence with the IRDAI. BAGIC's auditors have relied upon the BAGIC's Appointed Actuary's certificate in this regard for forming our opinion on the financial statements of BAGIC.

Our opinion above on the consolidated financial statements, and our report on other legal and regulatory requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements and other financial information certified by the Management.

Report on other legal and regulatory requirements

As required by section 143(3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of subsidiaries and joint venture, as noted in the 'other matter' paragraph we report, to the extent applicable, that

- (a) We/the other auditors whose report we have relied upon have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements;

Independent Auditors' Report on the Consolidated Financial Statements (Contd.)

- (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books and reports of the other auditors;
- (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated financial statements;
- (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
- (e) On the basis of the written representations received from the directors of the Holding Company as on 31 March 2021 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors who are appointed under section 139 of the Act, of its subsidiary companies and one joint venture, none of the directors of the Group companies, and of its joint venture, incorporated in India, is disqualified as on 31 March 2021 from being appointed as a director in terms of section 164 (2) of the Act;
- (f) With respect to the adequacy of the internal financial controls with reference to the consolidated financial statements of the Holding Company and its subsidiary companies and joint venture, incorporated in India, refer to our separate Report in 'Annexure 1' to this report;
- (g) In our opinion and based on the consideration of reports of other statutory auditors of the subsidiaries and joint venture, the managerial remuneration for the year ended 31 March 2021 has been paid/provided by the Holding Company, its subsidiaries and joint venture to their directors in accordance with the provisions of section 197 read with Schedule V to the Act; and
- (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries and joint venture, as noted in the 'Other matter' paragraph
 - i. The consolidated financial statements disclose the impact of pending litigations on its consolidated financial position of the Group and its joint venture – Refer Note 41A to the consolidated financial statements;
 - ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 5 to the consolidated financial statements in respect of such items as it relates to the Group and its joint venture; and
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company, its subsidiaries and joint venture, incorporated in India during the year ended 31 March 2021.

For S R B C & CO LLP
ICAI Firm Registration Number: 324982E/E300003
Chartered Accountants

per Vaibhav Kumar Gupta
Partner
Membership Number: 213935
UDIN: 21213935AAAAACG2989

Pune: 28 April 2021

Annexure 1 to Independent Auditors' Report

Annexure 1 referred to in paragraph (f) under the heading 'Report on other legal and regulatory requirements' to the independent auditor's report of even date on the consolidated financial statements of Bajaj Finserv Ltd.

Report on the Internal Financial Controls under clause (i) of sub-section 3 of section 143 of the Companies Act, 2013 ('the Act')

In conjunction with our audit of the consolidated financial statements of Bajaj Finserv Ltd. (hereinafter referred to as the 'Holding Company') as of and for the year ended 31 March 2021, we have audited the internal financial controls with reference to consolidated financial statements of the Holding Company and its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group') and its joint venture, which are companies incorporated in India, as of that date.

Management's responsibility for internal financial controls

The respective Board of Directors of the companies included in the Group and its joint venture, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's responsibility

Our responsibility is to express an opinion on the Holding Company's internal financial controls with reference to consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the 'Guidance Note') and the Standards on Auditing, specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both, issued by ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to the consolidated financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to the consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated financial statements included obtaining an understanding of internal financial controls with reference to consolidated financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to consolidated financial statements.

Meaning of internal financial controls with reference to consolidated financial statements

A company's internal financial control with reference to consolidated financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control with reference to consolidated financial statements includes those policies and procedures that

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and

Annexure 1 to Independent Auditors' Report (Contd.)

- (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent limitations of internal financial controls with reference to the consolidated financial statements

Because of the inherent limitations of internal financial controls with reference to consolidated financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to consolidated financial statements to future periods are subject to the risk that the internal financial controls with reference to consolidated financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Holding Company, its subsidiary companies and its joint ventures which are companies incorporated in India, have, maintained in all material respects, adequate internal financial controls with reference to consolidated financial statements and such internal financial controls with reference to consolidated financial statements were operating effectively as at 31 March 2021, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

Other matters

- (a) The auditors of Bajaj Allianz Life Insurance Company Ltd. ('BALIC'), a subsidiary, have reported that the actuarial valuation of liabilities for life policies in force and policies where premium is discontinued is required to be certified by the BALIC's Panel Actuary as per the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 (the 'IRDA Financial Statements Regulations'), and has been relied upon by them, as mentioned in 'Other matter' paragraph of their audit report on the financial statements of BALIC as at and for the year ended 31 March 2021. Accordingly, the internal financial controls over financial reporting in respect of the valuation and accuracy of the aforesaid actuarial valuation is also certified by the Panel Actuary and has been relied upon by them.
- (b) The auditors of Bajaj Allianz General Insurance Company Ltd. ('BAGIC'), a subsidiary, have reported that the actuarial valuation for claims Incurred But Not Reported (IBNR) and claims Incurred But Not Enough Reported (IBNER), has been duly certified by the BAGIC's Appointed Actuary in accordance with the guidelines and norms issued by the Insurance Regulatory and Development Authority of India (the 'Authority') and the Institute of Actuaries of India in concurrence with the Authority, and has been relied upon by them, as mentioned in 'Other matter' paragraph of their audit report on the financial statements of BAGIC as at and for the year ended 31 March 2021. Accordingly, their opinion on the internal financial controls over financial reporting does not include reporting on the adequacy and operating effectiveness of internal controls over valuation and accuracy of aforesaid actuarial liabilities.
- (c) Our report under section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls with reference to consolidated financial statements of the Holding Company, in so far as it relates to one joint venture, which is a company incorporated in India, is based on the corresponding report of the auditors of such joint venture incorporated in India.

For S R B C & CO LLP

ICAI Firm Registration Number: 324982E/E300003

Chartered Accountants

per Vaibhav Kumar Gupta

Partner

Membership Number: 213935

UDIN: 21213935AAAACG2989

Pune: 28 April 2021

Consolidated Balance Sheet

Particulars	Note No.	(₹ In Crore)	
		As at 31 March	
		2021	2020
ASSETS			
Financial assets			
Cash and cash equivalents	3	2,955.09	2,395.52
Bank balances other than cash and cash equivalents	4	455.40	129.71
Derivative financial instruments	5	4.14	171.76
Trade receivables	6	2,512.12	2,657.81
Other receivables	7	240.95	157.07
Loans	8	147,099.91	141,742.76
Investment in a joint venture	9A	13.67	13.82
Shareholders' investments	9B	33,569.15	27,699.70
Policyholders' investments	9C	80,071.59	64,107.53
Other financial assets	10	2,538.58	2,364.49
		269,460.60	241,440.17
Non-financial assets			
Current tax assets (net)		236.55	296.19
Deferred tax assets (net)	11A	945.90	885.47
Investment property	12	39.73	37.24
Property, plant and equipment	13A	1,564.83	1,615.23
Right-of-use assets	13B	488.70	540.59
Capital work-in-progress		49.57	13.20
Intangible assets under development		79.28	31.49
Goodwill on consolidation		689.34	689.34
Other intangible assets	14	399.50	333.22
Other non-financial assets	15	6,210.32	5,502.05
		10,703.72	9,944.02
Total		280,164.32	251,384.19

Consolidated Balance Sheet (Contd.)

(₹ In Crore)			
As at 31 March			
Particulars	Note No.	2021	2020
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Payables			
Trade payables	16		
Total outstanding dues of micro enterprises and small enterprises		13.41	4.31
Total outstanding dues of creditors other than micro enterprises and small enterprises		4,164.58	3,141.33
Other payables	17		
Total outstanding dues of micro enterprises and small enterprises		-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises		660.77	793.25
Derivative financial instruments	5	156.09	-
Debt securities	18	50,769.77	46,337.36
Borrowings (other than debt securities)	19	47,441.20	54,700.17
Deposits	20	25,803.43	21,427.10
Subordinated liabilities	21	3,898.61	4,141.75
Insurance contracts liabilities		75,230.06	58,772.95
Investment contracts liabilities		8,881.18	6,946.84
Lease liabilities	22	547.84	605.65
Other financial liabilities	23	760.31	664.40
		218,327.25	197,535.11
Non-financial liabilities			
Current tax liabilities (net)		568.30	443.59
Deferred tax liabilities (net)	11B	319.61	80.04
Provisions	24	226.38	175.80
Other non-financial liabilities	25	2,428.80	2,288.25
		3,543.09	2,987.68
EQUITY			
Equity share capital	26	79.57	79.57
Other equity	27	35,750.43	31,221.68
Non-controlling interest		22,463.98	19,560.15
		58,293.98	50,861.40
Total		280,164.32	251,384.19
Summary of significant accounting policies followed by the Group	2		

The accompanying notes are an integral part of the consolidated financial statements

As per our report of even date

On behalf of the Board of Directors

For S R B C & CO LLP

ICAI Firm Registration Number: 324982E/E300003

Chartered Accountants

per Vaibhav Kumar Gupta

Partner

Membership Number: 213935

S Sreenivasan
Chief Financial Officer

Sanjiv Bajaj
Chairman & Managing Director

Sonal R Tiwari
Company Secretary

Madhur Bajaj
Director

Pune: 28 April 2021

Consolidated Statement of Profit and Loss

Particulars	Note No.	(₹ In Crore)	
		For the year ended 31 March	
		2021	2020
Revenue from operations			
Interest income	28	26,933.22	26,504.37
Dividend income		87.50	60.84
Rental income		4.94	4.17
Fees and commission income	29	2,387.11	2,476.34
Net gain on fair value changes	30	4,828.31	333.37
Sale of services	31	283.78	187.69
Premium and other operating income from insurance business		25,759.83	24,498.56
Others	32	306.51	281.35
Total revenue from operations		60,591.20	54,346.69
Other income	33	0.37	4.78
Total income		60,591.57	54,351.47
Expenses			
Employee benefits expenses	34	4,698.34	4,755.11
Finance costs	35	9,141.28	9,338.53
Fees and commission expense	36	2,614.37	2,206.10
Impairment on financial instruments	37	5,978.85	4,120.37
Claims incurred pertaining to insurance business		11,864.43	12,512.17
Reinsurance ceded		4,854.81	4,520.67
Net change in insurance/investment contract liabilities		7,976.05	4,353.87
Depreciation, amortisation and impairment	38	498.46	456.79
Other expenses	39	3,102.46	3,786.86
Total expenses		50,729.05	46,050.47
Share of profits/(loss) of joint venture		(0.18)	0.66
Profit before tax		9,862.34	8,301.66
Tax expense			
Current tax		2,322.24	2,557.12
Deferred tax		172.72	(249.06)
Total tax expense	40	2,494.96	2,308.06
Profit after tax		7,367.38	5,993.60
Profit attributable to non-controlling interests		2,896.92	2,624.47
Profit for the year		4,470.46	3,369.13

Consolidated Statement of Profit and Loss (Contd.)

Particulars	Note No.	(₹ In Crore)	
		For the year ended 31 March	
		2021	2020
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial gains/losses of defined benefit plans		(35.42)	(35.62)
Tax impacts on above		9.55	5.52
Changes in fair value of equity instruments carried at FVTOCI		37.63	(92.10)
Tax impacts on above		(17.15)	23.18
Items that will be reclassified to profit or loss			
Changes in fair value of debt securities carried at FVTOCI		(159.22)	994.25
Tax impacts on above		13.35	(177.08)
Derivative instruments in cash flow hedge relationship		(20.52)	(75.68)
Tax impacts on above		5.25	19.05
Other comprehensive income for the year (net of tax)		(166.53)	661.52
Total comprehensive income for the year		7,200.85	6,655.12
Profit attributable to			
Owners of the company		4,470.46	3,369.13
Non-controlling interests		2,896.92	2,624.47
Total comprehensive income attributable to			
Owners of the company		4,360.32	3,882.47
Non-controlling interests		2,840.53	2,772.65
Basic and diluted Earnings per share (in ₹)	41	280.9	211.7
(Nominal value per share ₹ 5)			
Summary of significant accounting policies followed by the Group	2		

The accompanying notes are an integral part of the consolidated financial statements

As per our report of even date

For S R B C & CO LLP

ICAI Firm Registration Number: 324982E/E300003

Chartered Accountants

per Vaibhav Kumar Gupta

Partner

Membership Number: 213935

Pune: 28 April 2021

S Sreenivasan
Chief Financial Officer

Sonal R Tiwari
Company Secretary

On behalf of the Board of Directors

Sanjiv Bajaj
Chairman & Managing Director

Madhur Bajaj
Director

Consolidated Statement of Changes in Equity

A Equity share capital

Particulars	Note No.	(₹ In Crore)	
		For the year ended 31 March	
		2021	2020
At the beginning of the year		79.57	79.57
Changes in equity share capital during the year		-	-
At the end of the year	26	79.57	79.57

Consolidated Statement of Changes in Equity (Contd.)

B Other equity

Particulars	Note No.	Reserves and surplus							Other comprehensive income			Total non-controlling interest	Total	
		Securities premium	General reserve	Reserve fund in terms of section 45-IC(1) of the Reserve Bank of India Act, 1934	Reserve fund in terms of section 29C of the National Housing Bank Act, 1987	Infrastructure reserve in terms of section 36 (1) (viii) of the Income-tax Act, 1961	Share based payments reserve	Treasury shares	Retained earnings	Equity instruments through other comprehensive income	Debt and Hedge instruments through other comprehensive income			
Balance as at 1 April 2019	27	5,006.71	2,095.17	1,395.19	10.28	9.15	80.18	(25.85)	14,948.75	-	140.92	23,660.50	12,807.65	36,468.15
Profit for the year		-	-	-	-	-	-	-	3,369.13	-	-	3,369.13	2,624.47	5,993.60
Other comprehensive income (net of tax)		-	-	-	-	-	-	-	(17.13)	(36.40)	566.87	513.34	148.18	661.52
Total comprehensive income for the year ended 31 March 2020		-	-	-	-	-	-	-	3,352.00	(36.40)	566.87	3,882.47	2,772.65	6,655.12
Issue of equity share capital		4,553.24	-	-	-	-	-	-	-	-	-	4,553.24	4,066.88	8,620.12
Share issue expenses		(23.80)	-	-	-	-	-	-	-	-	-	(23.80)	(21.26)	(45.06)
Transfer to Reserve Fund in terms of section 45IC(1) of the Reserve Bank of India Act, 1934 and section 29C of the National Housing Bank Act,1987		-	-	497.19	31.31	-	-	-	(528.50)	-	-	-	-	-
Transfer to Infrastructure Reserve in terms of section 36 (1) (viii) of the income Tax Act, 1961		-	-	-	-	13.21	-	-	(13.21)	-	-	-	-	-
Final dividend, declared and paid during the year		-	-	-	-	-	-	-	(39.79)	-	-	(39.79)	(219.59)	(259.38)
Tax on final dividend		-	-	-	-	-	-	-	(70.59)	-	-	(70.59)	(33.74)	(104.33)
Interim dividend, declared and paid during the year		-	-	-	-	-	-	-	(79.57)	-	-	(79.57)	(283.88)	(363.45)
Tax on interim dividend		-	-	-	-	-	-	-	(65.33)	-	-	(65.33)	(58.35)	(123.68)
Recognition of share based payments to employees		-	-	-	-	-	65.60	-	-	-	-	65.60	39.16	104.76
Transfer on exercise of option		-	-	-	-	-	(0.30)	-	0.30	-	-	-	(0.10)	(0.10)
Treasury shares held by ESOP trust		-	-	-	-	-	-	(174.32)	-	-	-	(174.32)	-	(174.32)
Transfer on allotment of shares to employees pursuant to ESOP scheme		-	-	-	-	-	-	-	(0.21)	-	-	(0.21)	(0.18)	(0.39)
Transfer on cancellation of stock options		-	0.62	-	-	-	-	-	-	-	-	0.62	0.56	1.18
Adjustment of dividend to ESOP Trust		-	-	-	-	-	-	-	1.70	-	-	1.70	1.51	3.21
Adjustment because of change in shareholding in subsidiary		(180.43)	(17.03)	(56.42)	(0.03)	(0.36)	(2.92)	-	(250.64)	-	18.99	(488.84)	488.84	-
Balance as at 31 March 2020	27	9,355.72	2,078.76	1,835.96	41.56	22.00	142.56	(200.17)	17,254.91	(36.40)	726.78	31,221.68	19,560.15	50,781.83

(₹ In Crore)

Consolidated Statement of Changes in Equity (Contd.)

B Other equity (Contd.)

(₹ In Crore)

Particulars	Note No.	Reserves and surplus					Other comprehensive income			Total attributable to equity holders of the parent	Total non-controlling interest	Total
		Securities premium	General reserve	Reserve fund in terms of section 45-IC(1) of the Reserve Bank of India Act, 1934	Reserve fund in terms of section 29C of the National Housing Bank Act, 1987	Infrastructure reserve in terms of section 36 (1) (viii) of the Income-tax Act, 1961	Share based payments reserve	Treasury shares	Retained earnings	Equity instruments through other comprehensive income	Debt and Hedge instruments through other comprehensive income	
Profit for the year		-	-	-	-	-	-	-	4,470.46	-	-	7,367.38
Other comprehensive income (net of tax)		-	-	-	-	-	-	-	(12.94)	12.03	(109.23)	(56.39)
Total comprehensive income for the year ended 31 March 2021		-	-	-	-	-	-	-	4,457.52	12.03	(109.23)	7,200.85
Issue of equity share capital		64.49	-	-	-	-	-	-	-	-	-	138.66
Transfer to Reserve Fund in terms of section 45IC(1) of the Reserve Bank of India Act, 1934 and section 29C of the National Housing Bank Act, 1987		-	-	41772	37.60	-	-	-	(455.32)	-	-	-
Transfer to Infrastructure Reserve in terms of section 36 (1) (viii) of the Income Tax Act, 1961		-	-	-	-	22.15	-	-	(22.15)	-	-	-
Interim dividend, declared and paid during the year		-	-	-	-	-	-	-	-	-	-	(81.64)
Recognition of share based payments to employees		-	-	-	-	-	113.92	-	-	-	-	174.61
Transfer on exercise of option		18.29	-	-	-	-	(18.29)	-	-	-	-	(16.39)
Realisation from treasury shares held by ESOP trust		-	-	-	-	-	-	15.95	-	-	-	15.95
Transfer on cancellation of stock options		-	0.28	-	-	-	-	-	-	-	-	0.54
Adjustment because of change in shareholding in subsidiary		(13.31)	(0.62)	(2.82)	(0.06)	(0.03)	(0.17)	-	(9.26)	0.05	0.01	26.21
Balance as at 31 March 2021	27	9,425.19	2,078.42	2,250.86	79.10	44.12	238.02	(184.22)	21,225.70	(24.32)	617.56	58,214.41
Summary of significant accounting policies followed by the Group												22,463.98
												35,750.43

The accompanying notes are an integral part of the consolidated financial statements

As per our report of even date

For S R B C & Co LLP

ICAI Firm Registration Number: 324982E/E300003
Chartered Accountants

per Vaibhav Kumar Gupta
Partner
Membership Number: 213935

Pune: 28 April 2021

On behalf of the Board of Directors

Sanjiv Bajaj
Chairman & Managing Director

Madhur Bajaj
Director

S Sreenivasan
Chief Financial Officer

Sonal R Tiwari
Company Secretary

Consolidated Statement of Cash Flows

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2021	2020
I. Operating activities		
Profit before tax	9,862.34	8,301.66
Adjustments for		
Interest income	(26,933.22)	(26,504.37)
Dividend income	(87.50)	(60.84)
Rental income	(4.94)	(4.17)
Unwinding of discount on security deposit	(0.45)	(0.90)
Realised gain on sale of investment	(235.43)	(281.54)
Depreciation and amortisation	498.46	456.79
Share of (profits)/loss of joint venture	0.18	(0.66)
Impairment on financial instruments	5,978.85	4,120.37
Net (gain)/loss on disposal of property, plant and equipment	7.90	2.99
Finance costs	9,141.28	9,338.53
Share based payment to employees	177.91	127.70
Net gain on financial instruments at fair value through profit or loss	(4,828.31)	(333.37)
Interest from loans (other than financing activity)	(35.24)	(37.21)
Remeasurement gain/(loss) on defined benefit plans	3.38	(0.04)
Service fees for management of assigned portfolio of loans	(157.53)	(124.27)
Provision for doubtful debts	(1.44)	0.99
Cash inflow from service asset	73.65	61.70
Cash inflow from interest on loans under financing activity	21,342.24	22,903.15
Cash outflow towards finance cost	(9,099.15)	(8,366.49)
Cash from operation before working capital changes	5,702.98	9,600.02
Working capital changes		
(Increase)/decrease in trade receivables	251.85	(490.74)
(Increase)/decrease in loans	(9,007.33)	(32,487.71)
(Increase)/decrease in other financial assets	(637.78)	(210.76)
(Increase)/decrease in other non-financial assets	(81.85)	(223.89)
(Increase)/decrease re-insurance assets	(721.95)	(605.74)
Increase/(decrease) in trade payables	336.01	245.65
Increase/(decrease) in other payables	805.49	(318.44)
Increase/(decrease) in other financial liabilities	90.72	(1,242.00)
Increase/(decrease) in provisions	19.14	(26.68)
Increase/(decrease) in other non-financial liabilities	122.14	628.11
Increase/(decrease) insurance contract liabilities	9,788.49	4,418.82
Income tax paid (net of refunds)	(2,120.51)	(2,655.67)
Net cash flows from/(used in) operating activities	4,547.40	(23,369.03)

Consolidated Statement of Cash Flows (Contd.)

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2021	2020
II. Investing activities		
Purchase of property, plant and equipment	(293.02)	(768.94)
Proceeds from sale of property, plant and equipment	19.03	9.34
Purchase of intangible assets	(177.83)	(110.38)
Purchase of investments measured at amortised cost	(97,444.32)	(169,402.65)
Proceeds from investments measured at amortised cost	87,499.87	164,286.59
Expenses related to investments	(6.81)	(10.66)
Purchase of investments measured at FVTOCI	(3,004.37)	(2,246.45)
Proceeds from sale of investments measured at FVTOCI	2,082.54	826.09
Purchase of investments measured at FVTPL	(234,628.04)	(442,984.73)
Proceeds from sale of investments measured at FVTPL	237,322.50	436,535.68
Purchase of equity investments designated at FVTOCI	-	(150.00)
Loan against policies	(36.30)	(76.77)
Repayment of loan received	-	16.67
Rent/interest/dividend received	4,770.00	4,195.45
Interest received on investment measured at FVTPL and FVTOCI	226.70	135.32
Fixed deposits placed during the year	(355.27)	(287.00)
Fixed deposits matured during the year	325.57	258.76
(Investment in)/realisation from treasury shares by ESOP trust	15.95	(174.32)
Net cash used in investing activities	(3,683.80)	(9,948.00)

Consolidated Statement of Cash Flows (Contd.)

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2021	2020
III. Financing activities		
Issue of equity share capital (including securities premium)	103.22	8,568.12
Share issue expenses	-	(45.06)
Dividends paid	(82.50)	(682.83)
Dividend distribution tax	-	(115.86)
Deposits received, net	4,246.41	7,987.85
Debt securities issued, net	4,937.14	1,972.98
Borrowings other than debt securities issued, net	(7,142.32)	16,906.34
Subordinated debts repaid, net	(228.72)	-
Payment of lease liability	(146.28)	(112.19)
Net cash flow from financing activities	1,686.95	34,479.35
Net change in cash and cash equivalents	2,550.55	1,162.32
Cash and cash equivalents at the beginning of the year	5,261.33	4,099.01
Cash and cash equivalents at year end *	7,811.88	5,261.33

*Cash and cash equivalents at year end

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Cash and cash equivalents as per note 3	2,955.09	2,395.52
Other short-term liquid investment	4,867.42	3,000.53
Temporary overdraft, units receivable and others	(10.63)	(134.72)
	7,811.88	5,261.33

Summary of significant accounting policies followed by the Group

2

The accompanying notes are an integral part of the consolidated financial statements

As per our report of even date

On behalf of the Board of Directors

For S R B C & CO LLP

ICAI Firm Registration Number: 324982E/E300003

Chartered Accountants

per Vaibhav Kumar Gupta

Partner

Membership Number: 213935

Pune: 28 April 2021

S Sreenivasan
Chief Financial Officer

Sonal R Tiwari
Company Secretary

Sanjiv Bajaj
Chairman & Managing Director

Madhur Bajaj
Director

Notes to consolidated financial statements for the year ended 31 March 2021

1A Principles of consolidation and equity accounting

The consolidated financial statements include financial statements of the following subsidiaries and joint venture of Bajaj Finserv Ltd., consolidated in accordance with Ind AS 110 'Consolidated Financial Statements' and Ind AS 28 'Investments in Associates and Joint Ventures'. The consolidated financial statements comprise financial statements of Bajaj Finserv Ltd. (the 'Company', the 'Holding Company' or the 'Parent'), its subsidiaries and joint venture (collectively, the 'Group') for the year ended 31 March 2021.

Name of the company	Country of incorporation	% Shareholding of Bajaj Finserv Ltd.	Consolidated as
Bajaj Allianz General Insurance Company Ltd.	India	74%	Subsidiary
Bajaj Allianz Life Insurance Company Ltd.	India	74%	Subsidiary
Bajaj Finance Ltd.*	India	52.74%	Subsidiary
Bajaj Finserv Direct Ltd.	India	100%	Subsidiary
Bajaj Finserv Health Ltd.	India	100%	Subsidiary
Bajaj Allianz Financial Distributors Ltd.**	India	50%	Joint Venture

* The consolidated financial statements of Bajaj Finance Ltd. includes 100% interest in both, Bajaj Housing Finance Ltd. and Bajaj Financial Securities Ltd. as a subsidiary.

** The consolidated financial statements of Bajaj Allianz Financial Distributors Ltd. include 100% interest in Bajaj Allianz Staffing Solutions Ltd.

i. Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group.

The group combines the financial statements of the parent and its subsidiaries line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated financial Statement of Profit and Loss and Balance Sheet respectively.

ii. Joint venture

Interests in joint ventures are accounted for using the equity method, after initially being recognised at the cost in the consolidated Balance Sheet. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit and loss, and the group's share of other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint venture are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

1B Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss or OCI, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of Ind AS 109 Financial Instruments, is measured at fair value with changes in fair value recognised in profit or loss in accordance with Ind AS 109. If the contingent consideration is not within the scope of Ind AS 109, it is measured in accordance with the appropriate Ind AS and shall be recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and subsequent its settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in OCI and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognises the gain directly in equity as capital reserve, without routing the same through OCI.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted through goodwill during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date. These adjustments are called as measurement period adjustments. The measurement period does not exceed one year from the acquisition date.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

1C Basis of preparation

These financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under section 133 of the Companies Act, 2013 ('the Act') read together with the Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time, other relevant provisions of the Act and the RBI guidelines/regulations to the extent applicable on an accrual basis.

The financial statements have been prepared on a historical cost basis, except for certain financial assets and financial liabilities that are measured at fair value.

The financial statements are presented in INR, which is also the Group's functional currency and all values are rounded to the nearest crore (INR 0,000,000), except when otherwise indicated.

Notes to these consolidated financial statements are intended to serve as a means of informative disclosure and a guide to better understanding of the consolidated position of the companies. Recognising this purpose, the Company has disclosed only such notes from the individual financial statements, which fairly present the needed disclosures. The accounting policies, notes and disclosures made by the parent are best viewed in its standalone financial statements to which these consolidated financial statements are attached.

The financial statements of the two insurance companies have been adjusted for giving effects of Ind AS (notified under section 133 of the Companies Act, 2013); (the special purpose Ind AS Financial Statements) and hence, would vary from those prepared for statutory purposes under the Insurance Act, 1938 and IRDAI (Preparation of Financial Statements and Auditors Report) regulations, 2002.

However, no adjustments have been made to the financial statements of the two insurance subsidiaries on account of diverse accounting policies to the extent they are specific to insurance companies as and are required by regulations which are in contrast to that of Bajaj Finserv Ltd. and hence not practicable to do so. Also, differences in accounting policies followed by the other entities consolidated have been reviewed and adjustments have been made, only if these differences are material and significant.

Accounting Policies followed by the subsidiaries and joint ventures consolidated herein, to the extent they are different and unique are stated in note 2A below.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

2A Significant accounting policies followed by subsidiaries and joint venture, to the extent, different and unique from the parent

A. Bajaj Allianz Life Insurance Company Ltd. (BALIC) and Bajaj Allianz General Insurance Company Ltd. (BAGIC)

Basis of preparation

The Special Purpose Ind AS Financial Statements ('Financial Statements') of the two Insurance subsidiaries have been prepared in accordance with the measurement and recognition principles of Ind AS framework (Companies (Indian Accounting Standards) Rules, 2015, as amended (Ind AS) prescribed under section 133 of the Companies Act, 2013), and other recognised accounting practices and policies including directions given in the Master circular on Preparation of Financial Statements and Filing of Returns of Life and General Insurance Business ('the Master circular') and other circulars issued by the IRDAI from time to time, to the extent they were not inconsistent with Ind AS.

The special purpose financial statements of the two insurance subsidiaries have been prepared on a historical cost basis except the following items, which are measured on alternative basis on each reporting date

- Certain financial assets and liabilities that are measured at fair value
- Insurance liabilities which are measured basis principles and methodologies specified by the regulator in existing regulations
- Employee share based payment obligation which is measured at fair value
- Defined benefit liability/(assets): fair value of plan assets less present value of defined benefit obligation

1. Product classification

Insurance contracts are those contracts when the insurer has accepted significant insurance risk from the policyholders' by agreeing to compensate the policyholders' if a specified uncertain future event adversely affects the policyholders'. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid on the occurrence of an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. Further, as suggested by IRDAI working committee report dated 29 December 2016, at least one of the below thresholds have been used to classify each Life Insurance product as 'Insurance' or 'Investment' contracts

- At least 5% of the Fund Value at any time during the life on the contract for unit linked products, or
- At least 5% of the annualised premium or single premium, as the case may be, at any time during the life on the contract for other than unit linked products, or
- Ratio of Expected Present Value (EPV) of death benefits to EPV of Other than death benefits is at least 5% measured at the inception of the policy.

Investment contracts are those contracts that transfer significant financial risk and no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Financial Instruments (investment contracts) are required to be separated from insurance contracts.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

2A Significant accounting policies followed by subsidiaries and joint venture, to the extent, different and unique from the parent (Contd.)

A. Bajaj Allianz Life Insurance Company Ltd. (BALIC) and Bajaj Allianz General Insurance Company Ltd. (BAGIC) (Contd.)

Life insurance and investment contracts are further classified as being either with or without Discretionary Participating Feature (DPF). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are

- Likely to be a significant portion of the total contractual benefits;
- The amount or timing of which is contractually at the discretion of the issuer;
- That are contractually based on
 - The performance of a specified pool of contracts or a specified type of contract
 - Realised and or unrealised investment returns on a specified pool of assets held by the issuer
 - The profit or loss of the Company, fund or other entity that issues the contract.

2. Property, plant and equipment

Property and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Depreciation is provided on a straight line basis over the estimated useful lives of the following classes of assets

Property	No. of years
Buildings	60 years
Electrical fittings	10 years
Furniture and fittings	10 years
Information technology equipment (including computers)	3 years
Server and networks	6 years
Air conditioner	5 years
Vehicles (in common use)	8 years
Vehicles (in use by specified employees)	4 years
Office equipment	5 years
Mobile phones/Tablets	2 years
Leasehold improvements	Over the balance period of lease

* Electrical fittings installed at leased premises are depreciated over an estimated useful life of 3 years

** Useful life of vehicle allotted to the employees is considered 4 years as per management estimation.

Lease hold improvements to leased properties are depreciated over the primary period of lease which is generally 3 years.

Assets costing individually less than ₹ 5,000 are depreciated fully in the year of acquisition.

Changes in the expected useful life are accounted for by changing the amortisation period or methodology, as appropriate, and treated as changes in accounting estimates.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

2A Significant accounting policies followed by subsidiaries and joint venture, to the extent, different and unique from the parent (Contd.)

A. Bajaj Allianz Life Insurance Company Ltd. (BALIC) and Bajaj Allianz General Insurance Company Ltd. (BAGIC) (Contd.)

3. Investments – Life Insurance

Basis the Life Insurance Company's evaluation of the business model/segment to which the investments pertain, the financial assets are classified as follows

Particulars	ULIPs*	Participating funds	Non-participating funds	Shareholders' funds
<ul style="list-style-type: none"> Debt securities Government securities 	FVTPL	Designated as FVTPL	FVTOCI	FVTOCI
<ul style="list-style-type: none"> Fixed deposits Tri-party Repo (TREP) Financial assets other than investments 			Amortised cost	
<ul style="list-style-type: none"> Equity shares # ETF's Mutual fund AT1 Bonds Security receipts Venture capital fund/AIF 			FVTPL	

* Unit Linked Insurance Plans

Certain equity investments in Shareholders' fund that are not held for trading have been classified as FVTOCI

4. Investments – General Insurance

Particulars	Policyholders' funds	Shareholders' funds
<ul style="list-style-type: none"> Debt securities Government securities Equity shares 	FVTOCI	FVTOCI
<ul style="list-style-type: none"> Fixed deposits Financial assets other than investments 	Amortised cost	Amortised cost
<ul style="list-style-type: none"> Equity shares Mutual fund AT1 Bonds 	FVTPL	FVTPL

5. Financial assets at FVTOCI

Financial assets at FVTOCI – Debt instruments

Financial assets are measured at FVTOCI when both of the following conditions are met

- The instrument is held within a business model, the objective of which is both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

2A Significant accounting policies followed by subsidiaries and joint venture, to the extent, different and unique from the parent (Contd.)

A. Bajaj Allianz Life Insurance Company Ltd. (BALIC) and Bajaj Allianz General Insurance Company Ltd. (BAGIC) (Contd.)

Financial assets in this category are those that are intended to be held to collect contractual cash flows and which may be sold in response to needs for liquidity or in response to changes in market conditions.

FVTOCI instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income is recognised in Statement of Profit and Loss in the same manner as for financial assets measured at amortised cost. On de-recognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to Statement of Profit and Loss.

Financial assets at FVTOCI – Equity instruments

On initial recognition of equity instruments that is not held for trading, BAGIC/BALIC may irrevocably elect to present subsequent changes in the instrument's fair value in OCI (FVTOCI – equity investment). This election is made on an instrument by instrument basis.

Gains and losses on these equity instruments are never recycled to Statement of Profit and Loss. Dividends are recognised in Statement of Profit and Loss as dividend income when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVTOCI are not subject to an impairment assessment.

6. Financial liabilities

Financial liabilities include liabilities that represent a contractual obligation to deliver cash or another financial assets to another entity, or a contract that may or will be settled in the entities own equity instruments. Few examples of financial liabilities are trade payables, debt securities and other borrowings and subordinated debts.

Initial measurement

All financial liabilities are recognised initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade payables, other payables, debt securities and other borrowings.

Subsequent measurement

After initial recognition, all financial liabilities are subsequently measured at amortised cost using the EIR method. Any gains or losses arising on derecognition of liabilities are recognised in the Statement of Profit and Loss.

Derecognition

Group derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

7. Derivative instruments

Interest rate derivative contracts for hedging of highly probable forecasted transactions on insurance contracts and investment cash flows in life, pension and annuity business, are accounted for in the manner specified in accordance with Ind AS 109.

A Forward Rate Agreement ('FRA') transaction is that whereby BALIC fixes the yield on the specific government bond for the period till the maturity of the contract. BALIC has entered in FRAs to hedge interest rate risk on highly probable forecasted cash flows. As on the date of entering into the FRA, BALIC locks in the yield of the reference security and thereby hedges the risk of lower yield in the future.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

2A Significant accounting policies followed by subsidiaries and joint venture, to the extent, different and unique from the parent (Contd.)

A. Bajaj Allianz Life Insurance Company Ltd. (BALIC) and Bajaj Allianz General Insurance Company Ltd. (BAGIC) (Contd.)

For cash flow hedges, a forecasted transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect Statement of Profit and Loss.

At the inception of the transaction, BALIC documents the relationship between the hedging instruments and hedged item, as well as the risk management objective and the strategy for undertaking the hedge transaction and the methods used to assess the hedge effectiveness. BALIC also documents its assessment of whether the hedge is expected to be, and has been, highly effective in offsetting the risk in the hedged item.

Hedge effectiveness is the degree to which changes in cash flow of the hedged item that are attributable to a hedged risk are offset by changes in the cash flows of the hedging instrument. Hedge effectiveness is ascertained at the time of inception of the hedge and periodically thereafter.

On each reporting date, FRA contract is valued at the difference between the market value of underlying bond at the spot reference yield taken from the Securities and Exchange Board of India ('SEBI') approved rating agency and present value of contracted forward price of underlying bond including present value of intermediate coupon inflows from valuation date till FRA contract settlement date, at applicable INR-Overnight Index Swap (OIS) rate curve.

The portion of fair value gain/loss on the interest rate derivative that is determined to be an effective hedge is recognised in OCI within equity as 'Cash Flow Hedge Reserve'. The ineffective portion of the change in fair value of such instruments is recognised in the Statement of Profit and Loss in the period in which they arise. The accumulated gains or losses that were recognised directly in the cash flow hedge reserve are reclassified into Statement of Profit and Loss, in the same period during which the income from hedged forecasted cash flows affect the Statement of Profit and Loss (such as in the periods that income on the investments acquired from underlying forecasted cash flow is recognised in the Statement of Profit and Loss). If the hedging relationship ceases to be effective or it becomes probable that the expected forecast transaction will no longer occur, hedge accounting is discontinued and accumulated gains or losses that were recognised directly in the cash flow hedge reserve are reclassified into Statement of Profit and Loss. Costs associated with derivative contracts are considered as a point in time cost.

All derivatives are initially recognised in the Balance Sheet at their fair value, which usually represents their cost. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative. The notional or contractual amount associated with derivative financial instruments are not recorded as assets or liabilities in the Balance Sheet as they do not represent the fair value of these transactions.

8. Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the appropriate effective interest rate. ECLs are measured in a three-stage approach on financial assets measured at amortised cost and FVTOCI. The assets migrate through the following three stages based on an assessment of qualitative and quantitative considerations

- Significant financial difficulty of the issuer of security
- A breach of contract such as default or past due event
- Issuer of security may enter bankruptcy or financial reorganisation
- Disappearance of an active market for a security because of financial difficulties
- Downgrade of rating of the security.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

2A Significant accounting policies followed by subsidiaries and joint venture, to the extent, different and unique from the parent (Contd.)

A. Bajaj Allianz Life Insurance Company Ltd. (BALIC) and Bajaj Allianz General Insurance Company Ltd. (BAGIC) (Contd.)

ECL are a probability weighted estimate of credit losses measured by, determining the probability of default ('PD') and loss given default ('LGD'). For financial assets, PD has been computed by using a ratings based matrix. The loss allowance has been measured using ECL except for financial assets which are

- Government securities and other securities backed by GOI Securities,
- Loans to policyholder since it is backed by the policy's surrender value.
- Any receivable from stock exchanges like BSE/NSE since the exchange guarantees settlement,
- Reinsurance assets as specified by the report of the Committee on Risk based capital.

The ECL for debt instruments measured at FVTOCI do not reduce the carrying amount of these financial assets in the Balance Sheet, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI with a corresponding charge to Statement of Profit and Loss. The accumulated gain recognised in OCI is recycled to the Statement of Profit and Loss upon de-recognition of the assets.

9. Impairment of non-financial assets

At each balance sheet date, management assesses whether there is any indication, based on internal/external factors, that an asset may be impaired. Impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above. An assessment is made at the balance sheet date to see if there is an indication that a previously assessed impairment loss no longer exists or may have decreased. If such indication exists, the recoverable amount is reassessed, and the asset is reflected at the recoverable amount, subject to maximum of depreciable historical cost. After impairment, depreciation is provided on the revised carrying amount of the asset over the remaining useful life.

10. Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration receivable. After initial recognition, insurance receivables are measured at amortised cost. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the Statement of Profit and Loss.

Insurance receivables are derecognised when the derecognition criteria for financial assets, have been met.

11. Insurance contract liabilities

Insurance contract liabilities have been computed using a gross premium valuation method, as prescribed under the Insurance Regulatory and Development Authority of India (Assets, Liabilities, and Solvency Margin of Life Insurance Business) Regulations, 2016. Derivatives embedded in an insurance contract are not separated and measured at fair value if the embedded derivative itself qualifies for recognition as an insurance contract. In this case the entire contract is measured as described above.

12. Investment contract liabilities

Investment contracts are classified between contracts with and without DPF. The accounting policies for investment contract liabilities with DPF are the same as those for life insurance contract liabilities. Investment contract liabilities without DPF are recognised when contracts are entered into and premiums are charged.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

2A Significant accounting policies followed by subsidiaries and joint venture, to the extent, different and unique from the parent (Contd.)

A. Bajaj Allianz Life Insurance Company Ltd. (BALIC) and Bajaj Allianz General Insurance Company Ltd. (BAGIC) (Contd.)

Investment contract liabilities other than unit-linked business are recorded at amortised cost. The measurement of investment contracts without discretionary participation features is carried out in accordance with Ind AS 109 to reflect the deposit nature of the arrangement, with premiums and claims reflected as deposits and withdrawals and reflected in the balance sheet.

13. Undistributed participating policyholders' surplus (UPPS)

Undistributed participating policyholders surplus includes the amount of unappropriated profits held based on the recommendations of the Panel Actuary. Transfers to and from the fund reflect the excess or deficit of income over expenses respectively and appropriations in each accounting period arising in the Company's participating policyholders' fund. Any allocation of bonus to the participating policyholders would also give rise to a transfer to shareholders' profit and loss account in the required proportion. All UPPS at the end of the reporting period are held within insurance contract liabilities.

14. Revenue recognition

For life insurance business, premium is recognised on insurance contract and investment contracts with DPF as income when due from policyholders. On unit linked policies, premium is recognised when associated units are created. In case of Variable Insurance Products (VIPs), premium income is recognised on the date when policy account value is credited. In accordance with the terms of insurance policies, uncollected premium on lapsed policies is not recognised as income until revived. Top Up/Lump sum contributions are accounted as a part of single premium and recognised as income when the associated units are created.

Income from unit linked policies, which includes fund management charges, policy administration charges, mortality charges and other charges, if any, are recovered from the unit linked funds in accordance with terms and conditions of policies issued and are recognised when due.

For General insurance business, premium (net of GST), including reinstatement premium on direct business and reinsurance accepted, is recognised as income at the commencement of risk over the contract period or the period of risk, whichever is appropriate, on a gross basis and for installment cases, it is recognised on installment due dates. Any subsequent revisions to premium are recognised in the year in which they occur over the remaining period of risk or contract period, as applicable. Adjustments to premium income arising on cancellation of policies are recognised in the period in which they are cancelled.

In case of long-term motor insurance policies, premium is recognised on a yearly basis as mandated by IRDAI. Crop insurance premium under government schemes are recognised in accordance with contractual obligations where there is reasonable certainty of its ultimate collectability.

Reinsurance premium in respect of proportional reinsurance is ceded at the commencement of the risk over the contract period or the period of risk. Non-proportional reinsurance premium is ceded when incurred and due. Any subsequent revisions to, refunds or cancellations of premiums are recognised in the year in which they occur.

BAGIC cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Any subsequent revisions to, in case of General Insurance business, refunds or cancellations of premiums are recognised in the year in which they occur.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

2A Significant accounting policies followed by subsidiaries and joint venture, to the extent, different and unique from the parent (Contd.)

A. Bajaj Allianz Life Insurance Company Ltd. (BALIC) and Bajaj Allianz General Insurance Company Ltd. (BAGIC) (Contd.)

Gains or losses on buying reinsurance are recognised in the Statement of Profit and Loss immediately at the date of purchase and are not amortised.

Ceded reinsurance arrangements do not relieve BAGIC from its obligations to policyholders.

Premium received in advance

Premium received in advance represents premium received in respect of policies issued during the year, where the risk commences subsequent to the balance sheet date.

Re-insurance accepted

Reinsurance inward acceptances are accounted for based on reinsurance slips accepted from the reinsurers.

BAGIC also assumes reinsurance risk in the normal course of business for insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

15. Investment income

Interest income is recognised in the Statement of Profit and Loss as it accrues and is calculated by using the EIR method. Fees and commissions that are an integral part of the effective yield of the financial asset are recognised as an adjustment to the EIR of the instrument.

Investment income also includes dividends when the right to receive payment is established.

16. Life insurance contract liabilities

For Life Insurance business, benefits paid comprise of policy benefits and claim settlement costs.

Death and rider claims are accounted for on receipt of intimation. Survival, maturity and annuity benefits are accounted when due as per the terms of the contract with the policyholder. Withdrawals and surrenders under non-linked policies are accounted on the receipt of intimation. Withdrawals and surrenders under unit linked policies are accounted when the associated units are cancelled. Surrender charges recovered, if any, are netted off against the claim expense incurred.

Reinsurance recoveries are accounted for in the same period as the related claims and are presented separately from the claim expense incurred. Repudiated claims disputed before judicial authorities are provided for based on the best judgment of the management considering the facts and evidence in respect of each such claim.

Amounts paid under investment contracts other than those with a discretionary participating feature are recorded as reductions of the investment contract liabilities.

17. Non-life insurance contract liabilities

Non-life insurance contract liabilities include the outstanding claims provision, the provision for unearned premium and the provision for premium deficiency. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and a reduction for the expected value of salvage and other recoveries. Delays can be experienced

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

2A Significant accounting policies followed by subsidiaries and joint venture, to the extent, different and unique from the parent (Contd.)

A. Bajaj Allianz Life Insurance Company Ltd. (BALIC) and Bajaj Allianz General Insurance Company Ltd. (BAGIC) (Contd.)

in the notification and settlement of certain types of claims. Therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

Unearned premiums

The provision for unearned premiums in general insurance business represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

At each reporting date, the Company reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the Statement of Profit and Loss by setting up a provision for premium deficiency.

Reserve for unexpired risk (URR)

Reserve for unexpired risk represents that part of the net premium (i.e., premium, net of reinsurance ceded) which is attributable to, and set aside for subsequent risks to be borne by the Company under contractual obligations on contract period basis or risk period basis, whichever is appropriate, subject to a minimum of 100% in case of marine hull business and in case of other line of business based on net premium written on all unexpired policies at balance sheet by applying 1/365th method on the unexpired period of respective policies.

18. a. Claims incurred

For General Insurance business, claims are recognised as and when reported. Claims incurred comprises claims paid and includes survey fees, legal expenses and other costs directly attributable to claims.

Claims paid (net of recoveries including salvage retained by the insured and includes interest paid towards claims) are charged to the respective revenue account when approved for payment. Where salvage is retained by the Company, the recoveries from sale of salvage are recognised at the time of sale.

Amounts received/receivable from the reinsurers and co-insurers, under the terms of the reinsurance and co-insurance arrangements respectively, are recognised together with the recognition of the claim under recoveries from reinsurers-claims.

b. IBNR and IBNER (Claims incurred but not reported and claims incurred but not enough reported)

Incurred But Not Reported (IBNR) reserve is a provision for all claims that have occurred prior to the end of the current accounting period but have not been reported to the Company. The IBNR reserve also includes provision for claims Incurred But Not Enough Reported (IBNER). The said liability is determined by Appointed Actuary based on actuarial principles. The actuarial estimate is derived in accordance with relevant IRDAI regulations and guidance note 21 issued by the Institute of Actuaries of India. The Appointed Actuary has certified that the

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

2A Significant accounting policies followed by subsidiaries and joint venture, to the extent, different and unique from the parent (Contd.)

A. Bajaj Allianz Life Insurance Company Ltd. (BALIC) and Bajaj Allianz General Insurance Company Ltd. (BAGIC) (Contd.)

methodology and assumptions used to estimate the liability are appropriate and in accordance with guidelines and norms issued by the Institute of Actuaries of India in concurrence with the IRDAI regulations.

19. Leases

Where BAGIC/BALIC is the lessee

The Company's lease asset classes primarily consist of leases for office buildings. The Company assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether

- (i) the contract involves the use of an identified asset
- (ii) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and
- (iii) the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognises a right-of-use asset ('ROU') and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease. Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The right-of-use assets are initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses (if any). Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. ROU assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases. Lease liabilities are remeasured with a corresponding adjustment to the related ROU asset if the Company changes its assessment if whether it will exercise an extension or a termination option. Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

Where BAGIC/BALIC is the lessor

Leases in which the Company does not transfer substantially all the risks and benefits of the ownership of assets are classified as operating leases. Lease income of operating asset is recognised in the Statement of Profit and Loss on accrual basis and does not include any notional rent.

20. Employee benefits

Defined Contribution Plan

National Pension Scheme Contributions

For eligible employees, the Group makes contributions to National Pension Scheme. The contributions are charged to the Statement of Profit and Loss Account, as relevant, in the year the contributions are made.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

2A Significant accounting policies followed by subsidiaries and joint venture, to the extent, different and unique from the parent (Contd.)

A. Bajaj Allianz Life Insurance Company Ltd. (BALIC) and Bajaj Allianz General Insurance Company Ltd. (BAGIC) (Contd.)

21. Acquisition cost

Acquisition costs, defined as costs that vary with, and are primarily related to, the acquisition of new and renewal insurance contracts viz., commission, policy issue expenses etc., are expensed in the year in which they are incurred. In case of long-term motor insurance policies, commission is expensed at the applicable rates on the premium allocated for the year.

22. Key assumptions made

a. Valuation of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. When the fair values of financial assets and financial liabilities recorded in the Balance Sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Judgments and estimates include considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty), funding value adjustments, correlation and volatility.

b. Valuation of life insurance contract liabilities

The liability for life insurance contracts is either based on current assumptions or on assumptions established at the inception of the contract, reflecting the best estimate at the time together with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows. The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates.

c. Valuation of investment contract liabilities without DPF

Fair values of unitised investment contracts are determined by reference to the values of the assets backing the liabilities, which are based on the value of the unit-linked fund.

Fair values of non-unitised investment contract are determined by using valuation techniques, such as discounted cash flow methods and stochastic modelling. A variety of factors are considered in these valuation techniques, including time value of money, volatility, policyholder behaviour, servicing cost and fair value of similar instruments.

23. Foreign currency translation

For General Insurance business, transactions in foreign currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction. However, for practical reasons, the Company uses an average rate if the average approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date. All differences arising on non-trading activities are taken to other income/expense in the Statement of Profit and Loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

2A Significant accounting policies followed by subsidiaries and joint venture, to the extent, different and unique from the parent (Contd.)

A. Bajaj Allianz Life Insurance Company Ltd. (BALIC) and Bajaj Allianz General Insurance Company Ltd. (BAGIC) (Contd.)

24. Net change in insurance contract liabilities

For General Insurance business, net change in insurance contract liabilities comprises of change in the outstanding provision of claims and estimated liability for claims incurred but not reported ('IBNR') and claims incurred but not enough reported ('IBNER').

Provision is made for estimated value of outstanding claims at the balance sheet date net of reinsurance, salvage and other recoveries. Such provision is made on the basis of the ultimate amounts that are likely to be paid against each claim, as anticipated and estimated by the management in light of past experience and subsequently modified for changes, as appropriate.

B. Bajaj Finance Ltd. and its subsidiaries (BFL)

1. Estimation of impairment allowance under COVID-19 pandemic

Estimates and associated assumptions used for determining the impairment allowance on the BFL's financial assets, are based on historical experience and other emerging factors emanating from the COVID-19 pandemic which may also influence the expected credit loss. BFL has used One Time Restructuring (OTR) and repayment moratorium on loans as early indicators suggesting higher flow rates and loss given default and accordingly accounted for commensurate expected credit loss. BFL believes that the factors considered are reasonable under the current circumstances and information available. However, the uncertainty caused by resurgence of the COVID-19 pandemic and related events could further influence the estimate of credit losses.

2. Revenue recognition

a) Interest income

BFL recognises interest income using effective interest rate (EIR) on all financial assets subsequently measured at amortised cost or fair value through other comprehensive income (FVTOCI). EIR is calculated by considering all costs and incomes attributable to acquisition of a financial asset or an assumption of a financial liability and it represents a rate that exactly discounts estimated future cash payments/receipts through the expected life of the financial asset/financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

BFL calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. In case of credit-impaired financial assets, BFL recognises interest income on the amortised cost net of impairment loss of financial assets at EIR. If financial asset is no longer credit-impaired, BFL reverts to calculating interest income on a gross basis.

Delayed payment interest (penal interest) levied on customers for delay in repayments of contractual cashflows is recognised on realisation.

Interest on financial assets subsequently measured at fair value through profit or loss (FVTPL) is recognised at the contractual rate of interest.

b) Fees and commission

BFL recognises service and administration charges towards rendering of additional services to its loan customers on satisfactory completion of service delivery. Bounce charges levied on customers for non payment of installment on the contractual date is recognised on realisation.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

2A Significant accounting policies followed by subsidiaries and joint venture, to the extent, different and unique from the parent (Contd.)

B. Bajaj Finance Ltd. and its subsidiaries (BFL) (Contd.)

Fees on value added services and products are recognised on rendering of services and products to the customer.

Distribution income is earned by selling of services and products of other entities under distribution arrangements. The income so earned is recognised on successful sales on behalf of other entities subject to there being no significant uncertainty of its recovery.

Foreclosure charges are collected from loan customers for early payment/closure of loan and are recognised on realisation.

c) Sale of services

BFL, on derecognition of financial assets where a right to service the derecognised financial assets for a fee is retained, recognises the fair value of future service fee income over service obligations cost on net basis as service fee income in the statement of profit and loss and, correspondingly creates a service asset in balance sheet. Any subsequent increase in the fair value of service assets is recognised as service income and any decrease is recognised as an expense in the period in which it occurs. The embedded interest component in the service asset is recognised as interest income in line with Ind AS 109 - 'Financial instruments'.

Other revenues on sale of services are recognised as per Ind AS 115 - 'Revenue from contracts with customers'.

d) Recoveries of financial assets written off

BFL recognises income on recoveries of financial assets written off on realisation or when the right to receive the same without any uncertainties of recovery is established.

3. Fees and commission expenses

Fees and commission expenses which are not directly linked to the sourcing of financial assets, such as commission/ incentive incurred on value added services and products distribution, recovery charges and fees payable for management of portfolio etc., are recognised in the statement of profit and loss on an accrual basis.

4. Financial assets

Debt instruments at FVTPL

BFL classifies its debt instruments which are held for trading under FVTPL category. Held for trading assets are recorded and measured in the Balance Sheet at fair value. Interest and dividend income are recorded in Statement of Profit and Loss according to the terms of the contract, or when the right to receive has been established. Gains and losses on changes in fair value of debt instruments are recognised on net basis through profit or loss.

BFL's investments into mutual funds, Government securities and certificate of deposits for trading and short term cash flow management have been classified under this category.

Debt instruments at FVTOCI

BFL classifies its financial assets as FVTOCI, only if both of the following criteria are met

- The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets; and
- Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

2A Significant accounting policies followed by subsidiaries and joint venture, to the extent, different and unique from the parent (Contd.)

B. Bajaj Finance Ltd. and its subsidiaries (BFL) (Contd.)

Debt instruments included within the FVTOCI category are measured at each reporting date at fair value with such changes being recognised in other comprehensive income (OCI). The interest income on these assets is recognised in profit or loss. The ECL calculation for debt instruments at FVTOCI is explained in subsequent notes in this section.

Debt instruments such as long-term investments in Government securities to meet regulatory liquid asset requirement of the BFL's deposit program and mortgage loans portfolio where the BFL periodically resorts to partially selling the loans by way of assignment to willing buyers are classified as FVTOCI.

On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from other comprehensive income to profit or loss.

Equity instruments at FVTOCI

All equity investments in scope of Ind AS 109 'Financial instruments' are measured at fair value. BFL has strategic investments in equity for which it has elected to present subsequent changes in the fair value in other comprehensive income. The classification is made on initial recognition and is irrevocable.

All fair value changes of the equity instruments, excluding dividends, are recognised in OCI and not available for reclassification to profit or loss, even on sale of investments. Equity instruments at FVTOCI are not subject to an impairment assessment.

5. Financial liabilities

Financial liabilities include liabilities that represent a contractual obligation to deliver cash or another financial assets to another entity, or a contract that may or will be settled in the entity's own equity instruments. Few examples of financial liabilities are trade payables, debt securities and other borrowings and subordinated debts.

Initial measurement

All financial liabilities are recognised initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. BFL's financial liabilities include trade payables, other payables, debt securities and other borrowings.

Subsequent measurement

After initial recognition, all financial liabilities are subsequently measured at amortised cost using the EIR method. Any gains or losses arising on derecognition of liabilities are recognised in the statement of profit and loss.

Derecognition

BFL derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

Finance costs

Borrowing costs on financial liabilities are recognised using the EIR explained above.

With effect from 1 April 2019, BFL has applied Ind AS 116 'Leases' for all long-term and material lease contracts covered by the Ind AS. BFL has adopted modified retrospective approach as stated in Ind AS 116 for all applicable leases on the date of adoption.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

2A Significant accounting policies followed by subsidiaries and joint venture, to the extent, different and unique from the parent (Contd.)

B. Bajaj Finance Ltd. and its subsidiaries (BFL) (Contd.)

Measurement of lease liability

At the time of initial recognition, BFL measures lease liability as present value of all lease payments discounted using the BFL's incremental cost of borrowing and directly attributable costs. Subsequently, the lease liability is

- increased by interest on lease liability;
- reduce by lease payments made; and
- remeasured to reflect any reassessment or lease modifications specified in Ind AS 116 'Leases', or to reflect revised fixed lease payments.

Measurement of right-of-use assets

At the time of initial recognition, BFL measures 'Right-of-use assets' as present value of all lease payments discounted using the BFL's incremental cost of borrowing w.r.t said lease contract. Subsequently, 'Right-of-use assets' is measured using cost model i.e. at cost less any accumulated depreciation and any accumulated impairment losses adjusted for any re-measurement of the lease liability specified in Ind AS 116 'Leases'.

Depreciation on 'Right-of-Use assets' is provided on straight line basis over the lease period.

The exception permitted in Ind AS 116 for low value assets and short-term leases has been adopted by BFL.

6. Expected credit loss

Expected credit losses ('ECL') are recognised for financial assets held under amortised cost, debt instruments measured at FVTOCI, and certain loan commitments as approved by BFL board and internal policies for business model.

Financial assets where no significant increase in credit risk has been observed are considered to be in 'stage 1' for which a 12 month ECL is recognised. Financial assets that are considered to have significant increase in credit risk are considered to be in 'stage 2' and those which are in default or for which there is an objective evidence of impairment are considered to be in 'stage 3'. Life time ECL is recognised for stage 2 and stage 3 financial assets.

At initial recognition, allowance (or provision in the case of loan commitments) is required for ECL resulting from default events that are possible in the next 12 months, or less, where the remaining life is less than 12 months.

In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL').

Financial assets (and the related impairment allowances) are written off in full, when there is no realistic prospect of recovery. BFL may apply enforcement activities to certain qualifying financial assets written off.

Credit impaired (stage 3)

BFL recognises a financial asset to be credit impaired and in stage 3 by considering relevant objective evidence, primarily whether

- Contractual payments of either principal or interest are past due for more than 90 days;
- The loan is otherwise considered to be in default

Restructured loans where repayment terms are renegotiated as compared to the original contracted terms due to significant credit distress of the borrower are classified as credit impaired except one time restructuring allowed by

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

2A Significant accounting policies followed by subsidiaries and joint venture, to the extent, different and unique from the parent (Contd.)

B. Bajaj Finance Ltd. and its subsidiaries (BFL) (Contd.)

RBI under resolution framework for COVID-19 related stress. Such loans continue to be in stage 3 until they exhibit regular payment of renegotiated principal and interest over a minimum observation of period typically 12 months post renegotiation, and there are no other indicators of impairment. Having satisfied the conditions of timely payment over the observation period these loans could be transferred to stage 1 or 2 and a fresh assessment of the risk of default be done for such loans.

Interest income is recognised by applying the effective interest rate to the net amortised cost amount i.e. gross carrying amount less ECL allowance.

Significant increase in credit risk (stage 2)

An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering the change in the risk of default of the loan exposure. However, unless identified at an earlier stage, 30 days past due is considered as an indication of financial assets to have suffered a significant increase in credit risk. Based on other indications such as borrower's frequently delaying payments beyond due dates though not 30 days past due are included in stage 2 for mortgage loans.

The measurement of risk of defaults under stage 2 is computed on homogenous portfolios, generally by nature of loans, tenors, underlying collateral, geographies and borrower profiles. The default risk is assessed using PD (probability of default) derived from past behavioural trends of default across the identified homogenous portfolios. These past trends factor in the past customer behavioural trends, credit transition probabilities and macroeconomic conditions. The assessed PDs are then aligned considering future economic conditions that are determined to have a bearing on ECL.

Without significant increase in credit risk since initial recognition (stage 1)

ECL resulting from default events that are possible in the next 12 months are recognised for financial instruments in stage 1. BFL has ascertained default possibilities on past behavioural trends witnessed for each homogenous portfolio using application/behavioural score cards and other performance indicators, determined statistically.

Measurement of ECL

The assessment of credit risk and estimation of ECL are unbiased and probability weighted. It incorporates all information that is relevant including information about past events, current conditions and reasonable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL takes into account the time value of money. Forward looking economic scenarios determined with reference to external forecasts of economic parameters that have demonstrated a linkage to the performance of our portfolios over a period of time have been applied to determine impact of macro economic factors.

BFL has calculated ECL using three main components: a probability of default (PD), a loss given default (LGD) and the exposure at default (EAD). ECL is calculated by multiplying the PD, LGD and EAD and adjusted for time value of money using a rate which is a reasonable approximation of EIR.

- Determination of PD is covered above for each stage of ECL.
- EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the date of default together with any expected drawdowns of committed facilities.
- LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and the time value of money.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

2A Significant accounting policies followed by subsidiaries and joint venture, to the extent, different and unique from the parent (Contd.)

B. Bajaj Finance Ltd. and its subsidiaries (BFL) (Contd.)

BFL recalibrates above components of its ECL model on a periodical basis (except in case of short-term abnormal scenarios) by using the available incremental and recent information as well as assessing changes to its statistical techniques for a granular estimation of ECL.

7. Common control business combination means a business combination involving entities or businesses in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. BFL accounts for business combinations under common control as per the pooling of interest method.

The pooling of interest method involves the following

- The assets and liabilities of the combining entities are reflected at their carrying amounts.
- No adjustments are made to reflect fair values, or recognise any new assets or liabilities. The only adjustments that are made are to harmonise accounting policies.
- The financial information in the financial statements in respect of prior periods should be restated as if the business combination had occurred from the beginning of the preceding period in the financial statements, irrespective of the actual date of the combination. However, if business combination had occurred after that date, the prior period information shall be restated only from that date.

8. Derivative financial instruments

During the financial year ended 31 March 2020, BFL had entered into derivative financial instruments to manage its exposure to interest rate risk and foreign exchange rate risk. Derivatives held by BFL are Cross Currency Interest Rate Swaps (CCIRS). Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain/loss is recognised in the statement of profit and loss immediately unless the derivative is designated and is effective as a hedging instrument, in which event the timing of the recognition in the statement of profit and loss depends on the nature of the hedge relationship. BFL has designated derivatives as cash flow hedges of a recognised liability and has no fair value hedges. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

Hedge accounting

BFL makes use of derivative instruments to manage exposures to interest rate risk and foreign currency risk. In order to manage particular risks, BFL applies hedge accounting for transactions that meet specified criteria.

At the inception of a hedge relationship, BFL formally designates and documents the hedge relationship to which BFL wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the BFL's risk management objective and strategy for undertaking hedge, the hedging/economic relationship, the hedged item or transaction, the nature of the risk being hedged, hedge ratio and how BFL would assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

During the year, hedges that meet the criteria for hedge accounting and qualify as cash flow hedges are accounted as follows

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

2A Significant accounting policies followed by subsidiaries and joint venture, to the extent, different and unique from the parent (Contd.)

B. Bajaj Finance Ltd. and its subsidiaries (BFL) (Contd.)

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability and could affect profit or loss.

For designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognised directly in OCI within equity (cash flow hedge reserve). The ineffective portion of the gain or loss on the hedging instrument is recognised immediately as finance cost in the statement of profit and loss.

When the hedged cash flow affects the statement of profit and loss, the effective portion of the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the statement of profit and loss.

When a hedging instrument expires, is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognised in OCI at that time remains in OCI and is recognised when the hedged forecast transaction is ultimately recognised in the statement of profit and loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately transferred to the statement of profit and loss.

9. Change in accounting estimates

During the year ended 31 March 2021, BFL has revised its estimate for charging off loans considered as bad debts. Had BFL applied the estimates followed in the previous year, the profit before tax for the period would have been higher by ₹ 103 crore.

BFL has changed the following accounting estimates in property, plant and equipments

- Change of estimated useful life to computer and vehicles from 3 years to 4 years and from 4 years to 8 years, respectively.
- Depreciation method for building changed from written down value method to straight line method. Had BFL applied the estimates followed in the previous year, the profit before tax for the period would have been lower by ₹ 29.80 crore.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

3 Cash and cash equivalents

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Balances with banks	2,007.64	464.74
Cash on hand	57.44	28.49
Cash equivalents		
Cheques, drafts on hand	119.61	138.12
Deposits with original maturity for less than three months	770.40	1,764.17
	2,955.09	2,395.52

4 Bank balances other than cash and cash equivalents

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Earmarked balances with bank (against fixed deposit maturities and unclaimed dividend)	42.50	129.71
Deposits with original maturity for more than three months	412.90	-
	455.40	129.71

5 Derivative financial instruments

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Fair value assets		
Cross Currency Interest Rate Swaps [Notional amount - ₹ Nil (31 March 2020 - ₹ 4,082.66 crore)]	-	171.76
Forward rate contracts [Notional amount - ₹ 670.51 crore (31 March 2020 - ₹ Nil)]	4.14	-
	4.14	171.76
Fair value liabilities		
Cross Currency Interest Rate Swaps [Notional amount - ₹ 5,382.16 crore (31 March 2020 - ₹ Nil)]	137.87	-
Forward rate contracts [Notional amount - ₹ 1,796.00 crore (31 March 2020 - ₹ Nil)]	18.22	-
	156.09	-

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

6 Trade receivables

(Unsecured, considered good)

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Interest subsidy receivables	450.65	536.58
Outstanding premiums	1,490.36	1,569.27
Others	571.11	551.96
	2,512.12	2,657.81

No trade receivable are due from directors or other officers of the group either severally or jointly with any other person nor from any firms or private companies respectively in which any director is a partner, a director or a member.

Trade receivables are non-interest bearing.

7 Other receivables

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Receivables considered good - Unsecured	240.95	157.07
	240.95	157.07

No other receivable are due from directors or other officers of the group either severally or jointly with any other person nor from any firms or private companies respectively in which any director is a partner, a director or a member.

8 Loans

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Loans under financing activity [See note 46(5)]	146,633.88	141,325.29
Unsecured, considered good		
Loan against policies (at amortised cost)	470.80	421.43
Less: Impairment loss allowance	4.77	3.96
	147,099.91	141,742.76

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

9A Investment in a joint venture

		(₹ In Crore)
Particulars		At Cost
As at 31 March 2021		
Equity instruments		
joint venture		13.67
Total		13.67
As at 31 March 2020		
Equity instruments		
joint venture		13.82
Total		13.82

9B Shareholders' investments

(₹ In Crore)					
Particulars	At amortised cost	At fair value			Total
		through other comprehensive income	through profit and loss	designated at fair value through profit and loss	
As at 31 March 2021					
Government and trust securities*	-	11,708.93	2,097.11	-	13,806.04
Debt securities	-	2,410.80	10.22	-	2,421.02
Mutual funds	-	-	11,246.83	-	11,246.83
Equity instruments	-	237.63	1,812.98	-	2,050.61
Preference shares	-	281.20	-	-	281.20
Certificate of deposit	1,909.19	-	-	-	1,909.19
TREPs (Tri-party Repo)	1,854.41	-	-	-	1,854.41
Total - gross	3,763.60	14,638.56	15,167.14	-	33,569.30
Less: Impairment loss allowance	0.02	0.13	-	-	0.15
Total - Net	3,763.58	14,638.43	15,167.14	-	33,569.15

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

9B Shareholders' investments (Contd.)

(₹ In Crore)

Particulars	At amortised cost	At fair value			Total
		through other comprehensive income	through profit and loss	designated at fair value through profit and loss	
As at 31 March 2020					
Government and trust securities*	-	7,707.12	643.62	-	8,350.74
Debt securities	-	1,599.07	-	-	1,599.07
AT 1 bonds	-	-	39.57	-	39.57
Pass through certificates representing securitisation of loan receivables	20.32	-	-	-	20.32
Mutual funds	-	-	13,369.60	-	13,369.60
Equity instruments	-	57.92	1,691.79	-	1,749.71
Preference shares	-	262.31	-	-	262.31
Certificate of deposit	111.50	-	99.19	-	210.69
CBLO	1,701.77	-	-	-	1,701.77
Commercial paper	-	-	397.34	-	397.34
Total – gross	1,833.59	9,626.42	16,241.11	-	27,701.12
Less: Impairment loss allowance	0.06	1.36	-	-	1.42
Total – Net	1,833.53	9,625.06	16,241.11	-	27,699.70

All investments in 9A and 9B above are within India

* includes investments in approved securities as per RBI Act.

9C Policyholders' investments

(₹ In Crore)

Particulars	At amortised cost	At fair value			Total
		through other comprehensive income	through profit and loss	designated at fair value through profit and loss	
As at 31 March 2021					
Government and trust securities	-	15,793.30	6,269.84	12,925.51	34,988.65
Debt securities	-	10,806.97	1,982.80	4,230.34	17,020.11
Mutual funds	-	-	99.58	-	99.58
Equity instruments	-	83.71	24,250.52	-	24,334.23
Preference shares	-	-	34.83	-	34.83
Certificate of deposit	559.64	-	-	-	559.64
TREPs (Tri-party Repo)	3,035.07	-	-	-	3,035.07
Total – gross	3,594.71	26,683.98	32,637.57	17,155.85	80,072.11
Less: Impairment loss allowance	0.02	0.50	-	-	0.52
Total – Net	3,594.69	26,683.48	32,637.57	17,155.85	80,071.59

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

9C Policyholders' investments (Contd.)

(₹ In Crore)

Particulars	At amortised cost	At fair value			Total
		through other comprehensive Income	through profit and loss	designated at fair value through profit and loss	
As at 31 March 2020					
Government and trust securities	-	12,860.15	4,936.48	10,671.84	28,468.47
Debt securities	-	11,431.76	1,303.92	4,026.81	16,762.49
AT 1 bonds	-	-	494.47	-	494.47
Equity instruments	-	-	15,203.05	-	15,203.05
Preference shares	-	-	73.83	-	73.83
Certificate of deposit	1,283.23	-	-	-	1,283.23
CBLO	1,824.57	-	-	-	1,824.57
Others	-	-	-	0.22	0.22
Total - gross	3,107.80	24,291.91	22,011.75	14,698.87	64,110.33
Less: Impairment loss allowance	0.02	2.78	-	-	2.80
Total - Net	3,107.78	24,289.13	22,011.75	14,698.87	64,107.53

All investments in 9C above are within India

10 Other financial assets

(Unsecured, considered good, unless stated otherwise)

(₹ In Crore)

Particulars	As at 31 March	
	2021	2020
Credit receivable for windpower generated	2.17	2.22
REC receivable (31 March 2020: ₹ 45,313)	0.01	
Interest receivable on investments	1,374.00	1,280.98
Security deposits	142.25	141.73
Advances receivable in cash or kind	55.52	157.90
Receivable from brokers and counter parties	496.18	582.19
Others	468.45	199.47
	2,538.58	2,364.49

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

11A Deferred tax assets (net)

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Deferred tax liabilities		
On account of timing difference in		
Property, plant and equipment	-	10.29
Changes in fair value of FVTOCI debt securities - OCI	2.33	12.83
Impairment of financial instruments	52.66	38.19
Other temporary differences	29.59	22.19
Gross deferred tax liabilities	84.58	83.50
Deferred tax assets		
On account of timing difference in		
Property, plant and equipment	0.52	-
Disallowance u/s 43B of the Income Tax Act, 1961	34.38	49.41
Impairment of financial instruments	946.15	820.69
Defined benefit plan provisions - OCI	-	1.60
Changes in fair value of FVTOCI hedge reserve	24.40	19.05
Changes in fair value of FVTOCI equity instruments	7.01	23.18
Other temporary differences	18.02	39.34
MAT credit entitlement	-	15.70
Gross deferred tax assets	1,030.48	968.97
Deferred tax assets (net)	945.90	885.47

11B Deferred tax liabilities (net)

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Deferred tax liabilities		
On account of timing difference in		
Property, plant and equipment	6.82	-
Amortisation of premium/discount on acquisition of fixed income securities	1.06	-
Changes in fair value of investments	626.76	238.17
Other temporary differences	5.81	4.57
Gross deferred tax liabilities	640.45	242.74
Deferred tax assets		
On account of timing difference in		
Provision for compensated absences	0.67	-
Defined benefit plan provisions - OCI	1.19	-
Amortisation of premium/discount on acquisition of fixed income securities	0.37	-
Changes in fair value of insurance contract liability	318.61	162.70
Gross deferred tax assets	320.84	162.70
Deferred tax liabilities (net)	319.61	80.04

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

11B Deferred tax liabilities (net) (Contd.)

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2021	2020
Changes in deferred tax recorded in profit or loss		
Deferred tax relates to the following		
Property, plant and equipment	(3.97)	(8.64)
Impairment of financial instruments	(124.97)	(214.39)
Disallowance u/s 43B of the Income Tax Act, 1961	(4.64)	7.42
Financial instruments measured at EIR	28.22	48.50
Changes in fair value of investments	480.11	(167.87)
Changes in fair value of insurance contract liability	(155.92)	(21.40)
Other temporary differences	(46.11)	107.32
	172.72	(249.06)

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2021	2020
Changes in deferred tax recorded in other comprehensive income		
Deferred tax relates to the following		
Changes in fair value of FVTOCI debt securities	28.55	(83.47)
Changes in fair value of investments	(32.54)	(70.44)
Defined benefit plan provisions	9.64	5.53
Cash flow hedge reserve	5.35	19.05
	11.00	(129.33)

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

12 Investment property

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Gross carrying amount		
Opening balance	41.83	41.76
Transfer from/to property, plant and equipment	3.34	0.07
Closing balance	45.17	41.83
Accumulated depreciation		
Opening balance	4.59	3.78
Depreciation charge	0.85	0.81
Closing balance	5.44	4.59
Net carrying amount	39.73	37.24

Fair value

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Investment property	132.42	121.39

Estimation of fair value

The best evidence of fair value is current prices in an active market for similar properties. Investment properties leased out by the Group are cancellable leases. The market rate for sale/purchase of such premises are representative of fair values. Group's investment properties are at a location where active market is available for similar kind of properties. Hence, fair value is ascertained on the basis of market rates prevailing for similar properties in those location determined by an independent registered valuer and consequently classified as a level 2 valuation.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

13A Property, plant and equipment

Current year

(₹ In Crore)									
Particulars	Gross block				Accumulated depreciation				Net block
	As at 1 April 2020	Additions	Deductions/ adjustments	As at 31 March 2021	As at 1 April 2020	Deductions/ adjustments	For the year	As at 31 March 2021	As at 31 March 2021
Land freehold	303.81	13.78	0.48	317.11	-	-	-	-	317.11
Land leasehold	8.19	-	-	8.19	-	-	-	-	8.19
Buildings	750.12	3.07	5.56	747.63	143.56	1.15	12.08	154.49	593.14
Leasehold improvements	254.54	28.19	10.14	272.59	135.02	8.97	50.70	176.75	95.84
Freehold improvements	2.42	-	-	2.42	2.42	0.03	-	2.39	0.03
Information technology equipment	450.51	70.34	56.15	464.70	264.69	46.55	69.64	287.78	176.92
Waterpumps, Reservoirs and Mains	0.94	0.12	-	1.06	0.02	-	0.07	0.09	0.97
Electric installations	1.12	0.07	-	1.19	0.16	-	0.23	0.39	0.80
Office equipment	268.91	24.55	29.41	264.05	142.12	25.29	40.59	157.42	106.63
Furniture and fixtures	330.42	23.10	29.83	323.69	155.51	24.29	30.97	162.19	161.50
Electric fittings	10.61	0.18	0.76	10.03	3.21	0.76	0.97	3.42	6.61
Vehicles	109.02	33.16	13.00	129.18	42.86	9.33	12.75	46.28	82.90
Wind energy generators	283.72	-	-	283.72	269.53	-	-	269.53	14.19
Total	2,774.33	196.56	145.33	2,825.56	1,159.10	116.37	218.00	1,260.73	1,564.83

Previous year

(₹ In Crore)									
Particulars	Gross block				Accumulated depreciation				Net block
	As at 1 April 2019	Additions	Deductions/ adjustments	As at 31 March 2020	As at 1 April 2019	Deductions/ adjustments	For the year	As at 31 March 2020	As at 31 March 2020
Land freehold	21.89	281.92	-	303.81	-	-	-	-	303.81
Land leasehold	8.19	-	-	8.19	-	-	-	-	8.19
Buildings	695.74	54.62	0.24	750.12	127.58	-	15.98	143.56	606.56
Leasehold improvements	180.62	77.47	3.55	254.54	97.04	2.87	40.85	135.02	119.52
Freehold improvements	2.42	-	-	2.42	2.42	-	-	2.42	-
Information technology equipment	363.10	114.12	26.71	450.51	211.78	21.01	73.92	264.69	185.82
Waterpumps, Reservoirs and Mains	-	0.94	-	0.94	-	-	0.02	0.02	0.92
Electric installations	0.46	0.66	-	1.12	0.06	-	0.10	0.16	0.96
Office equipment	202.17	75.42	8.68	268.91	110.57	6.66	38.21	142.12	126.79
Furniture and fixtures	277.35	58.86	5.79	330.42	123.44	4.92	36.99	155.51	174.91
Electric fittings	3.15	7.46	-	10.61	2.54	-	0.67	3.21	7.40
Vehicles	71.12	43.60	5.70	109.02	27.22	3.27	18.91	42.86	66.16
Wind energy generators	283.72	-	-	283.72	269.53	-	-	269.53	14.19
Total	2,109.93	715.07	50.67	2,774.33	972.18	38.73	225.65	1,159.10	1,615.23

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

13B Right-of-use assets

Current year

Particulars	Gross block				Accumulated depreciation			Net block	
	As at 1 April 2020	Additions	Deductions/ adjustments	As at 31 March 2021	As at 1 April 2020	Deductions/ adjustments	For the year	As at 31 March 2021	As at 31 March 2021
Right-of-use assets	679.05	115.04	35.01	759.08	138.46	22.66	154.58	270.38	488.70

(₹ In Crore)

Previous year

Particulars	Gross block				Accumulated depreciation			Net block	
	As at 1 April 2019	Additions	Deductions/ adjustments	As at 31 March 2020	As at 1 April 2019	Deductions/ adjustments	For the year	As at 31 March 2020	As at 31 March 2020
Right-of-use assets	-	683.19	4.14	679.05	-	3.50	141.96	138.46	540.59

(₹ In Crore)

14 Other intangible assets

Current year

Particulars	Gross block				Accumulated depreciation			Net block	
	As at 1 April 2020	Additions	Deductions/ adjustments	As at 31 March 2021	As at 1 April 2020	Deductions/ adjustments	For the year	As at 31 March 2021	As at 31 March 2021
Computer softwares	606.46	191.37	2.17	795.66	273.24	2.11	125.03	396.16	399.50

(₹ In Crore)

Previous year

Particulars	Gross block				Accumulated depreciation			Net block	
	As at 1 April 2019	Additions	Deductions/ adjustments	As at 31 March 2020	As at 1 April 2019	Deductions/ adjustments	For the year	As at 31 March 2020	As at 31 March 2020
Computer softwares	417.12	189.83	0.49	606.46	185.36	0.49	88.37	273.24	333.22

(₹ In Crore)

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

15 Other non-financial assets

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Capital advances	3.05	2.73
Indirect tax credits receivable	367.15	339.27
Reinsurance assets	5,664.60	4,942.65
Others	175.52	217.40
	6,210.32	5,502.05
Change in reinsurance assets		
At the beginning of the period	4,942.65	4,336.91
Add/(Less)		
Premium	78,289.24	72,448.71
Unwinding of the discount/interest credited	11.71	9.83
Insurance liabilities released	(77,568.69)	(71,873.33)
Others	(10.31)	20.53
	5,664.60	4,942.65

16 Trade payables

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Total outstanding dues of micro enterprises and small enterprises	13.41	4.31
Total outstanding dues of creditors other than micro enterprises and small enterprises		
Sundry creditors and dues to policyholders	2,288.02	1,809.30
Balances due to agents and other intermediaries	123.59	113.62
Balances due to other insurers	1,752.97	1,218.41
	4,164.58	3,141.33

17 Other payables

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Total outstanding dues of micro enterprises and small enterprises	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	660.77	793.25
	660.77	793.25

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

18 Debt securities

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
In India		
At amortised cost		
(I) Secured		
Privately placed redeemable non-convertible debentures/bonds secured by pari passu charge created by mortgage of BFL's Chennai office, on loan receivables as stated in the respective information memorandum. Until 5 July 2018, BFL had mortgaged its residential property at Pune on pari passu charge against specific debentures [See note 46(6)]	37,286.85	41,172.98
	37,286.85	41,172.98
(II) Unsecured		
Privately placed partly paid redeemable non-convertible debentures [See note 46(6)]	4,671.58	1,822.03
Borrowings by issue of commercial papers [See note 46(6)]	8,811.34	3,342.35
	13,482.92	5,164.38
	50,769.77	46,337.36

19 Borrowings (other than debt securities)

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
A. In India		
At amortised cost		
Term Loan [See note 46(7)]		
(i) from banks	41,249.00	46,785.00
(ii) from other parties	-	-
Cash Credit	153.59	670.38
Working capital demand loan [See note 46(7)]	270.00	2,095.00
External commercial borrowing [See note 46(7)]	5,468.64	4,309.81
Collateralised borrowing and lending obligation, against Government Securities held by the Group [See note 46(7)]	299.97	839.98
	47,441.20	54,700.17
B. Out of above		
Secured against hypothecation of assets under finance, book debts and other receivables	47,441.20	54,700.17
Unsecured	-	-
	47,441.20	54,700.17

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

20 Deposits

(Unsecured)

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
At amortised cost		
Public deposits [See note 46(8)]	18,961.23	13,127.33
From others [See note 46(8)]	6,842.20	8,299.77
	25,803.43	21,427.10

21 Subordinated liabilities

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
In India		
At amortised cost		
Privately placed Subordinated (Tier II) redeemable non-convertible debentures (Unsecured) [See note 46(9)]	3,898.61	4,141.75
	3,898.61	4,141.75

22 Lease liabilities

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
At amortised cost		
As at 1 April 2020/1 April 2019 (Transition adjustment)	605.65	542.92
Add: Interest on lease liabilities	45.00	44.05
Additions/(Deletions)	(102.81)	18.68
	547.84	605.65

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

23 Other financial liabilities (at amortised cost)

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Unclaimed dividend	2.50	5.43
Directors' remuneration and commission payable	8.77	8.23
Book overdraft	0.85	139.18
Employee benefits payable	29.19	25.87
Security deposits	138.60	112.93
Unsettled investment contract payables	140.29	76.93
Others	440.11	295.83
	760.31	664.40

24 Provisions

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Provision for employee benefits [See note 45]		
Provision for gratuity	94.16	55.12
Provision for compensated absences	47.71	41.26
Provision for long-term incentive plan	77.47	79.15
Others	7.04	0.27
	226.38	175.80

25 Other non-financial liabilities

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Taxes and duties payable	542.85	497.30
Solatium fund	16.69	13.98
Premiums received in advance	1,123.91	1,150.01
Unallocated premium	622.43	526.28
Other payables	122.92	100.68
	2,428.80	2,288.25

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

26 Equity share capital

Particulars	(₹ In Crore)	
	As at 31 March 2021	2020
Authorised		
200,000,000 equity shares of ₹ 5 each	100.00	100.00
Issued, subscribed and fully paid-up shares		
159,137,444 (31 March 2020: 159,137,290) equity shares of ₹ 5 each	79.57	79.57
	79.57	79.57

a. Reconciliation of the shares outstanding at the beginning and at the end of the year

Particulars	As at 31 March 2021		As at 31 March 2020	
	Nos.	₹ In Crore	Nos.	₹ In Crore
Equity shares				
At the beginning of the year	159,137,290	79.57	159,136,111	79.57
Equity shares earlier held in abeyance, issued during the year [See note 26 d.]	154		1,179	
Outstanding at the end of the year	159,137,444	79.57	159,137,290	79.57

b. Terms/rights attached to equity shares

The Holding Company has only one class of equity shares having a par value of ₹ 5 per share. Each holder of equity shares is entitled to one vote per share. The interim dividend declared by the Board of Directors and the final dividend proposed by the Board of Directors and approved by the shareholders in the annual general meeting is paid in Indian rupees. In the event of liquidation of the Holding Company, the holders of equity shares will be entitled to receive remaining assets of the Holding Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

c. Details of shareholders holding more than 5% shares in the Holding Company

Particulars	As at 31 March 2021		As at 31 March 2020	
	Nos.	% Holding	Nos.	% Holding
Equity shares of ₹ 5 each fully paid				
Bajaj Holdings & Investment Ltd.	62,314,214	39.16%	62,314,214	39.16%
Jamnalal Sons Pvt. Ltd.	15,345,384	9.64%	15,345,384	9.64%

d. Shares reserved for issue at a subsequent date

14,417 (31 March 2020: 14,571) equity shares of ₹ 5 each offered by way of right in an earlier year, have been held in abeyance pending adjudication of title and subscription thereafter. During the year, the Holding Company issued and allotted 154 (previous year 1,179) of such equity shares at the offered price of ₹ 650 (previous year ₹ 650), thereby collecting ₹ 0.01 crore (previous year ₹ 0.08 crore) as premium.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

27 Other equity

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
a. Reserves and surplus		
Securities premium		
Balance as at the beginning of the year	9,355.72	5,006.71
Add/(Less): Adjustment because of change in shareholding in subsidiary	(13.31)	(180.43)
Add: Received during the year	82.78	4,553.24
Less: Share issue expenses, net of GST availed	-	23.80
Balance as at the end of the year	9,425.19	9,355.72
General reserve		
Balance as at the beginning of the year	2,078.76	2,095.17
Add/(Less): Adjustment because of change in shareholding in subsidiary	(0.62)	(17.03)
Add: Transfer on cancellation of stock options	0.28	0.62
Balance as at the end of the year	2,078.42	2,078.76
Share based payments reserve		
Balance as at the beginning of the year	142.56	80.18
Add/(Less): Adjustment because of change in shareholding in subsidiary	(0.17)	(2.92)
Add: charge for the year	113.92	65.60
Less: transfer on exercise of option	18.29	0.30
Balance as at the end of the year	238.02	142.56
Treasury shares		
Balance as at the beginning of the year	(200.17)	(25.85)
Add: Movement during the year	15.95	(174.32)
Balance as at the end of the year	(184.22)	(200.17)
Reserve fund in terms of section 45-IC(1) of the Reserve Bank of India Act, 1934		
Balance as at the beginning of the year	1,835.96	1,395.19
Add/(Less): Adjustment because of change in shareholding in subsidiary	(2.82)	(56.42)
Add: Transferred from surplus in Statement of Profit and Loss	417.72	497.19
Balance as at the end of the year	2,250.86	1,835.96

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

27 Other equity (Contd.)

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Reserve fund in terms of section 29C of the National Housing Bank Act, 1987		
Balance as at the beginning of the year	41.56	10.28
Add/(Less): Adjustment because of change in shareholding in subsidiary	(0.06)	(0.03)
Add: Transferred from surplus in Statement of Profit and Loss	37.60	31.31
Balance as at the end of the year	79.10	41.56
Infrastructure reserve in terms of section 36 (1) (viii) of the Income-tax Act, 1961		
Balance as at the beginning of the year	22.00	9.15
Add/(Less): Adjustment because of change in shareholding in subsidiary	(0.03)	(0.36)
Add: Transferred from surplus in Statement of Profit and Loss	22.15	13.21
Balance as at the end of the year	44.12	22.00
Retained earnings		
Balance as at the beginning of the year	17,254.91	14,948.75
Add/(Less): Adjustment because of change in shareholding in subsidiary	(9.26)	(250.64)
Add: Transfer on exercise of stock options	-	0.30
Profit for the year	4,470.46	3,369.13
Items of other comprehensive income recognised directly in retained earnings		
Actuarial gains/losses of defined benefit plans	(12.94)	(17.13)
Less: Appropriations		
Final dividend, declared and paid during the year	-	39.79
Tax on final dividend	-	70.59
Interim dividend, declared and paid during the year	-	79.57
Tax on interim dividend	-	65.33
Transfer to Reserve fund in terms of section 45-IC(1) of the Reserve Bank of India Act, 1934	417.72	497.19
Transfer to Reserve fund in terms of section 29 C of the National Housing Bank Act, 1987	37.60	31.31
Transfer to Infrastructure reserve in terms of section 36 (1) (viii) of the Income-tax Act, 1961	22.15	13.21
Transfer to General reserve	-	0.21
Adjustment of dividend to ESOP Trust	-	(1.70)
Total appropriations	477.47	795.50
Balance as at the end of the year	21,225.70	17,254.91

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

27 Other equity (Contd.)

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Other reserves		
Debt instruments FVTOCI		
Balance as at the beginning of the year	756.69	140.92
Add/(Less): Adjustment because of change in shareholding in subsidiary	(0.03)	18.99
Add/(Less): Changes in fair value of FVTOCI debt securities	(101.30)	596.78
Balance as at the end of the year	655.36	756.69
Equity instruments FVTOCI		
Balance as at the beginning of the year	(36.40)	-
Add/(Less): Adjustment because of change in shareholding in subsidiary	0.05	-
Add/(Less): Changes in fair value of FVTOCI equity securities	12.03	(36.40)
Balance as at the end of the year	(24.32)	(36.40)
Hedge instruments FVTOCI		
Balance as at the beginning of the year	(29.91)	-
Add/(Less): Adjustment because of change in shareholding in subsidiary	0.04	-
Add/(Less): Changes in fair value of FVTOCI hedge instruments	(7.93)	(29.91)
Balance as at the end of the year	(37.80)	(29.91)
	35,750.43	31,221.68

b. Nature and purpose of reserve

Securities premium

Securities premium is used to record the premium on issue of shares. The reserve can be utilised only for limited purposes in accordance with section 52 and other provisions of the Companies Act, 2013.

General reserve

General reserve is free reserve available for distribution as recommended by Board in accordance with requirements of the Companies Act, 2013.

Reserve fund in terms of section 45-IC(1) of the Reserve Bank of India Act, 1934

Reserve fund is created as per the terms of section 45 IC(1) of the Reserve Bank of India Act, 1934 as a statutory reserve.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

27 Other equity (Contd.)

Reserve fund in terms of section 29C of the National Housing Bank Act, 1987

Reserve fund is created as per the terms of section 29C of the National Housing Bank Act, 1987 as a statutory reserve.

Infrastructure reserve created under section 36 (1) (viii) of the Income Tax Act, 1961

Infrastructure reserve is created to avail the deduction as per the provisions of section 36(1)(viii) of the Income Tax Act, 1961 on profits derived from the business of providing long-term finance for construction or purchase of houses in India for residential purposes and for development of infrastructure facility in India.

Share based payments reserve

Share based payments reserve is created as required by Ind AS 102 - 'Share Based Payments' on the Employee Stock Option Scheme operated by the Group.

Treasury shares

The reserve for shares of the Holding Company held by the BFS ESOP Trust (ESOP Trust). Holding Company has issued employees stock option scheme for its employees. The equity shares of the Holding Company have been purchased and held by ESOP Trust. Trust to transfer such shares to employees at the time of exercise of option by employees.

FVTOCI Debt instruments

The Group recognises changes in the fair value of debt instruments held with a dual business objective of collect and sell in other comprehensive income. These changes are accumulated in the FVTOCI debt instruments reserve. The Group transfers amounts from this reserve to profit or loss when the debt instrument is sold. Any impairment loss on such instruments is reclassified immediately to the Statement of Profit and Loss.

FVTOCI equity instruments

The Group has elected to recognise changes in the fair value of certain instruments in equity securities in other comprehensive income. These changes are accumulated within the FVTOCI equity instruments reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

Hedge instruments through other comprehensive income

It represents the cumulative gains/(losses) arising on revaluation of the derivative instruments designated as cash flow hedges through OCI.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

28 Interest income

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2021	2020
Interest income on		
Loans (at amortised cost)	20,990.30	21,139.03
Loans (at FVTOCI)	2,015.85	1,660.60
Investments (at amortised cost)	179.36	188.59
Investments (at FVTPL)	1,198.99	1,072.74
Investments (at FVTOCI)	2,506.67	2,425.04
Others	42.05	18.37
	26,933.22	26,504.37

29 Fees and commission income

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2021	2020
Loan related charges	1,313.82	899.61
Non-loan related charges	316.22	418.65
Foreclosure income	144.56	157.43
Distribution income	612.51	1,000.65
	2,387.11	2,476.34

30 Net gain on fair value changes

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2021	2020
Net gain/(loss) on financial instruments at fair value through profit or loss		
On trading portfolio		
Debt instruments at FVTPL	510.35	526.85
Equity instruments at FVTPL	3,809.71	(485.91)
Profit on sale on investments	0.65	0.94
Others		
Gain on sale of debt instrument at amortised cost	0.07	0.01
Gain/(loss) on sale of debt FVTOCI instruments	507.53	291.48
Total net gain on fair value changes	4,828.31	333.37
Fair value changes		
Realised	2,050.62	604.17
Unrealised	2,777.69	(270.80)
	4,828.31	333.37

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

31 Sale of services

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2021	2020
Windpower income		
Income from power generation (within India)	21.76	26.53
Income from Renewable Energy Certificates (REC) (within India)	2.18	12.70
	23.94	39.23
Service income	2.03	24.19
Service fees for management of assigned portfolio of loans	257.81	124.27
	283.78	187.69

32 Others

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2021	2020
Bad debt recoveries	162.63	140.90
Miscellaneous charges and receipts	143.88	140.45
	306.51	281.35

33 Other income

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2021	2020
Business support service	0.32	4.68
Miscellaneous receipts	0.05	0.10
	0.37	4.78

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

34 Employee benefits expenses

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2021	2020
Salaries, wages and bonus to employees	4,211.33	4,373.26
Contribution to provident and other funds	208.43	195.98
Share based payments to employees	177.91	127.70
Staff welfare expenses	100.67	58.17
	4,698.34	4,755.11

35 Finance costs

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2021	2020
On financial liabilities measured at amortised cost		
Interest on deposits	1,746.10	1,512.16
Interest on borrowings other than debt securities	3,766.33	3,669.24
Interest on debt securities	3,214.57	3,760.55
Interest on subordinated liabilities	335.64	345.94
Interest on lease liability	45.00	44.05
Other interest expenses	33.64	6.59
	9,141.28	9,338.53

36 Fees and commission expense

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2021	2020
Commission and incentives	40.03	62.81
Recovery costs	1,150.81	959.39
Commission, operating and other expenses pertaining to insurance business	1,359.38	1,149.66
Others	64.15	34.24
	2,614.37	2,206.10

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

37 Impairment on financial instruments

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2021	2020
Expected credit losses		
on loans measured at amortised cost	5,737.26	3,880.12
on loans measured at FVTOCI	206.02	35.80
on other financial assets measured at amortised cost	(32.46)	146.30
on other financial assets measured at FVTOCI	68.03	58.15
	5,978.85	4,120.37

38 Depreciation, amortisation and impairment

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2021	2020
Depreciation on property, plant and equipment	218.00	225.65
Depreciation on investment property	0.85	0.81
Amount amortised/written off of intangible asset	125.03	88.37
Depreciation on right-of-use assets	154.58	141.96
	498.46	456.79

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

39 Other expenses

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2021	2020
Rent	75.99	81.75
Repairs to buildings	3.38	1.83
Repairs to machinery - windmill	8.68	8.43
Repairs to others	125.64	136.20
Energy generation expenses	9.08	9.60
REC registration, issuance and brokerage charges	0.24	0.37
Rates and taxes	2.47	2.17
Insurance	7.35	4.70
Payment to auditor	3.69	3.87
Directors' fees and travelling expenses	5.00	6.83
Commission to non-executive directors	1.07	1.18
Loss on sale/disposal of property, plant and equipment	6.92	0.40
Advertisement and publicity	581.11	665.94
Travelling (including foreign travel) expenses	83.61	287.70
Business support service expenses	8.69	1.70
Expenditure towards Corporate Social Responsibility (CSR) activities	151.00	124.51
Legal and professional charges	146.04	113.80
Communication expenses	156.44	235.68
Outsourcing/back office expenses	136.92	242.82
Marketing and support services	776.61	836.92
Bank charges	132.34	161.08
Information technology expenses	402.75	363.61
Miscellaneous expenses	277.44	495.77
	3,102.46	3,786.86
Payment to auditor		
As auditor		
Audit fee	2.35	2.33
Tax audit fee	0.21	0.21
Limited review	0.19	0.19
Other services (certification fees and other matters)	0.86	0.78
Reimbursement of expenses	0.08	0.36
	3.69	3.87

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

40 Tax expense

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2021	2020
Tax expense		
Current tax		
Current tax on profits for the year	2,318.51	2,557.12
Adjustments for current tax of prior periods	3.73	-
Total current tax expense	2,322.24	2,557.12
Deferred tax		
Decrease/(increase) in deferred tax assets	(165.08)	(257.38)
(Decrease)/increase in deferred tax liabilities	337.80	8.32
Total deferred tax expense/(benefit)	172.72	(249.06)
Tax expense	2,494.96	2,308.06

41 Earnings per share (EPS)

Particulars	For the year ended 31 March	
	2021	2020
Profit for the year (₹ In Crore)	4,470.46	3,369.13
Weighted average number of shares outstanding during the year (Nos)	159,137,373	159,136,747
Weighted average number of shares outstanding during the year (Nos) - Diluted	159,168,792	159,173,555
Earnings per share (Basic) ₹	280.9	211.7
Earnings per share (Diluted) ₹	280.9	211.7
Face value per share ₹	5.0	5.0

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

41A Contingent liabilities

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
a. Claims against the Group not acknowledged as debts	62.36	53.50
b. Income-tax matters under dispute		
Appeal by Group	5.10	5.42
Appeal by Department	0.28	0.24
c. ESI matters under appeal	5.14	5.14
d. VAT matters under appeal	5.52	5.62
e. Service tax matters under appeal		
On interest subsidy	1,905.44	1,971.65
On penal interest/charges	237.25	223.15
On others	6.42	182.13
f. Claims, under policies, not acknowledged as debts*		
Death repudiation cases pending	59.60	49.03
Cases pending against servicing failure	7.67	5.41
g. Guarantees given by or on behalf of the Group	0.41	-

* Pertains to litigations pending with various consumer forums/courts.

- i) The Group is of the opinion that the above demands are not tenable and expects to succeed in its appeals/defense.
- ii) The Commissioner, Service Tax Commissionerate, Pune, through an order dated 31 March 2017, has confirmed the demand of service tax of ₹ 644.65 crore and penalties of ₹ 198.95 crore from Bajaj Finance Ltd. ('BFL') in relation to the interest subsidy BFL received from manufacturers and dealers during the period 1 April 2010 to 30 September 2016. The Commissioner has also demanded payment of interest on the service tax amount confirmed until the date BFL pays the service tax demanded, which as at 31 March 2021 amounted to ₹ 690.56 crore. In accordance with legal advice, BFL filed an appeal on 6 July 2017 with the Customs, Excise and Service Tax Appellate Tribunal (CESTAT), Mumbai disputing the demands. BFL, in line with the opinion obtained from a senior legal counsel, is of view that the said demands are not tenable.

In addition, the Principal Commissioner, Central GST and Central Excise, Commissionerate, Pune -I, through order dated 3 February 2021, has confirmed the demand of service tax of ₹ 217.22 crore and penalty thereon of ₹ 21.72 crore from BFL in relation to the interest subsidy received from manufacturers and dealers during the period 1 October 2016 to 30 June 2017. The Principal Commissioner has also demanded payment of interest on the service tax amount confirmed until the date BFL pays the service tax demanded, which as at 31 March 2021 amounted to ₹ 132.34 crore. In accordance with legal advice, BFL is in process to file an appeal with the Customs, Excise and Service Tax Appellate Tribunal (CESTAT), Mumbai against the said demand. BFL, in line with the opinion obtained from a senior legal counsel, is of view that the said demands are not tenable.

- iii) The Commissioner, Central Excise and CGST, Pune -I, Commissionerate, through an order dated 7 September 2018, has confirmed the demand of service tax of ₹ 53.87 crore and penalties of ₹ 53.87 crore from BFL in relation to the penal interest/ charges the BFL received from the customers during the period 1 July 2012 to 31 March 2016. In addition, the Commissioner has demanded payment of interest on the service tax amount confirmed until the date BFL pays the service tax demanded, which as at 31 March 2021 amounted to ₹ 59.54 crore. In accordance with legal advice, BFL filed an appeal on 26 December 2018 with the Customs, Excise and Service Tax Appellate Tribunal, Mumbai disputing the demands. BFL, in line with the opinion obtained from a legal counsel, is of view that the said demands are not tenable.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

In addition, the Principal Commissioner, Central GST and Central Excise, Pune -I, Commissionerate, through an order dated 30 December 2019, has confirmed the demand of service tax of ₹ 40.22 crore and penalty thereon of ₹ 4.02 crore on penal interest/ charges received by BFL from the customers during the period 1 April 2016 to 30 June 2017. The Principal Commissioner has also demanded payment of interest on the service tax amount demanded, until the date BFL pays the demand, which as at 31 March 2021, amounted to ₹ 25.74 crore. In accordance with legal advice, BFL filed an appeal on 28 August 2020 with the Customs, Excise and Service Tax Appellate Tribunal, Mumbai disputing the demands. BFL, in line with the opinion obtained from a legal counsel, is of view that the said demands are not tenable.

- iv) During the year, Bajaj Allianz General Insurance Co. Ltd. (BAGIC) has received a show cause cum demand notice towards service tax under reverse charge mechanism on reinsurance contracts on weather based crop insurance policies (WBCIS) and Modified National Agricultural Insurance schemes (MNAIS). Based on BAGIC's assessment and on the basis of independent opinion sought from external tax consultants, BAGIC is of the belief that the liability is not expected to materialise. Further, the matter being an industry wide issue with significant impact on the viability of the WBCIS and MNAIS, the same has been represented by the General Insurance Council to the Central Board of Indirect Taxes and Customs for clarification.
- v) It is not practicable for the Group to estimate the timings of the cash flows, if any, in respect of the above pending resolution of the respective proceedings.

42 Capital and other commitments

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Capital commitments, net of capital advances	96.75	167.57
Commitments made for investments	42.94	75.00
Other commitments towards partially disbursed/un-encashed loans	2,988.45	3,110.05

BALIC holds investments with commitments outstanding as at 31 March 2021 of ₹ 2,372.74 Crore (As at 31 March 2020: ₹. 3,098.00 crore)

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

43 Segment information

Segment information is based on the consolidated financial statements.

Segment wise revenue, results and capital employed for the year ended 31 March 2021

(a) Primary Segment: Business Segment

(₹ In Crore)

Particulars	Life insurance	General insurance	Windmill	Retail financing	Investments and others	Consolidated
Revenue						
External sales and other income	16,060.62	17,838.89	23.94	26,654.21	13.91	60,591.57
Inter segment sales and other income	154.20	122.57	–	28.84	466.28	771.89
Total revenue	16,214.82	17,961.46	23.94	26,683.05	480.19	61,363.46
Segment result	1,383.22	2,392.32	4.91	6,386.64	(304.75)	9,862.34
Tax expense	–	–	–	–	–	2,494.96
Non-controlling interest	–	–	–	–	–	2,896.92
Net profit	1,383.22	2,392.32	4.91	6,386.64	(304.75)	4,470.46
Segment assets	76,141.23	30,894.55	33.89	171,254.66	847.24	279,171.57
Unallocated corporate assets	–	–	–	–	–	46.85
Total assets	76,141.23	30,894.55	33.89	171,254.66	847.24	279,218.42
Segment liabilities	66,651.70	23,931.41	0.69	2,919.01	117.50	93,620.31
Unallocated corporate liabilities	–	–	–	–	–	17.41
Total liabilities	66,651.70	23,931.41	0.69	2,919.01	117.50	93,637.72
Capital employed	9,489.53	6,963.14	33.20	168,335.65	729.74	185,580.70

Business segments of the consolidated group have been identified as distinguishable components that are engaged in a group of related product or services and that are subject to risks and returns different from other business segments. Accordingly Life Insurance, General Insurance, Windmill, Retail Financing and Investments and others have been identified as the business segments.

(b) All the companies included in above reporting operate within India. Hence Geographic segment is not applicable.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

43 Segment information (Contd.)

Segment information is based on the consolidated financial statements.

Segment wise revenue, results and capital employed for the year ended 31 March 2020

(a) Primary Segment: Business Segment

(₹ In Crore)

Particulars	Life insurance	General insurance	Windmill	Retail financing	Investments and others	Consolidated
Revenue						
External sales and other income	11,042.92	16,963.86	39.23	26,269.84	35.62	54,351.47
Inter segment sales and other income	79.69	53.79	-	115.82	868.26	1,117.56
Total revenue	11,122.61	17,017.65	39.23	26,385.66	903.88	55,469.03
Segment result	40.08	1,033.25	19.83	7,442.35	(233.85)	8,301.66
Tax expense	-	-	-	-	-	2,308.06
Non-controlling interest	-	-	-	-	-	2,624.47
Net profit	40.08	1,033.25	19.83	7,442.35	(233.85)	3,369.13
Segment assets	59,427.17	26,273.99	31.63	164,232.89	508.43	250,474.11
Unallocated corporate assets	-	-	-	-	-	24.61
Total assets	59,427.17	26,273.99	31.63	164,232.89	508.43	250,498.72
Segment liabilities	50,353.18	21,124.16	1.02	2,253.34	87.26	73,818.96
Unallocated corporate liabilities	-	-	-	-	-	17.41
Total liabilities	50,353.18	21,124.16	1.02	2,253.34	87.26	73,836.37
Capital employed	9,073.99	5,149.83	30.61	161,979.55	421.17	176,662.35

Business segments of the consolidated group have been identified as distinguishable components that are engaged in a group of related product or services and that are subject to risks and returns different from other business segments. Accordingly Life Insurance, General Insurance, Windmill, Retail Financing and Investments and others have been identified as the business segments.

(b) All the companies included in above reporting operate within India. Hence Geographic segment is not applicable.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

44 Disclosure of transactions with related parties as required by Ind AS 24

(₹ In Crore)

Name of related party and nature of relationship	Nature of transaction	2020-21		2019-20	
		Transaction value	Outstanding amounts carried in the Balance Sheet	Transaction value	Outstanding amounts carried in the Balance Sheet
A.	Since consolidated financial statements present information about the holding and its subsidiaries as a single reporting enterprise, it is unnecessary to disclose intra - group transactions.				
B.	Joint ventures and investing parties:				
Bajaj Holdings & Investment Ltd. (investing party - holds 39.16% shares of Bajaj Finserv Ltd.)	Contribution to Equity (62,314,214 shares of ₹ 5 each)	-	(31.16)	-	(31.16)
	Dividend paid	-	-	46.74	-
	Business support services received	15.84	-	15.90	-
	Business support services rendered	0.87	-	0.51	-
	Other payments	0.04	-	0.04	-
	Insurance premium received by BAGICL/BALICL	0.65	-	0.46	-
	Unallocated premium	-	(1.17)	-	(0.89)
	Billable expenses reimbursed on behalf	0.58	-	0.52	-
	Secured non convertible debentures issued	-	(311.43)	-	(311.87)
	Interest paid on non convertible debentures	23.39	-	-	-
Bajaj Allianz Financial Distributors Ltd. (a joint venture - 50% shares held by Bajaj Finserv Ltd.)	Contribution to Equity (1,200,000 shares of ₹ 10 each)	-	1.20	-	1.20
	Services received	1.72	-	1.76	-
	Insurance premium received by BAGICL/BALICL	0.01	-	0.10	-
	Insurance commission paid by BAGICL/BALICL	1.72	-	15.22	(1.29)
	Unallocated premium	-	(0.01)	-	(0.01)
	Security deposit received	-	(0.01)	0.01	(0.01)
Bajaj Allianz Staffing Solutions Ltd. (100% owned subsidiary of Bajaj Allianz Financial Distributors Ltd.)	Insurance premium received by BAGICL/BALICL	1.00	-	0.78	-
	Unallocated premium	-	(0.05)	-	(0.02)
	Manpower supply charges	92.83	-	116.06	0.01
	Business support services received	0.08	-	0.11	-
	Other receipts	0.11	-	-	-
	Claims paid	0.05	-	0.05	-
	Security deposits received	-	(0.05)	0.05	(0.05)
Allianz SE	Contribution to equity of BALICL including premium	-	(1,099.13)	-	(1,099.13)
	Contribution to equity of BAGICL including premium	-	(195.27)	-	(195.27)
	Dividend paid	81.79	-	56.08	-
	Billable expenses incurred on behalf	-	-	0.04	-
Allianz Insurance Management Asia Pacific Pte.	Billable expenses incurred reversed	0.04	-	-	(0.04)
AGCS Marine Insurance Company	Reinsurance premium paid/payable	-	-	-	-
	Claims recovery on reinsurance	*	-	-	-
Allianz Global Risks US Insurance Company	Reinsurance premium paid	157.85	(15.44)	170.45	(37.96)
	Commission on reinsurance premium	19.95	-	18.02	-
	Claims recovery on reinsurance	98.37	-	44.92	-

* The amount is below the rounding off norm adopted by the Group.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

44 Disclosure of transactions with related parties as required by Ind AS 24 (Contd.)

(₹ In Crore)

Name of related party and nature of relationship	Nature of transaction	2020-21		2019-20	
		Transaction value	Outstanding amounts carried in the Balance Sheet	Transaction value	Outstanding amounts carried in the Balance Sheet
Allianz Global Corporate & Speciality SE, UK	Reinsurance premium paid	0.16	(0.23)	0.08	(1.36)
	Commission on reinsurance received	0.02	-	0.01	-
Allianz Global Corporate & Speciality SE, Italy	Reinsurance premium paid	-	-	0.03	(0.08)
	Commission on reinsurance received	0.01	-	0.01	-
Allianz Global Corporate & Speciality SE, Munich	Reinsurance premium paid	0.88	(2.51)	0.02	(3.19)
	Commission on reinsurance received	0.12	-	-	-
	Claims recovery on reinsurance	47.61	-	12.78	-
Allianz SE Reinsurance, Branch Asia Pacific	Reinsurance premium paid	19.82	6.96	35.34	(5.50)
	Commission on reinsurance received	7.40	-	7.01	-
	Claims recovery on reinsurance	21.71	-	4.67	-
	CAT XOL premium paid	0.26	-	0.32	-
	CAT XOL claim recovered	-	-	0.78	-
Allianz Global Corporate & Speciality AG Singapore (Previously known as Allianz Insurance Company of Singapore - PTE)	Reinsurance premium paid	*	1.06	0.21	0.73
	Commission on reinsurance received	*	-	0.02	-
	Claim recovery on reinsurance	0.59	-	0.28	-
Allianz Global Corporate & Speciality SE, France	Reinsurance premium paid	-	-	0.14	(0.39)
	Commission on reinsurance received	-	-	0.01	-
	Claims recovery on reinsurance	0.06	-	0.10	-
Euler Hermes Europe, Singapore Branch	Reinsurance premium paid	11.63	(2.19)	10.63	1.27
	Commission on reinsurance received	1.02	-	0.70	-
	Claims recovery on reinsurance	4.21	-	3.93	-
	Billable expenses recovery	2.00	-	2.50	-
	Other receivables	-	2.07	-	0.40
Allianz Technology SE (Previously Allianz Managed Operations & Services SE)	Information technology expenditure	1.76	(2.90)	3.27	(5.56)
	License and maintenance fees paid	2.20	(5.86)	1.44	(3.66)
	Billable expenses recovery	0.25	-	0.49	-
Allianz Technology SE, India (Previously Allianz Managed Operations & Services SE India)	Insurance premium received	6.39	-	0.01	-
Allianz Fire and Marine Insurance Japan Ltd	Reinsurance premium paid	229.99	(70.53)	16.50	(14.69)
	Commission on reinsurance received	22.17	-	1.80	-
	Claims recovery on reinsurance	1.46	-	0.01	-
AWP Assistance India Pvt. Ltd. (Previously AGA Assistance (India) Pvt. Ltd.)	Insurance claims paid	9.69	-	8.19	-
	Premium received as an agent	-	(0.07)	-	(0.10)
	Insurance commission paid	0.30	-	1.24	-
	Billable expenses incurred on behalf	0.01	0.01	0.01	0.01

* The amount is below the rounding off norm adopted by the Group.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

44 Disclosure of transactions with related parties as required by Ind AS 24 (Contd.)

(₹ In Crore)

Name of related party and nature of relationship	Nature of transaction	2020-21		2019-20	
		Transaction value	Outstanding amounts carried in the Balance Sheet	Transaction value	Outstanding amounts carried in the Balance Sheet
AWP Services India Pvt. Ltd. (Previously AGA Services (India) Pvt. Ltd.)	Insurance claims paid	17.95	-	10.40	-
	Other expenses paid	0.61	(0.01)	4.41	(0.44)
Euler Hermes Services India Pvt Ltd.	Credit risk assessment fees paid	1.99	-	2.21	-
AWP P&C SA Saint Ouen Paris	Reinsurance premium received	103.04	(45.71)	273.19	(16.95)
	Commission on reinsurance paid	17.50	-	173.19	-
	Claims paid on reinsurance accepted	56.34	-	71.98	-
	Other expenses paid	5.65	-	-	-
C Individuals controlling voting power/exercising significant influence and their Relatives:					
Rahul Bajaj (Chairman Emeritus)	Sitting fees	0.06	-	0.11	-
	Commission	0.12	(0.11)	0.21	(0.21)
Madhur Bajaj	Sitting fees	0.12	-	0.08	-
	Commission	0.21	(0.20)	0.14	(0.14)
Rajiv Bajaj	Sitting fees	0.11	-	0.10	-
	Commission	0.20	(0.19)	0.18	(0.18)
Sanjiv Bajaj (Chairman & Managing Director) (Also Key management personnel)	Short-term employee benefits (including Commission)	16.77	(8.04)	10.24	(7.39)
	Post-employment benefits	0.91	-	0.91	-
	Deposit paid	-	0.41	0.02	0.41
	Rent paid	0.43	-	0.41	-
	Sitting fees	0.25	-	0.22	-
Tapan Singhel (MD & CEO - BAGICL)	Remuneration	13.27	-	11.78	-
Tarun Chugh (MD & CEO - BALICL)	Remuneration	8.22	-	9.86	-
Rajeev Jain (MD & CEO - BFL)	Remuneration	9.72	(1.50)	11.43	-
	Equity shares issued pursuant to stock option scheme	8.11	-	1.65	-
	Fair value of stock options granted	15.56	-	13.05	-
	Brokerage and service charges received	0.09	-	0.03	-
Rakesh Bhatt (CEO - Bajaj Finserv Direct Ltd.)	Remuneration	2.90	(0.74)	-	-
Devang Mody (CEO - Bajaj Finserv Health Ltd.)	Remuneration	1.02	(0.05)	-	-
D Other entities/persons:					
Bajaj Auto Ltd.	Sale of windpower	11.40	-	14.57	-
	OA charges reimbursement	8.14	-	8.74	-
	Business support services received	20.71	(0.88)	27.20	-
	Business support services rendered	0.23	-	0.23	-
	Interest subsidy	1.72	-	0.36	0.04
	Insurance premium received by BAGICL/BALICL	16.20	-	12.34	-

* The amount is below the rounding off norm adopted by the Group.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

44 Disclosure of transactions with related parties as required by Ind AS 24 (Contd.)

(₹ In Crore)

Name of related party and nature of relationship	Nature of transaction	2020-21		2019-20	
		Transaction value	Outstanding amounts carried in the Balance Sheet	Transaction value	Outstanding amounts carried in the Balance Sheet
	Insurance claims paid by BAGIC/BALICL	0.55	-	1.65	-
	Security deposit paid	-	0.23	-	0.23
	Unallocated premium	-	(8.37)	-	(8.09)
	Dividend income	-	-	2.25	-
	Investments held	-	45.88	-	25.28
	Lease liability recognised at inception	-	(0.67)	2.97	(1.91)
	Payment towards lease obligation	1.29	-	1.06	-
	Revenue expenses reimbursement paid	0.08	-	0.10	-
	Fixed deposit accepted	-	(100.00)	500.00	(500.00)
	Fixed deposit repaid	400.00	-	-	-
	Fixed deposit interest accrued	8.00	(10.23)	15.50	(15.50)
Bajaj Electricals Ltd.	Purchase of property, plant and equipment	0.64	(0.12)	0.45	(0.08)
	Interest subsidy	0.02	0.02	0.03	-
	Insurance claims paid by BAGIC/BALICL	7.20	-	4.09	-
	Insurance premium received by BAGIC/BALICL	11.00	-	18.77	-
	Unallocated premium	-	(6.67)	-	(6.22)
	Other expenses	0.03	-	-	-
Bajaj Auto Holdings Ltd.	Shares of BFS held by BAHIL (209,005 shares of ₹ 5 each)	-	(0.10)	-	(0.10)
	Dividend paid	-	-	0.16	-
Hind Musafir Agency Ltd.	Services received	3.64	(0.04)	74.36	(0.41)
	Service charges paid	0.06	-	0.40	-
	Insurance premium received by BAGIC/BALICL	0.04	-	0.03	-
	Advances	-	0.06	-	0.09
Hind Lamps Ltd.	Insurance premium received by BAGIC/BALICL	0.04	-	0.15	-
Mukand Ltd.	Sale of windpower	10.48	0.52	13.56	0.44
	OA charges reimbursement	0.55	-	1.93	-
	Insurance premium received by BAGIC/BALICL	5.85	-	4.18	-
	Insurance claims paid by BAGIC/BALICL	0.98	-	0.87	-
	Unallocated premium	-	(0.32)	-	(0.51)
	Rent and other expenses paid	-	-	0.05	-
	Security deposit paid	(0.10)	-	(3.90)	0.10
	Interest received	1.34	-	4.21	-
	Loan given	-	-	25.00	25.14
	Principal repayment received	25.14	-	24.27	-
Mukand Engineers Ltd.	Insurance premium received by BAGIC/BALICL	0.72	-	0.51	-
	Insurance claims paid by BAGIC/BALICL	0.10	-	0.26	-
	Unallocated premium	-	(0.08)	-	(0.30)

* The amount is below the rounding off norm adopted by the Group.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

44 Disclosure of transactions with related parties as required by Ind AS 24 (Contd.)

(₹ In Crore)

Name of related party and nature of relationship	Nature of transaction	2020-21		2019-20	
		Transaction value	Outstanding amounts carried in the Balance Sheet	Transaction value	Outstanding amounts carried in the Balance Sheet
Hercules Hoists Ltd.	Fixed deposit accepted	-	(6.50)	6.50	(6.50)
	Interest accrued on fixed deposit	0.54	(0.58)	0.09	(0.09)
Maharashtra Scooters Ltd.	Business support charges received	0.16	-	0.14	-
	Non-convertible debentures issued	-	(191.95)	-	(95.56)
	Interest on non-convertible debentures issued	7.51	-	11.11	-
	Contribution to equity of BFL (18,974,660 shares of ₹ 2 each)	-	(3.79)	-	(3.79)
	Contribution to equity of BFS (3,725,740 shares of ₹ 5 each)	-	(1.86)	-	(1.86)
	Dividend paid	-	-	33.15	-
	Secured non convertible debentures redemption	5.00	-	110.00	-
Sanjali Family Trust	Rent paid	0.55	-	0.14	-
	Security deposit paid	-	0.14	0.14	0.14
	Revenue expenses reimbursement received	0.07	-	0.03	-
Jamnalal Sons Pvt. Ltd.	Security deposit	-	0.29	-	0.29
	Rent and other expenses	0.30	(0.02)	0.31	-
	Contribution to equity	-	(0.03)	-	(0.03)
	Lease liability recognised at inception	-	(0.58)	1.31	(0.97)
	Payment towards lease obligation	0.46	-	0.34	-
	Interest expense on lease obligation	0.07	-	0.10	-
Late Nanoo Pamnani	Sitting fees	-	-	0.32	-
	Commission	-	-	2.46	(2.46)
D J Balaji Rao	Sitting fees	0.19	-	0.18	-
	Commission	0.32	(0.31)	0.31	(0.31)
Dr. Gita Piramal	Sitting fees	0.21	-	0.21	-
	Commission	0.35	(0.34)	0.36	(0.36)
Dr. Naushad Forbes	Sitting fees	0.24	-	0.17	-
	Commission	0.41	(0.40)	0.30	(0.30)
Manish Kejriwal	Sitting fees	0.13	-	0.03	-
	Commission	0.20	(0.20)	0.05	(0.05)
Anami Roy	Sitting fees	0.17	-	0.13	-
	Commission	0.25	(0.24)	0.23	(0.23)
Dipak Poddar	Sitting fees	0.10	-	0.03	-
	Commission	0.20	(0.19)	0.06	(0.06)
Ranjan Sanghi	Sitting fees	0.14	-	0.14	-
	Commission	0.28	(0.26)	0.26	(0.26)
Dr. Omkar Goswami	Sitting fees	0.21	-	0.12	-
	Commission	0.34	(0.31)	0.24	(0.24)

* The amount is below the rounding off norm adopted by the Group.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

44 Disclosure of transactions with related parties as required by Ind AS 24 (Contd.)

(₹ In Crore)

Name of related party and nature of relationship	Nature of transaction	2020-21		2019-20	
		Transaction value	Outstanding amounts carried in the Balance Sheet	Transaction value	Outstanding amounts carried in the Balance Sheet
Radhika Singh (Spouse of Omkar Goswami, director of BFL)	Fixed deposit accepted	-	(2.00)	2.00	(2.00)
	Fixed deposit interest accrued	0.16	-	0.01	(0.01)
	Fixed deposit interest paid	0.15	-	-	-
Bajaj Auto Ltd. Provident Fund	Unsecured non convertible debentures issued	-	(48.24)	-	(54.61)
	Unsecured non convertible debentures redemption	6.00	-	-	-
	Interest paid on non convertible debentures	4.92	-	4.91	-
	Provident fund contribution (Employer's share)	35.45	(10.99)	34.52	(10.29)
Bajaj Auto Employees Superannuation Fund	Superannuation contribution	0.99	-	1.06	-
Bajaj Auto Employees Group Gratuity Fund	Gratuity contribution	14.95	-	13.50	-
Bajaj Auto Senior staff Group Gratuity Fund	Gratuity contribution	4.80	-	29.00	-
Bajaj Finsev Charitable Trust	CSR payment	-	-	0.25	-
Bajaj Allianz Life Insurance Co Ltd. Employees Group Gratuity Cum Life Assurance Trust	Insurance premium received	5.79	-	7.13	-
	Benefits paid	3.61	-	5.39	-
	Fund reserve	1.96	-	2.90	-
	Provision for linked liabilities	-	(38.60)	-	(34.42)
Bachhraj Factories Pvt. Ltd.	Contribution to equity (72,000 shares of ₹ 2 each)	-	(0.01)	-	(0.01)
Baroda Industries Pvt. Ltd.	Contribution to equity (117,600 shares of ₹ 2 each)	-	(0.02)	-	(0.02)
Suraj Sanghi Finance Ltd.	Contribution to equity (200 shares of ₹ 2 each)	-	*	-	*
Centre for Technology Innovation and Economic Research	Corporate social responsibility expenses	0.20	-	-	-
Poddar Housing And Development Ltd.	Loan given	-	13.00	-	-
	Interest Income	1.71	0.02	-	-

* The amount is below the rounding off norm adopted by the Group.

Name of the related party and nature of the related party relationship where control exists have been disclosed irrespective of whether or not there have been transactions between the related parties. In other cases, disclosure has been made only when there have been transactions with those parties.

Related parties as defined under para 9 of Ind AS 24 'Related Party Disclosures' have been identified based on representations made by key managerial personnel and information available with the Group.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

45 Employee benefit plans

Liability for employee benefits has been determined by an actuary, appointed for the purpose, in conformity with the principles set out in the Indian Accounting Standard 19 the details of which are as hereunder.

Funded schemes

Gratuity

The Group provides for gratuity payments to employees. The gratuity benefit payable to the employees of the Group is greater of the provisions of the Payment of Gratuity Act, 1972 and the Group's gratuity scheme. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The gratuity plan is a funded plan and the Group makes contributions to approved gratuity fund.

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Amount recognised in Balance Sheet		
Present value of funded defined benefit obligation	355.58	274.85
Fair value of plan assets	263.66	221.59
Net funded obligation *	94.16	55.12
Net funded assets *	(2.24)	(1.86)

* Entities having net asset or net obligation are consolidated for net asset or net obligation, respectively and shown in above disclosure

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2021	2020
Expense recognised in the Statement of Profit and Loss		
Current service cost	51.05	36.02
Past service cost	(6.27)	-
Interest on net defined benefit liability/(asset)	2.37	1.25
Total expense charged to Statement of Profit and Loss	47.15	37.27
Amount recorded as Other Comprehensive Income		
Opening amount recognised in OCI outside Statement of Profit and Loss	85.74	50.12
Remeasurements during the period due to		
Changes in financial assumptions	5.75	13.87
Changes in demographic assumptions	11.52	(0.89)
Experience adjustments	11.43	23.93
Actual return on plan assets less interest on plan assets	1.58	(1.28)
Adjustment to recognise the effect of asset ceiling	0.02	(0.01)
Closing amount recognised in OCI outside Statement of Profit and Loss	116.04	85.74

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

45 Employee benefit plans (Contd.)**Funded schemes (Contd.)**

(₹ In Crore)

As at 31 March

Particulars	2021	2020
Movement in benefit obligation		
Opening of defined benefit obligation	274.85	199.47
Current service cost	51.04	36.35
Past service cost	(6.31)	(0.16)
Interest on defined benefit obligation	16.85	13.85
Remeasurements due to		
Actuarial loss/(gain) arising from change in financial assumptions	5.75	13.87
Actuarial loss/(gain) arising from change in demographic assumptions	11.52	(0.89)
Actuarial loss/(gain) arising on account of experience changes	11.49	23.86
Benefits paid	(11.81)	(12.75)
Liabilities assumed/(settled)	2.20	1.25
Closing of defined benefit obligation	355.58	274.85
Movement in plan assets		
Opening fair value of plan assets	221.59	162.50
Employer contributions	37.85	56.11
Interest on plan assets	14.43	12.70
Remeasurements due to		
Actual return on plan assets less interest on plan assets	(1.52)	0.92
Benefits paid	(9.67)	(11.86)
Assets acquired/(settled)*	(0.65)	1.66
Assets distributed on settlements	1.63	(0.44)
Closing fair value of plan assets	263.66	221.59

(₹ In Crore)

As at 31 March

Particulars	2021	2020
Disaggregation of assets		
Category of assets		
Insurer managed funds.	263.66	221.59

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

45 Employee benefit plans (Contd.)

Funded schemes (Contd.)

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Principal Actuarial Assumptions (Expressed as weighted averages)		
Discount rate (p.a.)		
Bajaj Finserv Ltd.	6.80%	6.80%
Bajaj Allianz General Insurance Co. Ltd.	5.10%	5.45%
Bajaj Allianz Life Insurance Co. Ltd.	5.85%	6.35%
Bajaj Finance Ltd.	6.80%	6.80%
Bajaj Finserv Direct Ltd.	6.80%	6.80%
Bajaj Finserv Health Ltd.	6.80%	6.80%
Salary escalation rate (p.a.)		
Bajaj Finserv Ltd.	10.00%	10.00%
Bajaj Allianz General Insurance Co. Ltd.	8.50%	7.00%
Bajaj Allianz Life Insurance Co. Ltd.	5.00%	5.00%
Bajaj Finance Ltd.	11.00%	11.00%
Bajaj Finserv Direct Ltd.	10.69%	10.00%
Bajaj Finserv Health Ltd.	10.00%	10.00%

The estimates of future salary increases, considered in actuarial valuation, takes into account, inflation, seniority, promotions and other relevant factors, such as demand and supply in the employment market.

Provident fund of BFL

In case of certain employees of BFL, the Provident fund contribution is made to Bajaj Auto Ltd. Provident Fund Trust. In terms of the guidance note issued by the Institute of Actuaries of India, the actuary has provided a valuation of provident fund liability based on the assumptions listed below and determined that there is no shortfall as of 31 March 2021. The assumptions used in determining the present value of obligation of interest rate guarantee under deterministic approach are as set out below

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
(i) Movement in defined benefit obligations		
Defined benefit obligations as at the beginning of the year	428.71	285.37
Current service cost	35.44	34.85
Interest on defined benefit obligation	30.83	24.04
Remeasurement due to		
Actuarial loss/(gain) arising from change in financial assumptions	5.10	-
Actuarial loss/(gain) arising on account of experience changes	10.68	23.69
Employees contribution	83.64	75.59
Benefits paid	(21.63)	(15.94)
Liabilities assumed/(settled)	3.93	1.11
Defined benefit obligation as at the end of the year	576.70	428.71

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

45 Employee benefit plans (Contd.)**Provident fund of BFL (Contd.)**

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
(ii) Movement in defined benefit plan		
Fair value of plan asset as at the beginning of the year	428.71	285.37
Interest on plan assets	30.83	24.04
Administration expenses	-	-
Remeasurements due to		
Actual return on plan assets less interest on plan assets	10.68	23.69
Employer contribution	35.44	34.85
Employees contribution	83.64	75.59
Benefits paid	(21.63)	(15.94)
Assets acquired/(settled)	3.93	1.11
Fair value of plan asset as at the end of the year	571.60	428.71
(iii) Reconciliation of net liability/asset		
Net defined benefit liability/(asset) as at the beginning of the year	-	-
Expense charged to Statement of Profit and Loss	35.44	34.85
Amount recognised outside profit and loss account	5.10	-
Employer contributions	(35.44)	(34.85)
Net defined benefit liability/(asset) as at the end of the year	5.10	-

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2021	2020
(iv) Expenses charged to the Statement of Profit and Loss		
Current service cost	35.44	34.85
Total	35.44	34.85
(v) Remeasurement gains/(losses) in Other Comprehensive Income		
Opening amount recognised in OCI	-	-
Changes in financial assumptions	5.10	-
Experience adjustments	10.68	23.69
Actual return on plan assets less interest on plan assets	(10.68)	(23.69)
Closing amount recognised in OCI	5.10	-

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

45 Employee benefit plans (Contd.)

Provident fund of BFL (Contd.)

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
(vi) Amount recognised in Balance Sheet		
Present value of funded defined benefit obligation	576.70	428.71
Fair value of plan assets	571.60	428.71
Net funded obligation	5.10	-
Amount not recognised due to asset limit	-	-
Net defined benefit liability /(asset) recognised in Balance Sheet	5.10	-

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
(vii) Key actuarial assumptions		
Discount rate (p.a.)	6.80%	6.80%
Future derived return on assets (p.a.)	8.67%	8.54%
Discount rate for the remaining term to maturity of the investment (p.a.)	6.25%	6.45%
Average historical yield on the investment portfolio (p.a.)	8.12%	8.19%
Guaranteed rate of return (p.a.)	8.00%	8.50%

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
(viii) Category of plan assets		
Government debt securities	299.48	229.22
Other debt instruments	206.39	162.82
Others	65.73	36.67
	571.60	428.71

(ix) A quantitative sensitivity analysis for significant assumptions as at 31 March 2021 and 31 March 2020 is as shown below

The following table summarises the impact in absolute terms on the reported defined benefit obligation at the end of the reporting period arising on account of an increase or decrease in the difference between the rate earned and the guaranteed rate.

Particulars	As at 31 March 2021		As at 31 March 2020	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Impact on defined benefit obligation	1.77%	-0.88%	2.25%	-

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

45 Employee benefit plans (Contd.)

Unfunded schemes

Particulars	As at 31 March 2021		As at 31 March 2020	
	Compensated absences	Long-term incentive plan	Compensated absences	Long-term incentive plan
Present value of unfunded obligations	47.71	77.47	41.26	79.15
Discount rate (p.a.)	5.45% ~ 7.70%		5.45% ~ 6.80%	
Salary escalation rate (p.a.)	5.00% ~ 11.00%		5.00% ~ 11.00%	

Amount recognised in the Statement of Profit and Loss

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2021	2020
Defined contribution plans		
Provident fund paid to Government authorities	38.28	33.96
Superannuation paid to trust	0.57	0.72
Pension fund paid to Government authorities	0.83	0.77
Others	4.57	4.13
Defined benefit plans		
Gratuity	47.15	37.27
Others	35.51	34.87
Total	126.91	111.72

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures

1. Capital

BFL actively manages its capital base to cover risks inherent to its business and meets the capital adequacy requirement of RBI and NHB. The adequacy of BFL's capital is monitored using, among other measures, the regulations issued by RBI and NHB.

BAGIC and BALIC maintain an actively managed capital base to cover risks inherent in their respective businesses and meeting the solvency ratio required by IRDAI. The adequacy of the BAGIC and BALIC's capital is monitored using, among the other measures, the regulation issued by IRDAI.

The cash surpluses are currently invested in equity shares, mutual funds, debt instruments and money market instruments depending upon the economic conditions and is in line with guidelines set out by IRDAI.

Safety of capital is of prime importance to ensure availability of capital for operations. Investment objective is to provide safety and adequate return on the surplus funds.

No changes were made in the objective, policies and processes of capital management during the year. Both BAGIC and BALIC do not have any borrowings and do not borrow funds.

a) Capital management (BFL)

BFL's objective is to maintain appropriate levels of capital to support its business strategy taking into account the regulatory, economic and commercial environment. BFL aims to maintain a strong capital base to support the risks inherent to its business and growth strategies. BFL endeavours to maintain a higher capital base than the mandated regulatory capital at all times.

BFL's assessment of capital requirement is aligned to its planned growth which forms part of an annual operating plan which is approved by the Board and also a long-range strategy. These growth plans are aligned to assessment of risks - which include credit, liquidity and market.

BFL monitors its capital to risk-weighted asset ratio (CRAR) on a monthly basis through its Assets Liability Management Committee (ALCO).

BFL endeavors to maintain its CRAR higher than the mandated regulatory norm. Accordingly, increase in capital is planned well in advance to ensure adequate funding for its growth.

BFL's dividend distribution policy states that subject to profit, the Board shall endeavor to maintain a dividend payout (including dividend distribution tax) of around 15% of profits after tax on standalone financials, to the extent possible.

BFL is also the provider of equity capital to its wholly owned subsidiaries and also provides them with non-equity capital where necessary. These investments are funded by the BFL through its equity share capital and other equity which inter alia includes retained profits.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

2. Regulatory capital

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Bajaj Finance Ltd.		
Tier I capital	32,838.50	28,697.72
Tier II capital	4,179.83	5,043.43
Total capital	37,018.33	33,741.15
Risk weighted assets	130,767.50	134,916.74
Tier I CRAR	25.11%	21.27%
Tier II CRAR	3.20%	3.74%
Total CRAR	28.31%	25.01%

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Bajaj Housing Finance Ltd.		
Tier I capital	5,820.36	5,495.58
Tier II capital	178.68	151.25
Total capital (Tier I+Tier II)	5,999.04	5,646.83
Risk weighted assets	28,119.67	22,450.98
Tier I CRAR	20.70%	24.48%
Tier II CRAR	0.63%	0.67%
Total CRAR	21.33%	25.15%

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

3. Quantitative disclosures

a. Quantitative disclosure of fair value measurement hierarchy for assets (BFL)

Quantitative disclosures of fair value measurement hierarchy for financial instruments measured at fair value as at 31 March 2021

(₹ In Crore)

Particulars	Date of valuation	Fair value measurement using			Total
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Investments held for trading under FVTPL	31-Mar-21	13,291.70	-	-	13,291.70
Equity instrument designated under FVTOCI (Unquoted)	31-Mar-21	-	-	281.21	281.21
Equity instrument designated under FVTOCI (Quoted)	31-Mar-21	150.00	-	-	150.00
Other investments designated under FVTOCI	31-Mar-21	3,717.63	-	-	3,717.63
Loans designated under FVTOCI	31-Mar-21	-	25,178.92	-	25,178.92
Derivative financial instrument	31-Mar-21	-	(137.87)	-	(137.87)
Total		17,159.33	25,041.05	281.21	42,481.59

Quantitative disclosures of fair value measurement hierarchy for financial instruments measured at fair value as at 31 March 2020

(₹ In Crore)

Particulars	Date of valuation	Fair value measurement using			Total
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Investments held for trading under FVTPL	31-Mar-20	14,438.75	-	-	14,438.75
Equity instrument designated under FVTOCI (Unquoted)	31-Mar-20	-	-	262.32	262.32
Equity instrument designated under FVTOCI (Quoted)	31-Mar-20	150.00	-	-	150.00
Other investments designated under FVTOCI	31-Mar-20	2,764.60	-	-	2,764.60
Loans designated under FVTOCI	31-Mar-20	-	21,659.53	-	21,659.53
Derivative financial instrument	31-Mar-20	-	171.76	-	171.76
Total		17,353.35	21,831.29	262.32	39,446.96

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

3. Quantitative disclosures (Contd.)

a. Quantitative disclosure of fair value measurement hierarchy for assets (BFL) (Contd.)

Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 financial assets

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Opening balance	262.32	225.00
Acquisitions during the year	18.89	37.32
Disposals during the year	-	-
Fair value gains/losses recognised in profit or loss	-	-
Gains/(losses) recognised in other comprehensive income	-	-
Closing balance	281.21	262.32

Sensitivity analysis of significant unobservable input on the fair value of equity instrument classified under FVTOCI

Particulars	(₹ In Crore)	
	Sensitivity to fair value as at 31 March 2021	
	1% increase	1% decrease
Discounting rate	(8.24)	8.81
Cash flows	6.79	(6.42)

Particulars	(₹ In Crore)	
	Sensitivity to fair value as at 31 March 2020	
	1% increase	1% decrease
Discounting rate	(6.44)	8.43
Cash flows	9.29	(7.36)

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

3. Quantitative disclosures (Contd.)

b. Fair value of financial instruments measured at amortised cost (BFL)

Fair value of financial instruments measured at amortised cost as at 31 March 2021

(₹ In Crore)

Particulars	Carrying value	Fair value measurement using			Total
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2) *	Significant unobservable inputs (Level 3) *	
Financial assets					
Cash and cash equivalents	1,861.17	1,861.17	-	-	1,861.17
Bank balances other than cash and cash equivalents	315.01	315.01	-	-	315.01
Trade receivables	1,107.24	-	-	1,107.24	1,107.24
Loans	121,507.95	-	-	121,843.34	121,843.34
Investments	1,017.60	-	-	1,017.60	1,017.60
Other financial assets	537.18	-	-	537.18	537.18
	126,346.15	2,176.18	-	124,505.36	126,681.54
Financial liabilities					
Trade payables	894.86	-	-	894.86	894.86
Other payables	213.82	-	-	213.82	213.82
Debt securities	54,502.14	-	56,382.22	-	56,382.22
Borrowings (other than debt securities)	47,441.20	-	-	47,441.20	47,441.20
Deposits	25,803.43	-	26,061.56	-	26,061.56
Subordinated debts	3,898.61	-	4,263.08	-	4,263.08
Other financial liabilities	891.78	-	-	891.78	891.78
	133,645.84	-	86,706.86	49,441.66	136,148.52

* fair value computed using discounted cash flow method

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

3 Quantitative disclosures (Contd.)

b. Fair value of financial instruments measured at amortised cost (BFL) (Contd.)

Fair value of financial instruments measured at amortised cost as at 31 March 2020

(₹ In Crore)

Particulars	Carrying value	Fair value measurement using			Total
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2) *	Significant unobservable inputs (Level 3) *	
Financial assets					
Cash and cash equivalents	1,344.52	1,344.52	-	-	1,344.52
Bank balances other than cash and cash equivalents	38.20	38.20	-	-	38.20
Trade receivables	952.56	-	-	952.56	952.56
Loans	119,716.52	-	-	120,510.83	120,510.83
Investments	20.32	-	-	20.46	20.46
Other financial assets	470.08	-	-	470.08	470.08
	122,542.20	1,382.72	-	121,953.93	123,336.65
Financial liabilities					
Trade payables	761.97	-	-	761.97	761.97
Other payables	197.84	-	-	197.84	197.84
Debt securities	49,537.36	-	50,258.28	-	50,258.28
Borrowings (other than debt securities)	54,700.17	-	-	54,700.17	54,700.17
Deposits	21,427.15	-	21,502.08	-	21,502.08
Subordinated debts	4,141.75	-	4,350.78	-	4,350.78
Other financial liabilities	745.00	-	-	745.00	745.00
	131,511.24	-	76,111.14	56,404.98	132,516.12

* fair value computed using discounted cash flow method

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)**3. Quantitative disclosures** (Contd.)**c. Quantitative disclosure of fair value measurement hierarchy for assets (BALIC)**

(₹ In Crore)

Particulars	Carrying amount				Total	Fair value hierarchy		
	Through P&L	Designated at P&L	Through OCI	Amortised cost		Level 1	Level 2	Level 3
As at 31 March 2021								
Financial assets								
Financial assets measured at fair value								
Investments								
Government securities	6,269.84	12,925.51	13,054.86	-	32,250.21	32,250.21	-	-
Debt securities	1,825.13	4,230.34	5,988.38	-	12,043.85	12,043.85	-	-
Equity instruments	24,530.36	-	112.98	-	24,643.34	24,362.22	21.87	259.25
Security receipts	-	-	-	-	-	-	-	-
Others (AT1)	-	-	-	-	-	-	-	-
Financial assets not measured at fair value #								
Investments								
Fixed deposits - Long-term	-	-	-	1,011.54	1,011.54			
TREPs (Tri-party repo)	-	-	-	4,889.48	4,889.48			
Cash and cash equivalents	-	-	-	386.21	386.21		N/A	
Bank balance other than cash and cash equivalents	-	-	-	34.02	34.02			
Trade receivables	-	-	-	253.22	253.22			
Loans	-	-	-	466.03	466.03			
Other financial assets	-	-	-	1,337.66	1,337.66			
Derivative financial instrument	4.14	-	-	-	4.14	-	4.14	-
Total financial assets	32,629.47	17,155.85	19,156.22	8,378.16	77,319.70	68,656.28	26.01	259.25
Financial liabilities #								
Trade payables	-	-	-	1,387.91	1,387.91			
Deposits	-	-	-	4.74	4.74		N/A	
Lease obligation	-	-	-	104.98	104.98			
Derivative financial instrument	18.22	-	-	-	18.22	-	18.22	-
Total financial liabilities	18.22	-	-	1,497.63	1,515.85	-	18.22	-

BALIC has not disclosed the fair value for financial instruments such as cash and cash equivalents, trade receivables, policy loans, other financial assets, trade payable because their carrying amounts are reasonable approximation of fair value.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)**3 Quantitative disclosures** (Contd.)**c. Quantitative disclosure of fair value measurement hierarchy for assets (BALIC)** (Contd.)

(₹ In Crore)

Particulars	Carrying amount					Fair value hierarchy		
	Through P&L	Designated at P&L	Through OCI	Amortised cost	Total	Level 1	Level 2	Level 3
As at 31 March 2020								
Financial assets								
Financial assets measured at fair value								
Investments								
Government securities	4,936.48	10,671.84	9,559.14	-	25,167.46	25,167.46	-	-
Debt securities	1,303.92	4,026.81	6,543.59	-	11,874.32	11,874.32	-	-
Equity instruments	15,652.37	-	-	-	15,652.37	15,404.87	-	247.50
Security receipts	-	0.22	-	-	0.22	-	0.22	-
Others (AT1)	115.52	-	-	-	115.52	115.52	-	-
Financial assets not measured at fair value #	-	-	-	-	-			
Investments	-	-	-	-	-			
Fixed deposits - Long-term	-	-	-	1,272.67	1,272.67			
TREPs (Tri-party Repo)	-	-	-	3,526.34	3,526.34			
Cash and cash equivalents	-	-	-	505.79	505.79		N/A	
Bank balance other than cash and cash equivalents	-	-	-	42.65	42.65			
Trade receivables	-	-	-	298.33	298.33			
Loans	-	-	-	417.47	417.47			
Other financial assets	-	-	-	1,221.48	1,221.48			
Total financial assets	22,008.29	14,698.87	16,102.73	7,284.73	60,094.62	52,562.17	0.22	247.50
Financial liabilities #								
Trade payables	-	-	-	1,341.89	1,341.89			
Deposits	-	-	-	3.23	3.23		N/A	
Lease obligation	-	-	-	94.83	94.83			
Total financial liabilities	-	-	-	1,439.95	1,439.95	-	-	-

BALIC has not disclosed the fair value for financial instruments such as cash and cash equivalents, trade receivables, policy loans, other financial assets, trade payable because their carrying amounts are reasonable approximation of fair value.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

3. Quantitative disclosures (Contd.)

c. Quantitative disclosure of fair value measurement hierarchy for assets (BALIC) (Contd.)

Movements in Level 3 financial instruments

The following tables show a reconciliation of the opening and closing amounts of Level 3 financial assets

(₹ In Crore)

Particulars	As at 31 March	
	2021	2020
Opening balance	247.50	236.57
Transfer to Level 2	(14.67)	-
Purchase	-	10.93
Net change in fair value (unrealised)	26.42	-
Closing balance	259.25	247.50

d. Quantitative disclosure of fair value measurement hierarchy for assets (BAGIC)

(₹ In Crore)

Particulars	Carrying amount				Fair value		
	Through P&L	Through OCI	Amortised cost	Total	Level 1	Level 2	Level 3
As at 31 March 2021							
Investments							
Financial assets measured at fair value							
Government debt securities	-	10,729.74	-	10,729.74	10,729.74	-	-
Debt securities	-	10,282.28	-	10,282.28	10,282.28	-	-
Equity instruments	1,533.15	119.58	-	1,652.73	1,610.23	-	42.50
Fixed deposits	-	-	49.00	49.00	49.00	-	-
Mutual fund	99.58	-	-	99.58	99.58	-	-
Preference shares	34.83	-	-	34.83	34.83	-	-
AT 1 Bonds	167.89	-	-	167.89	167.89	-	-
Financial assets not measured at fair value							
Cash and cash equivalents	-	-	677.69	677.69	-	-	-
Bank balance other than cash and cash equivalents	-	-	5.70	5.70	-	-	-
Trade receivables	-	-	1,348.97	1,348.97	-	-	-
Other financial assets	-	-	628.41	628.41	-	-	-
Total financial assets	1,835.45	21,131.60	2,709.77	25,676.82	22,973.55	-	42.50
Financial liabilities							
Trade payable							
a) Total outstanding dues of MSME	-	-	12.66	12.66	-	-	-
b) Other payables	-	-	2,402.48	2,402.48	-	-	-
Other financial liabilities	-	-	158.14	158.14	-	-	-
Lease contract liability	-	-	90.53	90.53	-	-	-
Total financial liabilities	-	-	2,663.81	2,663.81	-	-	-

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

3 Quantitative disclosures (Contd.)

d. Quantitative disclosure of fair value measurement hierarchy for assets (BAGIC) (Contd.)

(₹ In Crore)

Particulars	Carrying amount				Fair value		
	Through P&L	Through OCI	Amortised cost	Total	Level 1	Level 2	Level 3
As at 31 March 2020							
Investments							
Financial assets measured at fair value							
Government debt securities	-	8,243.53	-	8,243.53	8,243.53	-	-
Debt securities	-	8,774.79	-	8,774.79	8,774.79	-	-
Equity instruments	1,242.48	-	-	1,242.48	1,199.98	-	42.50
Fixed deposits	-	-	25.00	25.00	25.00	-	-
Mutual fund	-	-	-	-	-	-	-
Preference shares	73.83	-	-	73.83	73.83	-	-
AT 1 Bonds	418.51	-	-	418.51	418.51	-	-
Financial assets not measured at fair value							
Cash and cash equivalents	-	-	527.72	527.72	-	-	-
Bank balance other than cash and cash equivalents	-	-	48.25	48.25	-	-	-
Trade receivables	-	-	1,555.94	1,555.94	-	-	-
Other financial assets	-	-	633.82	633.82	-	-	-
Total financial assets	1,734.82	17,018.32	2,790.73	21,543.87	18,735.64	-	42.50
Financial liabilities							
Trade payable							
a) Total outstanding dues of MSME	-	-	3.69	3.69	-	-	-
b) Other payables	-	-	1,645.16	1,645.16	-	-	-
Other financial liabilities	-	-	220.07	220.07	-	-	-
Lease contract liability	-	-	148.51	148.51	-	-	-
Total financial liabilities	-	-	2,017.43	2,017.43	-	-	-

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

4. Risk management and other disclosures

A. Bajaj Finance Ltd.

A summary of the major risks faced by Bajaj Finance Ltd. (BFL), its measurement, monitoring and management are described as under

Nature of risk	Arising from	Executive governance structure	Measurement, monitoring and management of risk
Liquidity and funding risk	<p>Liquidity risk arises from mismatches in the timing of cash flows.</p> <p>Funding risk arises from</p> <ul style="list-style-type: none"> inability to raise incremental borrowings and deposits to fund business requirement or repayment obligations when long-term assets cannot be funded at the expected term resulting in cashflow mismatches Amidst volatile market conditions impacting sourcing of funds from banks and money markets 	Board appointed Risk Management Committee (RMC) and Asset Liability Committee (ALCO)	<p>Liquidity and funding risk is</p> <ul style="list-style-type: none"> measured by <ul style="list-style-type: none"> identification of gaps in the structural and dynamic liquidity statements. assessment of incremental borrowings required for meeting the repayment obligation as well as BFL's business plan in line with prevailing market conditions. liquidity coverage ratio (LCR) in accordance with guidelines issued by RBI. monitored by <ul style="list-style-type: none"> assessment of the gap between visibility of funds and the near term liabilities given current liquidity conditions and evolving regulatory directions for NBFCs. a constant calibration of sources of funds in line with emerging market conditions in banking and money markets periodic reviews by ALCO relating to the liquidity position, LCR and stress tests assuming varied 'what if' scenarios and comparing probable gaps with the liquidity buffers maintained by BFL. managed by BFL's treasury team under liquidity risk management framework through various means like liquidity buffers, sourcing of long-term funds, positive asset liability mismatch, keeping strong pipeline of sanctions and approvals from banks and assignment of loans under the guidance of ALCO and Board.
Market risk	Market risk arises from fluctuation in the fair value of future cash flow of financial instruments due to changes in the market variables such as interest rates, foreign exchange rates and equity prices.	Board appointed RMC and ALCO	<p>Market risk is</p> <ul style="list-style-type: none"> measurement of market risks encompasses exposure to equity investments, foreign exchange rates which would impact our external commercial borrowings and Interest rate risks on investment portfolios as well as the floating rate assets and liabilities with differing maturities is measured using changes in equity prices, and sensitivities like movements in foreign exchange and using Valuation at Risk ('VaR'), basis point value (PVO1), modified duration analysis and other measures to determine movements in our portfolios and impact on our income, including the sensitivity of net interest income monitored by assessments of fluctuation in the equity price, unhedged foreign exchange exposures, if any, movements of interest rate sensitivities under simulated stress test scenarios given range of probable interest rate movements on both fixed and floating assets and liabilities and managed by BFL's treasury team under the guidance of ALCO and Investment Committee .
Credit risk	Credit risk is the risk of financial loss arising out of a customer or counterparty failing to meet their repayment obligations to BFL	Board appointed RMC and Chief Risk Officer (CRO)	<p>Credit risk is</p> <ul style="list-style-type: none"> measured as the amount at risk due to repayment default of a customer or counterparty to BFL. Various metrics such as EMI default rate, overdue position, EMI moratorium, restructuring, collection efficiency, credit bureau information, non performing loans etc. are used as leading indicators to assess credit risk. monitored by RMC and CRO using level of credit exposures, portfolio monitoring, repurchase rate, bureau data of portfolio performance and industry, geographic, customer, portfolio concentration risks; and assessment of any major change in the business environment including economic, political as well as natural calamity/pandemic. managed by a robust control framework by the risk and collection department. This is achieved by continuously aligning credit and collection policies and resourcing, obtaining external data from credit bureaus and reviews of portfolios and delinquencies by senior and middle management team comprising of risk, analytics, collection and fraud containment along with business. The same is periodically reviewed by the Board appointed RMC.
Operational risk	Operational risk is the risk arising from inadequate or failed internal processes or controls, its people and system and also from external events	Board appointed RMC/Senior Management and Audit Committee (AC)	<p>Operational risk is</p> <ul style="list-style-type: none"> measured by KPI's set for each of the processes/functions, system and control failures and instances of fraud. monitored by deviations identified in each of the set KPI's for the processes/controls, periodical review of technology platforms and review of control processes as part of internal control framework. managed by in house compliance units established across different businesses and functions, operations and internal audit function under the guidance of RMC and AC.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

4. Risk management and other disclosures (Contd.)

A. Bajaj Finance Ltd. (Contd.)

a. Liquidity and funding risk

BFL's ALCO monitors asset liability mismatches to ensure that there are no imbalances or excessive concentrations on either side of the balance sheet.

BFL maintains a judicious mix of borrowings from banks, money markets, foreign market, public deposits and other deposits and continues to diversify its sources of borrowings with an emphasis on longer tenor borrowings. This strategy of balancing varied sources of funds and long tenor borrowings along with liquidity buffer framework has helped BFL maintain a healthy asset liability position and interest rate during 2020-21 (FY2021). The weighted average cost of borrowing was 7.84% versus 8.37% despite highly uncertain market conditions. The overall borrowings including debt securities, deposits and subordinated debts stood at ₹ 131,645.38 crore as of 31 March 2021. As part of strategy to granularise its overall borrowings, BFL has increased contribution of public and other deposits to overall borrowings from 16.5% to 19.6% in FY2021.

BFL continuously monitors liquidity in the market; and as a part of its ALM strategy, BFL maintains a liquidity buffer managed by an active investment desk to reduce this risk. In a normal economic scenario liquidity buffer of 5% to 8% is maintained by BFL. During the year, amidst pandemic, BFL maintained significantly higher amount of liquidity buffer to safeguard itself against any significant liquidity risk. The average liquidity buffer for FY2021 was ₹ 17,736.62 crore. BFL maintained a liquidity buffer of ₹ 16,485.48 crore as on 31 March 2021.

RBI vide circular No. RBI/2019-20/88 DOR.NBFC (PD) CC. No.102/03.10.001/2019-20 has come up with guidelines on liquidity risk framework for NBFCs. It covers various aspects of liquidity risk management in NBFCs such as granular level classification of buckets in structural liquidity statement and tolerance limits thereupon, liquidity risk management tools and principles. BFL has formulated a policy on liquidity risk management framework which covers liquidity risk management policy, strategies and practices, LCR, stress testing, contingency funding plan, maturity profiling, liquidity risk measurement – stock approach, currency risk, interest rate risk and liquidity risk monitoring tools.

RBI has mandated minimum LCR of 50% to be maintained by December 2020, which is to be gradually increased to 100% by December 2024. BFL on standalone level has LCR of 270% as of 31 March 2021 as against the LCR of 50% mandated by RBI.

BFL focuses on funding the balance sheet through long-term liabilities against relatively shorter tenor assets. This practice lends itself to having an inherent ALM advantage due to large EMI inflow emanating from short tenor businesses which puts it in an advantageous position for servicing of its near-term obligations.

The table below summarises the maturity profile of the undiscounted contractual cashflow of BFL's financial liabilities

(₹ In Crore)

Particulars	As at 31 March 2021			As at 31 March 2020		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Debt securities	17,552.27	47,928.53	65,480.80	16,162.23	33,477.56	49,639.79
Borrowings (other than debt securities)	14,926.31	38,844.55	53,770.86	14,835.02	39,950.88	54,785.90
Deposits	13,532.03	15,268.60	28,800.63	10,385.54	11,123.49	21,509.03
Subordinated debts	380.26	5,119.54	5,499.80	448.07	3,709.60	4,157.67
Trade payables	894.86	-	894.86	761.97	-	761.97
Other payables	213.82	-	213.82	197.84	-	197.84
Other financial liabilities	662.86	296.96	959.82	474.00	271.31	745.31
Total	48,162.41	107,458.18	155,620.59	43,264.67	88,532.84	131,797.51

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

4. Risk management and other disclosures (Contd.)

A. Bajaj Finance Ltd. (Contd.)

The table below shows contractual maturity profile of carrying value of assets and liabilities

(₹ In Crore)

Particulars	As at 31 March 2021			As at 31 March 2020		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
ASSETS						
Financial assets						
Cash and cash equivalents	1,861.17	-	1,861.17	1,344.52	-	1,344.52
Earmarked balances with banks	291.88	23.13	315.01	38.20	-	38.20
Derivative financial instruments	-	-	-	171.76	-	171.76
Trade receivables	964.13	143.11	1,107.24	952.56	-	952.56
Loans	53,203.59	93,483.28	146,686.87	48,014.69	93,361.36	141,376.05
Investments	15,587.73	2,809.18	18,396.91	14,622.92	2,920.98	17,543.90
Other financial assets	512.97	24.21	537.18	464.65	5.67	470.32
Non-financial assets						
Current tax assets (net)	-	159.77	159.77	-	216.72	216.72
Deferred tax assets (net)	-	945.90	945.90	-	850.13	850.13
Property, plant and equipment	-	1,041.69	1,041.69	-	1,097.26	1,097.26
Capital work-in-progress	-	7.07	7.07	-	-	-
Intangible assets under development	-	43.99	43.99	-	-	-
Goodwill	-	3.27	3.27	-	3.27	3.27
Other intangible assets	-	270.74	270.74	-	220.46	220.46
Other non-financial assets	129.98	20.08	150.06	89.08	17.14	106.22
Total	72,551.45	98,975.42	171,526.87	65,698.38	98,692.99	164,391.37
LIABILITIES						
Financial liabilities						
Trade payables	894.86	-	894.86	761.97	-	761.97
Other payables	213.82	-	213.82	197.84	-	197.84
Debt securities	16,018.42	38,483.72	54,502.14	16,151.22	33,386.14	49,537.36
Borrowings (other than debt securities)	12,217.85	35,223.35	47,441.20	14,826.17	39,874.00	54,700.17
Deposits	12,442.57	13,360.86	25,803.43	10,368.15	11,059.00	21,427.15
Subordinated liabilities	252.79	3,645.82	3,898.61	447.80	3,693.95	4,141.75
Other financial liabilities	636.23	255.55	891.78	473.97	271.03	745.00
Non-financial liabilities						
Current tax liabilities (net)	180.17	-	180.17	59.17	-	59.17
Provisions	18.25	119.44	137.69	18.47	62.77	81.24
Other non-financial liabilities	399.74	107.15	506.89	337.33	74.76	412.09
Total	43,274.70	91,195.89	134,470.59	43,642.09	88,421.65	132,063.74

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

4. Risk management and other disclosures (Contd.)

A. Bajaj Finance Ltd. (Contd.)

b. Market risk

Market risk is the risk that the fair value of future cash flow of financial instruments will fluctuate due to changes in the market variables such as interest rates, foreign exchange rates and equity prices.

c. Interest rate risk

On investment book

BFL holds shorter duration investment portfolio and thus it has a minimum fair value change impact on its investment portfolio. The interest rate risk on the investment portfolio and corresponding fair value change impact is monitored using VaR and the parameters for monitoring the same are defined in its investment policy.

Sensitivity analysis as at 31 March 2021

(₹ In Crore)

Particulars	Carrying value	Fair value	Sensitivity to fair value	
			1% increase	1% decrease
Investment at amortised cost	1,017.60	1,017.60	-	-
Investment at FVTPL	13,291.70	13,291.70	(16.28)	16.28
Investment at FVTOCI (other than equity)	3,717.63	3,717.63	(41.00)	41.00

Sensitivity analysis as at 31 March 2020

(₹ In Crore)

Particulars	Carrying value	Fair value	Sensitivity to fair value	
			1% increase	1% decrease
Investment at amortised cost	20.32	20.46	(0.12)	0.12
Investment at FVTPL	14,438.75	14,438.75	(18.75)	18.75
Investment at FVTOCI (other than equity)	2,764.60	2,764.60	(48.34)	48.34

On assets and liabilities

Interest rate sensitivity on fixed and floating rate assets and liabilities with differing maturity profiles is measured by using the duration gap analysis. The same is computed monthly and sensitivity of the market value of equity assuming varied changes in interest rates are presented and monitored by ALCO.

Sensitivity analysis as at 31 March 2021

(₹ In Crore)

Particulars	Carrying value	Fair value	Sensitivity to fair value	
			1% increase	1% decrease
Loans	146,686.87	147,022.26	(1,291.09)	1,328.58
Debt securities	54,502.14	56,382.22	(1,110.94)	1,180.19
Borrowings (other than debt securities)	47,441.20	47,441.20	-	-
Deposits	25,803.43	26,061.56	(340.41)	350.32
Subordinated debts	3,898.61	4,263.08	(156.12)	164.95

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

4. Risk management and other disclosures (Contd.)

A. Bajaj Finance Ltd. (Contd.)

Sensitivity analysis as at 31 March 2020

(₹ In Crore)

Particulars	Carrying value	Fair value	Sensitivity to fair value	
			1% increase	1% decrease
Loans	141,376.05	142,170.36	(1,136.96)	1,166.55
Debt securities	49,537.36	50,258.28	(1,038.41)	1,099.43
Borrowings (other than debt securities)	54,700.17	54,700.17	-	-
Deposits	21,427.15	21,502.08	(162.25)	169.74
Subordinated debts	4,141.75	4,350.78	(171.50)	182.37

d. Price risk

BFL's equity investments carry a risk of change in prices. To manage its price risk arising from investments in equity securities, BFL periodically monitors the sectors it has invested in, performance of the investee companies, measures mark-to-market gains/losses and reviews the same.

Sensitivity analysis as at 31 March 2021

(₹ In Crore)

Particulars	Carrying value	Fair value	Sensitivity to fair value	
			10% increase	10% decrease
Investment in equity shares (quoted)	88.77	88.77	8.88	(8.88)

Sensitivity analysis as at 31 March 2020

(₹ In Crore)

Particulars	Carrying value	Fair value	Sensitivity to fair value	
			10% increase	10% decrease
Investment in equity shares (quoted)	57.91	57.91	5.79	(5.79)

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

4. Risk management and other disclosures (Contd.)

A. Bajaj Finance Ltd. (Contd.)

e. Foreign currency risk

BFL is exposed to foreign currency fluctuation risk for its foreign currency borrowing (FCB). BFL's borrowings in foreign currency are governed by RBI guidelines (RBI master direction RBI/FED/2018-19/67 dated 26 March 2019 and updated from time to time) which requires entities raising ECB for an average maturity of less than 5 years to hedge minimum 70% of the its ECB exposure (Principal and coupon). BFL hedges its entire ECB exposure for the full tenure of the ECB as per Board approved interest rate risk, currency risk and hedging policy.

BFL for its FCB, evaluates the foreign currency exchange rates, tenure of FCB and its fully hedged costs. BFL manages its currency risks by entering into derivative contracts as hedge positions and the same are being governed through the Board approved interest rate risk, currency risk and hedging policy.

BFL's exposure of foreign currency risk at the end of the reporting period expressed in INR are as follows

(₹ In Crore)

Particulars	As at 31 March 2021			As at 31 March 2020		
	USD	JPY	Pound	USD	JPY	Pound
Hedged						
ECB	(3,964.19)	(1,417.97)	-	(2,664.69)	(1,417.97)	-
Derivative financial instrument *	3,964.19	1,417.97	-	2,664.69	1,417.97	-
Unhedged	0.01	-	-	0.49	-	-

* represents the notional amount of the derivative financial instrument

f. Hedging policy

BFL's hedging policy only allows for effective hedging relationships to be considered as hedges as per the relevant Ind AS. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. BFL enters into hedge relationships where the critical terms of the hedging instrument match with the terms of the hedged item, and so a qualitative and quantitative assessment of effectiveness is performed.

Impact of hedge on the balance sheet

(₹ In Crore)

Particulars	Notional amount	Carrying amount of hedging instrument asset	Carrying amount of hedging instrument liability
INR USD CCIRS	3,964.19	-	(71.07)
INR JPY CCIRS	1,417.97	-	(66.55)

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

4. Risk management and other disclosures (Contd.)

A. Bajaj Finance Ltd. (Contd.)

g. Credit risk

Credit risk is the risk of financial loss arising out of a customer or counterparty failing to meet their repayment obligations to BFL. It has a diversified lending model and focuses on six broad categories viz: (i) consumer lending, (ii) SME lending, (iii) rural lending, (iv) mortgages, (v) loan against securities, and (vi) commercial lending. BFL assesses the credit quality of all financial instruments that are subject to credit risk.

Classification of financial assets under various stages

BFL classifies its financial assets in three stages having the following characteristics:

- stage 1: unimpaired and without significant increase in credit risk since initial recognition on which a 12-month allowance for ECL is recognised;
- stage 2: a significant increase in credit risk since initial recognition on which a lifetime ECL is recognised; and
- stage 3: objective evidence of impairment, and are therefore considered to be in default or otherwise credit impaired on which a lifetime ECL is recognised.

Unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when they are 30 days past due (DPD) or one instalment overdue on the reporting date and are accordingly transferred from stage 1 to stage 2. For stage 1 an ECL allowance is calculated based on a 12-month Point in Time (PIT) probability weighted probability of default (PD). For stage 2 and 3 assets a life time ECL is calculated based on a lifetime PD.

BFL offered OTR on loans in accordance with RBI guidelines on 'Resolution framework for Covid-19 related stress'. BFL has considered OTR as an early indicator of significant increase in credit risk and accordingly classified such loans as stage 2.

Computation of impairment on financial instruments

BFL calculates impairment on financial instruments by applying ECL approach prescribed under Ind AS 109. ECL uses three main components: PD, LGD (loss given default) and EAD (exposure at default) along with an adjustment considering forward macro economic conditions.

BFL recalibrates components of its ECL model periodically by; (1) using the available incremental and recent information, except where these informations do not represent the future outcome, and (2) assessing changes to its statistical techniques for a granular estimation of ECL. The incremental information of the portfolio performance in FY2021 has not been considered appropriate for recalibration of ECL model. This was due to the distortion caused by the pandemic induced lockdown resulting in very low economic activity, unforeseen distortion of customers financial position and volatile repayment behaviour, leading to RBI announcing EMI moratorium and OTR. Given the temporary distortion of input variables, BFL has not recalibrated components of its ECL model.

Trade receivables and other financial assets were subjected to simplified ECL approach under Ind AS 109 'Financial instruments'.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

4. Risk management and other disclosures (Contd.)

A. Bajaj Finance Ltd. (Contd.)

The table below summarises the approach adopted by BFL for various components of ECL viz. PD, EAD and LGD across major product lines using empirical data where relevant

Lending verticals	Nature of businesses	PD			EAD	LGD
		Stage 1	Stage 2	Stage 3		
Consumer lending - B2B	Financing for products such as two wheeler, three wheeler, consumer durable, digital, lifecare and furniture etc.	Use of statistical automatic interaction detector tools to identify PDs across a homogenous set of customers.*		100%	EAD is computed based on past trends of proportion of outstanding at time of default to the outstanding on reporting date	Past trends of recoveries for each set of portfolios are discounted a reasonable approximation of the original effective rates of interest.
Consumer lending - B2C	Personal loans to salaried and self employed individuals					
SME lending	Unsecured and secured loans to SME's, self employed customers and professionals					
Rural Lending - B2B	Financing for products such as consumer durable, digital and furniture etc. and gold loans					
Rural Lending - B2C	Personal loans to salaried, self employed customers and professionals	Use of statistical automatic interaction detector tools to identify PDs across a homogenous set of customers for retail loans and internal evaluation with a management overlay for wholesale loans.		100%		
Mortgages	Home loans, loans against property, developer finance and lease rental discounting					
Loans against securities	Loans against shares, mutual funds, deposits and insurance policies	Determined on evaluation of time to sell in event of defaults		100%	EAD is computed based on assessment of time to default considering customer profile and time for liquidation of securities	Based on associated risk of the underlying securities
Commercial lending	Working capital and term loans to small and mid sized corporates	External ratings or internal evaluation with a management overlay for each customer or customer industry segment.		100%	EAD is computed taking into consideration the time to default based on historic trends across rating profile	Based on estimates of cash flows

* No changes were made to PD rates of loans which retained their stage 1 and stage 2 classification of 31 March 2020. For new acquisitions and for existing loans where stage classification has changed from 31 March 2020, average PD rates of 31 March 2020 applicable to respective asset class and stage were applied.

The table below summarises the gross carrying values and the associated allowances for expected credit loss (ECL) stage wise for loan portfolio

As at 31 March 2021

(₹ In Crore)

Particulars	Secured			Unsecured		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Gross carrying value	80,921.89	4,008.79	1,861.99	60,617.49	2,715.93	868.78
Allowance for ECL	507.61	705.50	922.56	638.47	861.54	672.32
ECL coverage ratio	0.63%	17.60%	49.55%	1.05%	31.72%	77.39%

As at 31 March 2020

(₹ In Crore)

Particulars	Secured			Unsecured		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Gross carrying value	78,199.95	2,535.95	1,365.18	61,389.06	612.45	997.82
Allowance for ECL	632.84	348.95	727.20	1,079.50	237.85	698.02
ECL coverage ratio	0.81%	13.76%	53.27%	1.76%	38.84%	69.95%

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

4. Risk management and other disclosures (Contd.)

A. Bajaj Finance Ltd. (Contd.)

h. Collateral valuation

The nature of products across these broad product categories are either unsecured or secured by collateral. Although collateral is an important risk mitigant of credit risk, BFL's practice is to lend on the basis of assessment of the customer's ability to repay rather than placing primary reliance on collateral. Based on the nature of product and BFL's assessment of the customer's credit risk, a loan may be offered with suitable collateral. Depending on its form, collateral can have a significant financial effect in mitigating BFL's credit risk.

The main types of collateral across various products obtained are as follows

Product group	Nature of securities
Consumer lending - B2B	Hypothecation of underlying product financed e.g. two wheeler, three wheeler and consumer durable etc.
Rural lending - B2B	Hypothecation of underlying product financed e.g. consumer durable, furniture and digital products etc.
Mortgages	Equitable mortgage of residential and commercial properties.
Loans against securities	Pledge of equity shares and mutual funds and lien on deposits and insurance policies
Commercial lending	Plant and machinery, book debts etc.

BFL periodically monitors the market value of collateral and evaluates its exposure and loan to value metrics for high risk customers. BFL exercises its right of repossession across all secured products and primarily in its two wheeler and three wheeler financing business. It also resorts to invoking its right under the SARFAESI Act and other judicial remedies available against its mortgages and commercial lending business. The repossessed assets are either sold through auction or released to delinquent customers in case they come forward to settle their dues. For its loan against securities business, BFL recoups shortfall in value of securities through part recall of loans or additional securities from the customer, or sale of underlying securities. BFL does not record repossessed assets on its Balance Sheet as non-current assets held for sale.

i. Analysis of concentration risk

BFL continues to grow its granularity of its loans portfolio by expanding its geographic reach in order to reduce geographic concentrations while continually calibrating its product mix across its six categories of lending mentioned above.

j. Measurement uncertainty and sensitivity analysis of ECL estimates

Expected credit loss impairment allowances recognised in the financial statements reflect the effect of a range of possible economic outcomes, calculated on a probability-weighted basis, based on the economic scenarios described below. The recognition and measurement of expected credit losses ('ECL') involves the use of estimation. It is necessary to formulate multiple forward-looking economic forecasts and its impact as an integral part of ECL model.

Methodology

The global as well as the Indian economy has passed through a difficult phase in FY2021. The macro numbers have been a reflection of the impact which COVID-19 had on the industry, prices, employment and economy as a whole. BFL has adopted the use of three scenarios, representative of its view of forecast economic conditions, required to calculate unbiased expected loss. They represent a most likely outcome i.e. central scenario and two less likely outer scenarios referred to as the upside and downside scenarios. BFL has assigned a 10% probability to the two outer scenarios, while the central scenario has been assigned an 80% probability. These weights are deemed appropriate for the unbiased estimation of impact of macro factors on ECL. The key scenario assumptions are used keeping in mind external forecasts and management estimates which ensure that the scenarios are unbiased.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

4. Risk management and other disclosures (Contd.)

A. Bajaj Finance Ltd. (Contd.)

BFL has used multiple economic factors and tested their correlations with past loss trends witnessed. The economic factors tested were GDP growth rates, growth of bank credit, wholesale price index (WPI), consumer price index (CPI), industrial production index, unemployment rate, crude oil prices and policy interest rates. Based on past correlation trends, CPI and unemployment rate were the two factors with acceptable correlation with past loss trends which were in line with management views on the drivers of portfolio trends. These factors were assigned appropriate weights to measure ECL in forecast economic conditions.

During the year, the macro variables have been tested for their resilience in the difficult operating conditions of lockdown, loss of business on account of COVID-19 scare and social distancing norms. The first half of the year saw the maximum stress on the numbers with GDP growth turning negative 23.90%, unemployment rate touching a peak of 23%, retail inflation touching a high of 7.22% and IIP turning negative to the extent of over 57%. Almost all the macro-economic fundamentals have passed through the period of immense stress during the year. It was only after the first half year, that some of the economic fundamentals started showing signs of recovery.

The central scenario taken by BFL takes into account the stress and the downside risk prevalent during most part of the year, by capturing the macro variables numbers of the most difficult period of COVID-19 pandemic.

For unemployment, BFL has considered data published by a leading business information (BI) company engaged in monitoring of Indian economic indicators. The unemployment rate, which averaged around 7.60% for FY2020 jumped to 18% in the first quarter of FY2021 and peaked at over 23% in April 2020. It continued to stay at elevated levels during the first half of the year i.e., April 2020 to September 2020 averaging at 13%. In the second half of FY2021, which can be construed as months of recovery and account for recovery in industrial production etc., the average unemployment rate numbers have moderated to 7.10%, with unemployment rate at 6.50% as of March 2021.

While formulating the central scenario, BFL has considered the peak unemployment rate of around 18% in Q1 FY2021 and assumed it to moderate thereafter.

For the downside scenario, while BFL believes that the downside risks might have passed, the rate of improvement may be slower and, therefore factored in a slow recovery rate. Accordingly, starting with a peak of 18% in March 2021 quarter, the downside scenario assumes it to fall from the peak but continue to stay at double-digit levels till March 2022.

For the upside scenario, BFL acknowledges various surveys and studies indicating improving employment situation as also industrial recovery. However, it maintained a caution stance that the unemployment levels after reaching the peak in March 2021 quarter, though may improve to a best case of 4% by the end of March 2022 but may come back to an historical (excluding COVID period) 4 year average of 6.45%. The unemployment numbers as such captured the impact of lockdown, migration of labour and various other restrictions hitting the overall employment environment.

Similarly, CPI which hovered between 3.50% to 5.84% for quarter ending September 2019 and December 2019, went to a high of 6.53% in Q1 FY2021, 6.96% in Q2 FY2021 and 6.38% in Q3 FY2021 respectively before showing signs of some easing in Q4 FY2021. The CPI numbers reflected the stress impact due to lockdown and disruption in supply chains and increased prices for food and beverages.

Risk management amidst COVID-19

The unprecedented health scare caused by COVID-19 which led to a countrywide lockdown in month of March 2020 and continued till May 2020 followed by gradual unlocking from June 2020, had a varying impact on different sectors of the economy. Salaried individuals had to contend with a scenario of reduced income and/or job losses. Corporates, SMEs and MSMEs struggled on account of reduced economic activities and business rhythm that was not efficient due to severe disruption in both demand and supply. All these lead to major cash flow constraints and erosion

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

4. Risk management and other disclosures (Contd.)

A. Bajaj Finance Ltd. (Contd.)

in the asset value, though temporary in nature. These developments severely tested risk management frameworks across the financial sector.

On 27 March 2020, the RBI, in order to provide relief on debt servicing obligations, permitted financial institutions to offer moratorium to their borrowers on instalments falling due between 1 March 2020 to 31 May 2020 which was further extended to 31 August 2020 vide RBI's order dated 23 May 2020. With uncertainties caused by COVID-19 pandemic including the pace of easing of the lockdown restrictions, the time needed to restart the economy and attaining some level of normalcy, the credit performance and repayment behaviour of the customers was distorted and was monitored closely. BFL has witnessed significant movement of portfolio from stage 1 to stage 2 and stage 3 post moratorium period which ended on 31 August 2020 and accordingly accounted for higher credit cost in FY2021.

BFL observed elevated default on timely payment of instalments and collection related constraints which resulted in much higher credit costs in the current year compared to previous year. This was despite BFL making requisite investment to deepen its collections infrastructure to control its credit costs by enhancing collection efforts, tightening in its risk underwriting policies as well as COVID-19 and macro overlay provision of ₹ 850 crore in FY2020.

During the year, BFL, as a matter of prudence, has written off principal and interest amounts (including capitalised interest) of ₹ 2,497 crore and ₹ 482 crore respectively, of potentially unrecoverable loans, which were under moratorium, by utilising the available expected credit loss provision (including management overlay). BFL has carried a contingency provision of ₹ 840 crore as on 31 March 2021.

ECL sensitivity to future economic conditions

ECL coverage of financial instruments under forecast economic conditions

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Gross carrying amount of loans	150,994.87	145,100.41
Reported ECL	4,308.00	3,724.36
Reported ECL coverage	2.85%	2.57%
Assumptions for central scenario		
Base ECL without macro overlay (based on empirical evidences)	3,468.00	2,802.92
Add: Management overlay for COVID-19	663.00	748.39
Central scenario	4,131.00	3,551.31
ECL amounts for alternate scenario		
Central scenario (80%)	4,131.00	3,551.31
Downside scenario (10%)	6,649.94	5,508.76
Upside scenario (10%)	3,382.10	3,324.39
Reported ECL	4,308.00	3,724.36
Management overlay for Macro economic factors and COVID-19	840.00	921.44
Additional Management overlay in FY2021, representing COVID-19 stress	663.00	748.39
ECL coverage ratios by scenario		
Central scenario (80%)	2.74%	2.45%
Downside scenario (10%)	4.40%	3.80%
Upside scenario (10%)	2.24%	2.29%

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

4. Risk management and other disclosures (Contd.)

A. Bajaj Finance Ltd. (Contd.)

k. Operational risk

Operational risk is the risk arising from inadequate or failed internal processes, people or systems, or from external events. BFL manages operational risks through comprehensive internal control systems and procedures laid down around various key activities in BFL viz. loan acquisition, customer service, IT operations, finance function etc. Internal audit also conducts a detailed review of all the functions at least once a year, this helps to identify process gaps on timely basis. Further IT and Operations have a dedicated compliance and control units within the function who on continuous basis review internal processes. This enables the management to evaluate key areas of operational risks and the process to adequately mitigate them on an ongoing basis.

BFL has put in place a robust Disaster Recovery (DR) plan and Business Continuity Plan (BCP) to ensure continuity of operations including services to customers, if any eventuality is to happen such as natural disasters, technological outage etc. Robust periodic testing is carried, and results are analysed to address gaps in the framework, if any. DR and BCP audits are conducted on a periodical basis to provide assurance regarding the effectiveness of BFL's readiness.

B. Bajaj Allianz General Insurance Company Ltd. (BAGIC)

a. Risk management framework

BAGIC sees Enterprise Risk Management (ERM) as a means of value optimisation. This is achieved through a better understanding of the balance between risk and return in the implementation and achievement of entity's objectives. Enterprise Risk Management framework of BAGIC covers all risk categories independent of the assessment methodology: quantifiable, assessable and non-quantifiable risks. The ERM of large entails the following

(i) Risk mitigation and risk culture

It is the BAGIC's policy to ensure that a robust risk awareness is embedded in its organisational risk culture. BAGIC manages risk as culture which encompasses across the organisation. Our rewards programs across the organisation ensure the sufficient weightage is given to both top line and bottom line hence ensuring a well-balanced and ideal risk reward structure.

The BAGIC's Risk Management Framework essentially operates at two levels which includes (i) Risk Operations and Monitoring which includes a. Risk Identification, b. Risk Assessment and Control, c. Risk Treatment and Management Action Plan and d. Monitoring and Reviewing and (ii) Risk Controls and Compliance which includes a. Standard Operating Procedures, b. Internal Audit, c. External Audits, and d. Periodic Risk Management Review.

(ii) Risk measurement and reporting systems

BAGIC's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the possible financial impact and likelihood of occurrence. The measurement framework includes (i) Risk categorisation, (ii) Setting risk appetite, (iii) Setting risk limits and lastly (iv) Assigning risk ratings including identification of residual risk, if any. The rating of risks makes use of probabilities derived from historical experience, adjusted to reflect the economic environment. BAGIC has established limits for monitoring and controlling the risks.

The reporting systems include (i) Top Risk Assessment, (ii) Risk Control Assessments (RCAs)/ Risk Management Development Plan (RMDP) and (iii) Committee presentations.

(iii) Governance structure

The ERM governance structure includes (i) Board Risk Management Committee, (ii) Supervisory Level – Risk Committee (RiCo) and (iii) Functional Risk owners.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

4. Risk management and other disclosures (Contd.)

B. Bajaj Allianz General Insurance Company Ltd. (BAGIC) (Contd.)

b. Non-life insurance contracts and Insurance Risk

BAGIC issues the following main types of general insurance contracts: motor, household, commercial, health and crop. Risks under non-life insurance policies usually cover twelve months duration. Coverages provided to policyholders are not guaranteed as renewable.

For general insurance contracts, the most significant risks arise from

- (a) Inadequacy of premiums collected for risks underwritten,
- (b) Accepting of poor risks with high probability of heavy losses ignoring prudent underwriting guidelines,
- (c) Failure to settle claims of policyholders (inadequacy of reserves),
- (d) Credit default of investment instruments or by reinsurer,
- (e) Higher expenses,
- (f) Operational frauds.

These risk exposures are mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Robust underwriting and reinsurance guidelines prevent any over-exposure to a single loss event and exposure to claim payments for perils that were never intended to be insured. BAGIC maintains a very effective multi-layer reinsurance program which seeks to optimise the retention of risk at each policy level as well as at the level of lines of business. The limits under the treaties are set based on accumulation of risks by location and category, after considering the exposure based on Probable Maximum Loss, where applicable, and the expected frequency of claim events. Any catastrophe risk is mitigated by a separate non-proportional reinsurance treaty, which limits BAGIC's exposure to any single covered event. The reinsurers chosen are most highly rated and rated few notches above the regulatory mandate. Detailed reserving guidelines are in place and the adequacy of reserves is tested from time to time and monitored by the Reserving Committee.

Sensitivities of claim liabilities

The non-life insurance claim liabilities are sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

4. Risk management and other disclosures (Contd.)

B. Bajaj Allianz General Insurance Company Ltd. (BAGIC) (Contd.)

(₹ In Crore)

Particulars	Change in assumptions	Increase/(decrease) on gross liabilities	Increase/(decrease) on net liabilities	Increase/(decrease) on profit before tax	Increase/(decrease) on equity
31 March 2021					
Average claim cost or number of claims	10%	644.11	509.02	(509.02)	(380.91)
Average claim cost and number of claims	5%	660.21	521.75	(521.75)	(390.43)
Average claim cost or number of claims	(10%)	(644.11)	(509.02)	509.02	380.91
Average claim cost and number of claims	(5%)	(628.01)	(496.30)	496.30	371.39

c. Liquidity risk and asset liability management (ALM)

ALM risk is the risk of a negative impact on the entity's net asset value and the risk of entity's inability to meet financial obligations when they fall due. This can arise due to a duration mismatch of assets and liabilities, corresponding different interest rate sensitivities between assets and liabilities, an unfavourable development of interest rates and the lack of liquid assets. Liquidity risk is defined as the risk that BAGIC will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that BAGIC might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stressed circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to BAGIC on acceptable terms.

These risks are mitigated by, asset liability matching methodology that develops optimal asset portfolio maturity structures to ensure cash flows are sufficient to meet liabilities. ALM and Liquidity risk is monitored on a regular basis to ensure sufficient liquidity is maintained to meet short-term obligations by timing the cash inflows and outflows through cash flow matching and by maintaining a minimum mix of liquid assets.

BAGIC also maintains the highest level of Solvency in the Industry at 345% as against the regulatory norm of 150%.

The table below summarises the expected utilisation or settlement of assets and liabilities

(₹ In Crore)

Particulars	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 March 2021						
Financial assets						
Cash and cash equivalents	677.69	-	-	-	-	677.69
Bank balance other than cash and cash equivalents	-	-	5.70	-	-	5.70
Trade receivables	-	-	1,348.97	-	-	1,348.97
Investments	1,710.00	662.00	2,142.00	12,641.00	5,860.41	23,015.41
Other financial assets	-	628.41	-	-	-	628.41
	2,387.69	1,290.41	3,496.67	12,641.00	5,860.41	25,676.18

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

4. Risk management and other disclosures (Contd.)

B. Bajaj Allianz General Insurance Company Ltd. (BAGIC) (Contd.)

(₹ In Crore)

Particulars	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial liabilities						
Trade payable						
a) Total outstanding dues of MSME	-	12.66	-	-	-	12.66
b) Other payables	-	2,402.48	-	-	-	2,402.48
Other financial liabilities	-	158.14	-	-	-	158.14
Lease contract liabilities	-	5.53	15.15	51.40	18.45	90.53
	-	2,578.81	15.15	51.40	18.45	2,663.81

(₹ In Crore)

Particulars	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 March 2020						
Financial assets						
Cash and cash equivalents	527.72	-	-	-	-	527.72
Bank balance other than cash and cash equivalents	-	48.25	-	-	-	48.25
Trade receivables	-	1,555.94	-	-	-	1,555.94
Investments	1,242.48	952.93	2,066.86	8,278.32	6,233.41	18,774.00
Other financial assets	-	633.82	-	-	-	633.82
	1,770.20	3,190.94	2,066.86	8,278.32	6,233.41	21,539.73
Financial liabilities						
Trade payable						
a) Total outstanding dues of MSME	-	3.69	-	-	-	3.69
b) Other payables	-	1,645.16	-	-	-	1,645.16
Other financial liabilities	-	220.07	-	-	-	220.07
Lease contract liabilities	-	7.73	23.20	98.18	19.39	148.50
	-	1,876.65	23.20	98.18	19.39	2,017.42

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

4. Risk management and other disclosures (Contd.)

B. Bajaj Allianz General Insurance Company Ltd. (BAGIC) (Contd.)

Maturity analysis:

The table below also shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. With regard to non-financial assets and liabilities, BAGIC uses the same basis of expected repayment behaviour based on past experience

(₹ In Crore)

Particulars	31 March 2021			31 March 2020		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Assets						
Financial assets						
Cash and cash equivalents	677.69	-	677.69	527.72	-	527.72
Bank balance other than cash and cash equivalents	5.70	-	5.70	48.25	-	48.25
Trade receivables	1,348.97	-	1,348.97	1,555.94	-	1,555.94
Investments	4,514.00	18,501.41	23,015.41	4,262.27	14,511.73	18,774.00
Other financial assets	628.41	-	628.41	633.82	-	633.82
Non-financial assets						
Current tax assets (net)	-	28.37	28.37	-	50.61	50.61
Deferred tax assets (net)	-	-	-	27.40	-	27.40
Property, plant and equipment	-	364.92	364.92	-	376.95	376.95
Capital work in progress	-	24.93	24.93	-	9.97	9.97
Intangible assets (other than goodwill)	-	37.22	37.22	-	42.58	42.58
Other non-financial assets	235.13	-	235.13	227.82	-	227.82
Re-insurance assets	2,483.50	2,966.44	5,449.94	4,811.88	-	4,811.88
Right to use asset	21.71	57.82	79.53	-	108.29	108.29
Total assets	9,915.11	21,981.11	31,896.22	12,095.10	15,100.13	27,195.23
Liabilities						
Financial liabilities						
Trade payable						
a) Total outstanding dues of MSME	12.66	-	12.66	3.69	-	3.69
b) Other payables	2,402.48	-	2,402.48	1,645.16	-	1,645.16
Other financial liabilities	158.14	-	158.14	220.07	-	220.07
Lease contract liabilities	20.68	69.85	90.53	30.93	117.57	148.50
Insurance contract liabilities	8,957.19	10,699.01	19,656.20	6,497.23	10,857.60	17,354.83
Non-financial liabilities						
Provisions	41.74	-	41.74	45.22	-	45.22
Deferred tax liabilities (net)	-	102.76	102.76	-	-	-
Other non-financial liabilities	1,063.52	547.82	1,611.34	1,713.44	-	1,713.44
Total liabilities	12,656.41	11,419.44	24,075.85	10,155.74	10,975.17	21,130.91
Net	(2,741.30)	10,561.67	7,820.37	1,939.36	4,124.96	6,064.32

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

4. Risk management and other disclosures (Contd.)

B. Bajaj Allianz General Insurance Company Ltd. (BAGIC) (Contd.)

d. Credit risk

Credit risk is the risk that BAGIC will incur a loss because its counterparties fail to discharge their contractual obligations. This comprises of risk of loss arising due to default by counter parties and investment instrument issuers. BAGIC's credit risk exposure mainly arises from its investments in financial instruments. Concentrations of credit risk are managed by setting limits on asset class, investee company, investee company group and industry exposure. Norms include those prescribed under the investment regulations and those set as internal limits based on the risk appetite of BAGIC. BAGIC monitors changes in credit risk by tracking published external credit ratings.

For any insurance company, the biggest counterparty is a reinsurer. BAGIC has bought reinsurance protection from reinsurers with good credit rating (A- and above). Higher the credit rating lower is risk of default. Moreover, risks are passed to multiple reinsures in order to avoid accumulation of risk.

The following table presents an analysis of credit quality of financial assets at amortised cost and FVTOCI.

Ratings	As at 31 March 2021			As at 31 March 2020		
	Amortised Cost	FVTOCI	Total	Amortised Cost	FVTOCI	Total
A1+	-	194.84	194.84	25.00	143.25	168.25
AA-	-	-	-	-	80.50	80.50
AA+	-	22.94	22.94	-	127.97	127.97
AAA	49.00	10,352.57	10,401.57	-	8,789.14	8,789.14
AAA(SO)	-	558.38	558.38	-	546.78	546.78
BB+	-	-	-	-	69.04	69.04
BBB	-	70.26	70.26	-	-	-
D	-	18.75	18.75	-	25.00	25.00
Equity	-	119.58	119.58	-	-	-
Sovereign	-	9,794.28	9,794.28	-	7,236.65	7,236.65
Total	49.00	21,131.60	21,180.60	25.00	17,018.33	17,043.33
ECL (12 months and life time)	-	(0.63)	(0.63)	-	(4.14)	(4.14)
Net carrying amount	49.00	21,130.97	21,179.97	25.00	17,014.19	17,039.19

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

4. Risk management and other disclosures (Contd.)

B. Bajaj Allianz General Insurance Company Ltd. (BAGIC) (Contd.)

e. Market risk

Market risk arises from unfavourable movement in interest rates, currency rates and equity and property prices. BAGIC has very limited exposure to equity and foreign currency. Majority of BAGIC's investments comprise of fixed interest securities. The assets and liabilities of BAGIC are well matched based on duration to address the interest rate risk. BAGIC has no exposures to any financial options and guarantees that are embedded in contracts.

f. Operational risk

This comprises of risk of loss due to losses arising from failure of internal systems, process and personnel or external events. BAGIC has identified various risks under this category and has put in place appropriate controls and disaster recovery plans to mitigate or minimize the risk.

g. Potential impact of uncertainties relating to COVID-19

In preparing the accompanying financial statements, BAGIC's management has been required to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, equity, income and expenses. These estimates and associated assumptions, at the date of adopting the financial statements, are based on historical experience and various other factors including the possible effects that may result from the pandemic, that are believed to be reasonable under the current circumstances.

Business impact

COVID-19 outbreak has been declared as a Pandemic by World Health Organization in March 2020. Since the outbreak, COVID-19 continues to spread across the globe bringing economic activities to a grinding halt leading to significant volatility in global and Indian financial markets. While things started looking positive in the third quarter, the next wave hit India towards the end of fourth quarter which has led to regional lockdowns.

The Government is undertaking several measures to restrict the spread of virus and provide financial support to some stressed sectors. Further, while the COVID-19 vaccination efforts have gained momentum, uncertainty due to the resurgence of COVID cases across many parts of India is rising.

The extent to which COVID-19 pandemic will impact BAGIC depends on future spread of the virus and related developments, which are highly uncertain, including, among other things, resurgence and period/scale of lockdowns and its repercussions on the economy, availability of the vaccine, government intervention to provide financial support to the stressed sections, etc. BAGIC will continue to closely monitor developments as they unfold.

The nation-wide lockdown towards the end of March 2020 required BAGIC to activate its Business Continuity Plan to enable operations to run with minimal disruption. The disruption was largely mitigated through the facility to Work from Home (WFH). WFH was enabled through use of portable devices through the BAGIC's Virtual private Network (VPN) ensuring requisite data security controls. Accordingly, the operations of BAGIC were performed at remote locations (WFH) through secured servers. From its experience of complete lockdown, BAGIC further strengthened its business continuity plan.

As the processes of BAGIC are mostly automated/system driven, WFH has not led to any material change in the controls or processes. BAGIC has an Internal Financial Control framework that has been independently tested covering all the material controls over financial reporting and found them to be operating effectively at 31 March 2021.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

4. Risk management and other disclosures (Contd.)

B. Bajaj Allianz General Insurance Company Ltd. (BAGIC) (Contd.)

Valuation of investments and impairment testing

BAGIC has invested in a well-diversified investment portfolio. Substantial portion of the investments are readily marketable thereby extending good liquidity support. The investment portfolio, composition of which is largely governed by regulations, comprises of 93% Debt and 7% Equity. 99% of the debt portfolio comprises of highest credit rated securities (i.e. sovereign and AAA or equivalent rated). 86% of the equity portfolio comprises of Nifty 50 stocks.

BAGIC has used internal and external sources of information including credit reports, economic forecasts and consensus estimates from market sources on the expected future performance of the underlying companies in developing the estimates and assumptions to assess the fair value of the investments as at 31 March 2021. Further, BAGIC has carried out detailed evaluation of the investment portfolio considering the current market prices vis-à-vis acquisition cost and the potential impact of COVID-19 on business models of investee companies. In accordance with the impairment policy of BAGIC, diminution in the value of investments which is not temporary in nature has been evaluated on the balance sheet date and provisions for the same, as considered necessary have been made in these financial statements.

BAGIC has performed sensitivity analysis on the investment portfolio and in specific on a few potentially stressed exposures and believes that such sensitivities/stresses have no material impact on the Solvency position of BAGIC which stood strong at 345% as against the regulatory requirement of 150%.

Actuarial reserving

The nation-wide lockdown has resulted in significantly low commercial activity thus positively impacting the loss ratios during the period of lockdown especially in the motor line. However, with the commercial activity resuming motor claims are up to pre COVID-19 levels. Third party motor claims are however being settled with a lag as courts have still not resumed pace for such cases which may add interest burden for us which has been considered while reserving for at 31 March 2021. COVID-19 has impacted our retail health portfolio adversely.

As at 31 March 2021 the carrying amount of liabilities were not lower than projected liability using current estimates of future cash flow under its insurance contracts for any line of business.

Recoverability of other current assets

BAGIC has evaluated the recoverability of its current assets and expects to recover the carrying amount of all these assets.

C. Bajaj Allianz Life Insurance Company Ltd. (BALIC)

a. Risk management framework

Effective risk management is based on a common understanding of risks, clear organisational structures and comprehensively defined risk management processes. The management establishes and adheres to a risk strategy and associated risk appetite for BALIC's business, which is derived from and consistent with the business strategy. There is a defined risk governance framework in place to address the risk management objectives of BALIC. The risk governance structure of BALIC consists of the Risk Management Committee (RMC) of the Board and the Executive Risk Committee (ERC). There are then the various lines of defenses which include the Heads of each department which act as a self-defense mechanism through the Internal Financial Control and Compliance certification framework. Internal Audit, Risk, Fraud and Compliance teams act as the next line of defense finally followed by statutory and concurrent Auditors which act as the final line of defense.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

4. Risk management and other disclosures (Contd.)

C. Bajaj Allianz Life Insurance Company Ltd. (BALIC) (Contd.)

b. Credit risk

Credit risk is the risk that BALIC will incur a loss because its counterparties fail to discharge their contractual obligations. The carrying amount of financial assets represent maximum credit risk exposure.

BALIC's credit risk exposure mainly arises from its investments in financial instruments. Concentrations of credit risk are managed by setting limits on asset class, investee company, investee company group and industry exposure. Norms include those prescribed under the investment regulations and those set as internal limits based on the risk appetite of BALIC. BALIC monitors changes in credit risk by tracking published external credit ratings.

The following table presents and analysis of credit quality of financial assets at amortised cost and FVTOCI. It indicates whether financial assets carried at amortised cost or FVTOCI were subject to a 12-months credit loss (ECL) and life time ECL.

(₹ In Crore)

CRISIL ratings	As at 31 March 2021			As at 31 March 2020		
	FVTOCI	Amortised cost	Total	FVTOCI	Amortised cost	Total
12-months ECL						
Highly rated including AAA #	18,998.26	5,829.32	24,827.58	15,865.41	4,735.58	20,600.99
AA	44.98	71.70	116.68	27.55	65.33	92.88
Financial assets other than investments	-	2,477.14	2,477.14	-	2,483.82	2,483.82
Life time ECL	-	-	-	209.77	-	209.77
Total (a)	19,043.24	8,378.16	27,421.40	16,102.73	7,284.73	23,387.46
ECL (12 months and life time)	(0.56)	(4.93)	(5.49)	(59.12)	(131.19)	(190.31)
Net carrying amount (c)	19,042.68	8,373.23	27,415.91	16,043.61	7,153.54	23,197.15

includes investments in Government securities and Treasury bill

Reconciliation of credit loss

(₹ In Crore)

Particulars	As at 31 March 2021			As at 31 March 2020		
	FVTOCI	Amortised cost	Total	FVTOCI	Amortised cost	Total
Opening balance	59.12	131.19	190.31	0.97	130.02	130.99
Less: ECL reversal on asset written off	-	(127.10)	(127.10)	-	-	-
Changes during the current period						
Loss allowance at 12-month ECL	(1.81)	0.84	(0.97)	1.40	1.17	2.57
Loss allowance at life time ECL	(56.75)	-	(56.75)	56.75	-	56.75
Closing balance	0.56	4.93	5.49	59.12	131.19	190.31

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

4. Risk management and other disclosures (Contd.)

C. Bajaj Allianz Life Insurance Company Ltd. (BALIC) (Contd.)

c. Liquidity risk

Liquidity risk is defined as the risk that BALIC will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that BALIC might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stressed circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to BALIC on acceptable terms. The risk is mitigated by, asset liability matching methodology that develops optimal asset portfolio maturity structures to ensure cash flows are sufficient to meet liabilities. Liquidity risk is monitored on a regular basis to ensure sufficient liquidity is maintained to meet short-term obligations by timing the cash inflows and outflows through cash flow matching and by maintaining a minimum mix of liquid assets.

The table below summarises the expected utilisation or settlement of assets and liabilities

(₹ In Crore)

Particulars	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
As at 31 March 2021						
Financial assets						
Investments						
Amortised cost	-	4,892.01	268.47	740.18	0.31	5,900.97
FVTPL	32,625.33	-	-	-	-	32,625.33
Designated as FVTPL	-	153.58	492.11	1,512.20	14,997.97	17,155.86
FVTOCI	112.99	7.32	343.89	3,888.88	14,803.14	19,156.22
Cash and cash equivalents	386.21	-	-	-	-	386.21
Bank balance other than cash and cash equivalents	-	-	-	34.02	-	34.02
Trade receivables	-	253.22	-	-	-	253.22
Loans	-	4.86	43.49	152.70	264.98	466.03
Other financial assets	-	416.82	98.21	149.57	673.06	1,337.66
Derivative financial instrument	-	-	0.17	1.98	1.99	4.14
	33,124.53	5,727.81	1,246.34	6,479.53	30,741.45	77,319.66
Financial liabilities						
Trade payable	294.41	1,093.50	-	-	-	1,387.91
Lease obligations	-	6.01	17.73	54.30	26.93	104.97
Deposits	-	-	-	4.74	-	4.74
Derivative financial instrument	-	2.05	3.26	11.66	1.25	18.22
	294.41	1,101.56	20.99	70.70	28.18	1,515.84

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

4. Risk management and other disclosures (Contd.)

C. Bajaj Allianz Life Insurance Company Ltd. (BALIC) (Contd.)

(₹ In Crore)

Particulars	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
As at 31 March 2020						
Financial assets						
Investments						
Amortised cost	-	3,567.96	774.21	456.72	0.04	4,798.93
FVTPL	22,008.29	-	-	-	-	22,008.29
Designated as FVTPL	-	246.69	35.22	1,050.09	13,366.87	14,698.87
FVTOCI	-	375.15	674.92	3,436.53	11,616.13	16,102.73
Cash and cash equivalents	105.79	400.00	-	-	-	505.79
Bank balance other than cash and cash equivalents	-	-	-	42.40	0.25	42.65
Trade receivables	-	298.33	-	-	-	298.33
Loans	-	3.13	30.41	142.96	240.98	417.48
Other financial assets	-	753.95	399.85	19.67	48.02	1,221.49
	22,114.08	5,645.21	1,914.61	5,148.37	25,272.29	60,094.56
Financial liabilities						
Trade payable	357.52	984.37	-	-	-	1,341.89
Lease obligations	-	7.25	20.80	61.14	5.64	94.83
Deposits	-	-	-	3.23	-	3.23
	357.52	991.62	20.80	64.37	5.64	1,439.95

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

4. Risk management and other disclosures (Contd.)

C. Bajaj Allianz Life Insurance Company Ltd. (BALIC) (Contd.)

Maturity analysis

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. With regard to non-financial assets and liabilities, BALIC uses the same basis of expected repayment behavior based on past experience

(₹ In Crore)

Particulars	As at 31 March 2021			As at 31 March 2020		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
ASSETS						
Financial assets						
Cash and cash equivalents	386.21	-	386.21	505.79	-	505.79
Bank balance other than cash and cash equivalents	-	34.02	34.02	-	42.65	42.65
Trade receivables	253.22	-	253.22	298.33	-	298.33
Loans	48.35	417.68	466.03	33.54	383.93	417.47
Investments	38,895.70	35,942.68	74,838.38	27,682.44	29,926.38	57,608.82
Derivative financial instrument	0.17	3.97	4.14	-	-	-
Other financial assets	515.03	822.63	1,337.66	1,153.79	67.69	1,221.48
Non-financial assets						
Investment property	-	34.36	34.36	-	31.74	31.74
Property, plant and equipment	-	302.17	302.17	-	308.91	308.91
Capital work-in-progress	-	15.28	15.28	-	3.21	3.21
Intangible assets under development	-	32.50	32.50	-	21.27	21.27
Intangible assets (other than goodwill)	-	14.77	14.77	-	8.43	8.43
Right to use asset	-	93.45	93.45	-	88.76	88.76
Reinsurance assets	29.64	185.02	214.66	17.01	113.76	130.77
Other non-financial assets	157.11	5.10	162.21	138.29	2.10	140.39
Total	40,285.43	37,903.63	78,189.06	29,829.19	30,998.83	60,828.02
LIABILITIES						
Financial liabilities						
Trade payable						
(i) Total outstanding dues of micro enterprises and small enterprises	0.08	-	0.08	-	-	-
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	848.11	-	848.11	746.48	-	746.48
Other payable						
(i) Total outstanding dues of other than micro enterprises and small enterprises	539.80	-	539.80	595.41	-	595.41
Derivative financial instrument	18.22		18.22	-	-	-
Deposits	-	4.74	4.74	-	3.23	3.23
Lease obligation	23.75	81.23	104.98	28.05	66.78	94.83
Investment contract liabilities	8,542.37	338.81	8,881.18	6,598.91	347.93	6,946.84
Insurance contract liabilities	9,317.64	46,256.22	55,573.86	7,231.30	34,186.82	41,418.12
Non-financial liabilities						
Current tax liabilities (net)	370.72	-	370.72	367.01	-	367.01
Provisions	20.14	16.46	36.60	19.81	18.04	37.85
Deferred Tax liabilities (net)	210.23	-	210.23	-	80.03	80.03
Other non-financial liabilities	282.99	-	282.99	154.86	-	154.86
Total	20,174.05	46,697.46	66,871.51	15,741.83	34,702.83	50,444.66

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

4. Risk management and other disclosures (Contd.)

C. Bajaj Allianz Life Insurance Company Ltd. (BALIC) (Contd.)

d. Market risk

Market risk arises from unexpected losses arising due to changes in market prices or parameters influencing market prices, as well as the resultant risk from financial options and guarantees that are embedded in contracts or from changes to the net worth of assets and liabilities in related undertakings driven by market parameters. The risk is mitigated by maintaining a desired mix between debt and equity subjected to investment regulations by IRDAI, setting up risk appetite set to overall market risk under the strategic asset allocation, ensuring active asset management based on the ALM output, asset and liability duration matching limits impact of interest rate changes and actions taken to manage guarantee risk, holding adequate reserves for the cost of guarantee and managing policyholders' expectation on returns through an active portfolio management strategy undertaken by our most experienced investments team.

e. Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The following analysis is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity. The correlation of variables will have a significant effect in determining the ultimate impact of interest rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

f. Equity risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in equity prices (other than those arising from interest rate or foreign exchange rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market. The analysis below is performed for reasonably possible movements in market indices with all other variables held constant, showing the impact on total comprehensive income (before tax) (due to changes in fair value of financial assets and liabilities whose fair values are recorded in the Statement of Profit and Loss).

(₹ In Crore)

		Investments for without DPF insurance/ investment contract		Investments for shareholders' fund	
		Impact on total comprehensive income (before tax)	Impact on equity	Impact on total comprehensive income (before tax)	Impact on equity
Particulars	Change in variable				
For the year ended 31 March 2021					
Interest rate	50 bps up	(228.43)	(195.17)	(110.87)	(94.57)
	50 bps fall	228.43	195.17	110.87	94.57
Nifty 50	5% rise	21.04	17.97	73.37	63.13
	5% fall	(21.04)	(17.97)	(73.37)	(63.13)
For the year ended 31 March 2020					
Interest rate	50 bps up	(121.31)	(103.65)	(170.91)	(146.03)
	50 bps fall	121.31	103.65	170.91	146.03
Nifty 50	5% rise	14.98	12.80	66.04	56.42
	5% fall	(14.98)	(12.80)	(66.04)	(56.42)

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

4. Risk management and other disclosures (Contd.)

C. Bajaj Allianz Life Insurance Company Ltd. (BALIC) (Contd.)

g. Insurance risk

The principal risk BALIC faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of BALIC is to ensure that the sufficient reserves are available to cover these liabilities.

The main risk that BALIC is exposed are as follows

- i. Mortality risk: Risk of loss due to policyholder death experiences being different than expected.
- ii. Longevity risk: Risk of loss arising due to annuitant living longer than expected.
- iii. Persistency risk: Risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected.
- iv. Morbidity risk: Risk of loss arising due to policyholder health experiences being different than expected.
- v. Expenses risk: Risk of loss arising due to expense experiences being different than expected.
- vi. Investment risk: Risk of loss arising due from actual returns being different than expected.

The risk exposure is mitigated by diversification across a large portfolio of insurance contract and geographical areas. The variability of the risk is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the reinsurance arrangement.

The actuarial department has set up system to continuously monitor BALIC's experience with regards to parameters like policy lapses, premium persistency, maintenance expenses and investment returns. The underwriting team, with actuarial guidance, has set in place processes and procedures to review proposal. Many products offered by BALIC also have an investment guarantee. BALIC has additional reserve to cover this risk.

Key assumptions

The assumption play vital role in calculating insurance liabilities for BALIC. Material judgment is required in determining the liabilities and in the choice of assumptions. Best estimate assumptions in use are based on historical and current experience, initial data, some judgment and as per guidance notes/actuarial practice standard. However, for the purpose of valuation an additional level of prudence has been kept on all the best estimate assumption know as MFAD (margin for adverse deviation). BALIC keeps adequate MFAD, as prescribed in APS 7 issued by the Institute of Actuaries of India (IAI), in all assumptions over best estimate value.

The key assumptions to which the estimation of liabilities is particularly sensitive are, as follows

i. Mortality and morbidity rates

Assumptions are based on historical experience and for new product based on industry/reinsurance data. As appropriate, but not excessive allowance may be made for expected future improvements.

Assumptions may vary by type of product, distribution of channel, gender etc. An increase in mortality/morbidity rates will usually lead to a larger number/amounts of claims (and claims could occur sooner than anticipated), which will increase the liability and reduce profit for shareholders.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

4. Risk management and other disclosures (Contd.)

C. Bajaj Allianz Life Insurance Company Ltd. (BALIC) (Contd.)

ii. Longevity

Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect BALIC's own risk experience. As appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are normally differentiated by gender, underwriting class and contract type. A increase in longevity rates will lead to an increase in the number of annuity payments to be made, which will increase the liability and reduce profits for shareholders.

iii. Investment return and discount rate

The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with long-term asset allocation strategy. These estimates are based on current market returns as well as expectations about future economic and financial developments. A increase in investment return could lead to an increase in the profits for the shareholders.

Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on investment strategy of BALIC, current industry risk rates adjusted of BALIC's own risk exposure.

Decrease in a discount rate will increase the value of insurance liability and therefore reduce profits for the shareholders.

iv. Expense and inflation

Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expense is taken as appropriate expense base, adjusted for expected expense inflation if appropriate. As increase in the level of expenses would result in an increase in expenditure, thereby reducing profits for the shareholders.

v. Lapse, surrender and partial withdrawal rates

Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on BALIC's experience and usually vary by product type, policy duration and sales trends. As increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increase are broadly neutral in effect.

The best estimate assumptions that have the greatest effect on the statement of financial position and Statement of Profit and Loss of BALIC are listed below

Particulars	Insurance and investment contract with DPF		Insurance contract without DPF	
	As at 31 March		As at 31 March	
	2021	2020	2021	2020
Mortality rates	90% - 450 % of IALM 2012-14	90% - 450 % of IALM 2012-14	24% - 625% of IALM 2012-14	21% - 625% of IALM 2012-14
Investment returns	6.18%	6.14%	4.5% - 7%	5.5% - 8.0%
Lapse	PY1: 7%-25%, PY2: 8%-12%, PY3+: 0%-1%	PY1: 20%, PY2: 12%, PY3+: 0%-1%	PY1: 5.6% - 39.2%, PY2: 3.5%-21%, PY3+: 0% - 14%	PY1: 8% - 30%, PY2: 5%-18%, PY3+: 0% - 6%

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

4. Risk management and other disclosures (Contd.)

C. Bajaj Allianz Life Insurance Company Ltd. (BALIC) (Contd.)

h. Sensitivity analysis

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross liabilities

(₹ In Crore)

Particulars	Insurance and investment contract with DPF		Insurance contract without DPF	
	As at 31 March		As at 31 March	
	2021	2020	2021	2020
Mortality/longevity +10%	82.13	74.74	156.73	112.30
Mortality/longevity -10%	(82.65)	(74.89)	(154.56)	(111.71)
Expense +10%	59.22	55.12	29.84	25.11
Expense -10%	(58.94)	(54.65)	(29.74)	(25.02)
Lapse and surrenders + 10%	(49.19)	(56.65)	(64.37)	(21.84)
Lapse and surrenders - 10%	50.56	58.58	70.35	23.27
Discount rate +1%	(1,372.72)	(1,111.63)	(563.52)	(269.96)
Discount rate -1%	1,599.86	1,276.88	816.02	347.91

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)**5. Loans under financing activity (before inter-company eliminations)**

(₹ In Crore)

Particulars	As at 31 March 2021			As at 31 March 2020		
	At amortised cost	At fair value through OCI	Total	At amortised cost	At fair value through OCI	Total
A. Term loans	125,532.41	25,462.46	150,994.87	123,357.96	21,742.45	145,100.41
Less: Impairment loss allowance	4,024.46	283.54	4,308.00	3,641.44	82.92	3,724.36
Total (A)	121,507.95	25,178.92	146,686.87	119,716.52	21,659.53	141,376.05
B. Out of above						
(I) Secured						
Against hypothecation of automobiles, equipments, durables and plant and machinery, equitable mortgage of immovable property and pledge of securities etc.	61,330.21	25,462.46	86,792.67	60,358.63	21,742.45	82,101.08
Less: Impairment loss allowance	1,852.13	283.54	2,135.67	1,626.07	82.92	1,708.99
Total (I)	59,478.08	25,178.92	84,657.00	58,732.56	21,659.53	80,392.09
(II) Unsecured	64,202.20	-	64,202.20	62,999.33	-	62,999.33
Less: Impairment loss allowance	2,172.33	-	2,172.33	2,015.37	-	2,015.37
Total (II)	62,029.87	-	62,029.87	60,983.96	-	60,983.96
Total (B) = (I + II)	121,507.95	25,178.92	146,686.87	119,716.52	21,659.53	141,376.05
C. Out of above						
(I) Loans in India						
(i) Public sector	-	-	-	-	-	-
Less: Impairment loss allowance	-	-	-	-	-	-
Sub-total (i)	-	-	-	-	-	-
(ii) Others	125,532.41	25,462.46	150,994.87	123,357.96	21,742.45	145,100.41
Less: Impairment loss allowance	4,024.46	283.54	4,308.00	3,641.44	82.92	3,724.36
Sub-total (ii)	121,507.95	25,178.92	146,686.87	119,716.52	21,659.53	141,376.05
Total (I)	121,507.95	25,178.92	146,686.87	119,716.52	21,659.53	141,376.05
(II) Loans outside India	-	-	-	-	-	-
Total (C) = (I+II)	121,507.95	25,178.92	146,686.87	119,716.52	21,659.53	141,376.05

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

5. Loans under financing activity (before inter-company eliminations) (Contd.)

Summary of loans by stage distribution

(₹ In Crore)

Particulars	As at 31 March 2021				As at 31 March 2020			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	141,539.38	6,724.72	2,730.77	150,994.87	139,589.01	3,148.40	2,363.00	145,100.41
Less: Impairment loss allowance	1,146.08	1,567.04	1,594.88	4,308.00	1,712.34	586.80	1,425.22	3,724.36
	140,393.30	5,157.68	1,135.89	146,686.87	137,876.67	2,561.60	937.78	141,376.05

Analysis of changes in the gross carrying amount by stages in relation to loans and its corresponding impairment loss allowances (ECL) is as follows

(₹ In Crore)

Particulars	For the year ended 31 March 2021							
	Stage 1		Stage 2		Stage 3		Total	
	Term loans (Gross)	Impairment loss allowance	Term loans (Gross)	Impairment loss allowance	Term loans (Gross)	Impairment loss allowance	Term loans (Gross)	Impairment loss allowance
As at 31 March 2020	139,589.01	1,712.34	3,148.40	586.80	2,363.00	1,425.22	145,100.41	3,724.36
Transfers during the year								
transfers to stage 1	279.51	43.54	(233.80)	(28.32)	(45.71)	(15.22)	-	-
transfers to stage 2	(5,118.12)	(64.51)	5,151.23	75.95	(33.11)	(11.44)	-	-
transfers to stage 3	(5,590.18)	(87.90)	(1,568.14)	(325.84)	7,158.32	413.74	-	-
	(10,428.79)	(108.87)	3,349.29	(278.21)	7,079.50	387.08	-	-
Impact of changes in credit risk on account of stage movements	-	(934.34)	-	1,129.56	-	4,785.47	-	4,980.69
Changes in opening credit exposures (additional disbursement net of repayments)	(64,049.58)	(118.01)	(829.44)	(184.14)	(2,101.92)	(188.98)	(66,980.94)	(491.13)
New credit exposures during the year, net of repayments	76,428.74	594.96	1,056.47	313.03	944.64	740.54	78,429.85	1,648.53
Amounts written off during the year	-	-	-	-	(5,554.45)	(5,554.45)	(5,554.45)	(5,554.45)
As at 31 March 2021	141,539.38	1,146.08	6,724.72	1,567.04	2,730.77	1,594.88	150,994.87	4,308.00

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)**5. Loans under financing activity (before inter-company eliminations)** (Contd.)

(₹ In Crore)

Particulars	For the year ended 31 March 2020							
	Stage 1		Stage 2		Stage 3		Total	
	Term loans (Gross)	Impairment loss allowance	Term loans (Gross)	Impairment loss allowance	Term loans (Gross)	Impairment loss allowance	Term loans (Gross)	Impairment loss allowance
As at 31 March 2019	110,747.99	618.50	2,010.56	362.32	1,811.85	1,076.76	114,570.40	2,057.58
Transfers during the year								
transfers to stage 1	263.02	46.83	(203.24)	(24.28)	(59.78)	(22.55)	-	-
transfers to stage 2	(2,852.17)	(29.24)	2,890.25	43.95	(38.08)	(14.71)	-	-
transfers to stage 3	(2,994.48)	(39.14)	(995.99)	(241.25)	3,990.47	280.39	-	-
	(5,583.63)	(21.55)	1,691.02	(221.58)	3,892.61	243.13	-	-
Impact of changes in credit risk on account of stage movements	-	(40.37)	-	351.30	-	1,219.97	-	1,530.90
Changes in opening credit exposures (additional disbursement net of repayments)	(44,669.09)	(152.98)	(1,327.89)	(140.02)	(1,718.09)	691.30	(47,715.07)	398.30
New credit exposures during the year, net of repayments	79,093.74	1,308.74	774.71	234.78	624.66	442.09	80,493.11	1,985.61
Amounts written off during the year	-	-	-	-	(2,248.03)	(2,248.03)	(2,248.03)	(2,248.03)
As at 31 March 2020	139,589.01	1,712.34	3,148.40	586.80	2,363.00	1,425.22	145,100.41	3,724.36

The following table depicts the quantitative disclosures with respect to the aforesaid change in business model

(₹ In Crore)

Subsequent measurement category as of 31 March 2019	Subsequent measurement category from 1 April 2019 onwards	Amount of reclassification, net of impairment allowance	Fair value as on 31 March 2020 ^	Notional fair value gain/(loss) recognised in OCI in FY2019-20 per erstwhile measurement
Fair value through other comprehensive income (FVTOCI)	Amortised Cost	4,916.55	4,008.35	-

^ approximates the amortised cost as of 31 March 2020 and hence amortised cost treated as fair value.

* With effect from 1 April 2019, BFL has reclassified its loans which were erstwhile measured under FVTOCI category to amortised cost on account of change in its business model, wherein the purpose for which these loans were held has changed to collection of contractual cash flows representing payments of principal and interest. Earlier, these loans were held under a dual business model of collecting contractual cash flows representing solely payments of principal and interest as well as sale/assignment of such loans. The change in business model has been necessitated by BFL's intention to restrict the sale/assignment of these loans to an infrequent periodicity and insignificant value.

Details of impairment of financial instruments disclosed in the Statement of Profit and Loss

(₹ In Crore)

Particulars	For the year ended 31 March	
	2021	2020
(i) Net impairment loss allowance charge/(release) for the year	583.64	1,666.78
(ii) Amounts written off during the year	5,554.45	2,248.03
Impairment on loans	6,138.09	3,914.81
Less: Claimable amount under CGTMSE scheme	195.60	-
Add: Impairment on other assets	26.09	14.67
Impairment on financial instruments	5,968.58	3,929.48

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

6. Debt securities - Terms of repayment (before inter-company eliminations)

Terms of repayment of non-convertible debentures as at 31 March 2021

(₹ In Crore)

Original maturity of loan (In no. of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Issued at par and redeemable at par					
Up to 730	-	3,007.75	-	-	3,007.75
731-1095	758.47	6,545.07	3,400.00	-	10,703.54
1096-1460	504.97	3,422.27	270.40	1,500.06	5,697.70
More than 1460	1,118.50	337.00	1,994.79	12,110.29	15,560.58
Issued at discount and redeemable at par					
1096-1460	-	26.35	-	-	26.35
Issued at par and redeemable at premium					
731-1095	428.29	960.12	-	-	1,388.41
1096-1460	2,468.21	3,924.81	75.00	-	6,468.02
More than 1460	18.50	3.80	-	-	22.30
Interest accrued and impact of EIR					2,816.15
Total					45,690.80

- Interest rate ranges from 4.66% to 9.36% as at 31 March 2021

- As at 31 March 2021, partly called and paid unsecured debentures of ₹ 4,671.59 crore.

- Amount to be called and paid is ₹ 200 crore in Jun 2021

- Amount to be called and paid is ₹ 915 crore each in Nov 2021 and Nov 2022

- Amount to be called and paid is ₹ 105 crore each in Feb 2022, Feb 2023, Feb 2024 and ₹ 120 crore in Feb 2025

- Amount to be called and paid is ₹ 147 crore each in Mar 2022, Mar 2023, Mar 2024 and ₹ 168 crore in Mar 2025

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

6. Debt securities - Terms of repayment (before inter-company eliminations) (Contd.)

Terms of repayment of non-convertible debentures as at 31 March 2020

(₹ In Crore)

Original maturity of loan (In no. of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Issued at par and redeemable at par					
731-1095	-	758.32	6,536.73	-	7,295.05
1096-1460	7,899.53	504.80	3,427.80	70.57	11,902.70
More than 1460	1,255.20	1,118.50	337.00	11,860.14	14,570.84
Issued at discount and redeemable at par					
1096-1460	-	-	24.50	-	24.50
Issued at par and redeemable at premium					
366-730	320.00	-	-	-	320.00
731-1095	12.00	428.29	960.12	-	1,400.41
1096-1460	1,552.10	2,468.21	3,924.81	-	7,945.12
More than 1460	-	18.50	3.80	-	22.30
Interest accrued and impact of EIR					2,714.09
Total					46,195.01

- Interest rate ranges from 6.94% to 9.36% as at 31 March 2020

- As at 31 March 2020, partly called and paid unsecured debentures of ₹ 3,262.03 crore.

- Amount to be called and paid is ₹105 crore each in Feb 2021, Feb 2022, Feb 2023, Feb 2024 and ₹120 crore in Feb 2025

- Amount to be called and paid is ₹147 crore each in Mar 2021, Mar 2022, Mar 2023, Mar 2024 and ₹168 crore in Mar 2025

- Amount to be called and paid is ₹200 crore each in Jun 2020 and Jun 2021

- Amount to be called and paid is ₹915 crore each in Nov 2020, Nov 2021 and Nov 2022

Terms of repayment of commercial papers as at 31 March 2021

(₹ In Crore)

Original maturity of loan (In no. of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Issued at par and redeemable at par					
Up to 365	8,812.63	-	-	-	8,812.63
Interest accrued and impact of EIR					(1.29)
Total					8,811.34

- Interest rate ranges from 3.65% to 4.60% p.a as at 31 March 2021

- Face value of commercial paper is ₹ 8,955 crore as at 31 March 2021 (Previous year ₹ 3,440 crore)

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

6. Debt securities - Terms of repayment (before inter-company eliminations) (Contd.)

Terms of repayment of commercial papers as at 31 March 2020

(₹ In Crore)

Original maturity of loan (In no. of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Issued at par and redeemable at par					
Up to 365	3,344.81	-	-	-	3,344.81
Interest accrued and impact of EIR					(2.46)
Total					3,342.35

- Interest rate ranges from 6.60% to 7.85% p.a as at 31 March 2020

- Face value of commercial paper is ₹ 3,440 crore as at 31 March 2020

7. Borrowings (other than debt securities) - Terms of repayment

Terms of repayment of term loans, working capital demand loans, CBLO and external commercial borrowing as at 31 March 2021

Original maturity of loans (In no. of days)	Due within 1 year		Due within 1-2 years		Due within 2-3 years		More than 3 years		Total
	No. of installments	₹ In Crore	No. of installments	₹ In Crore	No. of installments	₹ In Crore	No. of installments	₹ In Crore	₹ In Crore
Monthly									
Up to 365	-	-	-	-	-	-	-	-	-
366-730	5	62.50	-	-	-	-	-	-	62.50
731-1095	7	87.50	4	50.00	-	-	-	-	137.50
Greater than 1095	-	-	-	-	-	-	-	-	-
Quarterly									
Up to 365	17	860.91	-	-	-	-	-	-	860.91
366-730	35	1,290.28	22	976.53	-	-	-	-	2,266.81
731-1095	73	2,530.70	45	2,068.41	27	1,689.03	-	-	6,288.14
Greater than 1095	26	730.55	99	2,913.33	107	3,261.69	132	4,770.42	11,675.99
Half yearly									
Up to 365	-	-	-	-	-	-	-	-	-
366-730	10	430.77	-	-	-	-	-	-	430.77
731-1095	9	532.85	11	470.77	-	-	-	-	1,003.62
Greater than 1095	20	1,679.00	22	1,321.85	33	1,792.62	52	2,367.69	7,161.16
Yearly									
Up to 365	4	231.25	-	-	-	-	-	-	231.25
366-730	1	25.00	7	531.25	-	-	-	-	556.25
731-1095	6	407.50	1	25.00	5	456.25	-	-	888.75
Greater than 1095	10	680.82	15	1,013.75	16	1,101.25	13	1,176.25	3,972.07
On maturity (Bullet)									
Up to 365	7	569.97	-	-	-	-	-	-	569.97
366-730	-	-	-	-	-	-	-	-	-
731-1095	3	677.50	-	-	3	1,496.57	-	-	2,174.07
Greater than 1095	1	1,250.00	16	4,828.83	7	2,936.44	1	25.00	9,040.27
Interest accrued and impact of EIR									(32.42)
Total									47,287.61

- Interest rate ranges from 5.10% p.a to 8.85% p.a as at 31 March 2021

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

7. Borrowings (other than debt securities) - Terms of repayment (Contd.)

Terms of repayment of term loans, working capital demand loans, CBL0 and external commercial borrowing as at 31 March 2020

Original maturity of loans (In no. of days)	Due within 1 year		Due within 1-2 years		Due within 2-3 years		More than 3 years		Total
	No. of installments	₹ In Crore	No. of installments	₹ In Crore	No. of installments	₹ In Crore	No. of installments	₹ In Crore	₹ In Crore
Quarterly									
Up to 365	6	281.25	-	-	-	-	-	-	281.25
366-730	57	2,006.08	25	759.37	-	-	-	-	2,765.45
731-1095	24	692.03	89	3,376.92	31	1,057.30	-	-	5,126.25
Greater than 1095	22	941.67	30	899.30	115	4,077.29	193	5,861.16	11,779.42
Half yearly									
Up to 365	4	200.00	-	-	-	-	-	-	200.00
366-730	4	392.46	10	430.77	-	-	-	-	823.23
731-1095	4	404.00	8	507.85	11	470.77	-	-	1,382.62
Greater than 1095	35	1,237.50	15	829.00	23	1,571.85	85	4,303.96	7,942.31
Yearly									
Up to 365	3	80.00	-	-	-	-	-	-	80.00
366-730	3	547.50	1	25.00	-	-	-	-	572.50
731-1095	7	443.34	7	923.74	1	25.00	-	-	1,392.08
Greater than 1095	4	125.00	16	1,180.82	16	1,530.00	27	1,527.21	4,363.03
On maturity (Bullet)									
Up to 365	14	2,934.43	-	-	-	-	-	-	2,934.43
366-730	5	65.00	5	62.50	-	-	-	-	127.50
731-1095	3	1,000.00	11	780.00	17	4,380.10	-	-	6,160.10
Greater than 1095	16	2,800.00	5	2,100.00	8	1,491.25	9	1,779.71	8,170.96
Interest accrued and impact of EIR									(71.34)
Total									54,029.79

- Interest rate ranges from 6.59% p.a to 9.05% p.a as at 31 March 2020

8. Deposits - Terms of repayment

Terms of repayment of public deposits as at 31 March 2021

(₹ In Crore)

Original maturity of deposits (In no. of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
365-730	3,462.08	1,080.58	-	-	4,542.66
731-1095	645.26	292.30	2,454.24	-	3,391.80
More than 1095	2,603.09	4,200.68	1,215.48	2,366.75	10,386.00
Interest accrued and impact of EIR					640.77
Total					18,961.23

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

8. Deposits - Term of repayment (Contd.)

Terms of repayment of deposit from others as at 31 March 2021

(₹ In Crore)

Original maturity of deposits (In no. of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Up to 365	824.50	-	-	-	824.50
366-730	4,157.32	961.03	-	-	5,118.35
731-1095	256.81	6.24	87.70	-	350.75
More than 1095	53.81	151.78	129.95	44.51	380.05
Interest accrued and impact of EIR					168.55
Total					6,842.20

-Interest rates range from 4.05% p.a. to 9.35% p.a. as at 31 March 2021

Terms of repayment of public deposits as at 31 March 2020

(₹ In Crore)

Original maturity of deposits (In no. of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
365-730	1,838.51	100.23	-	-	1,938.74
731-1095	337.52	662.76	242.66	-	1,242.94
More than 1095	795.51	2,654.19	4,315.69	1,843.43	9,608.82
Interest accrued and impact of EIR					336.83
Total					13,127.33

Terms of repayment of deposit from others as at 31 March 2020

(₹ In Crore)

Original maturity of deposits (In no. of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Up to 365	1,090.02	-	-	-	1,090.02
366-730	5,817.39	220.37	-	-	6,037.76
731-1095	38.30	332.41	5.44	-	376.15
More than 1095	77.36	54.84	253.16	141.50	526.86
Interest accrued and impact of EIR					268.98
Total					8,299.77

- Interest rates range from 6.20% p.a. to 9.60% p.a. as at 31 March 2020

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

9. Subordinated debts - Terms of repayment

Terms of repayment of subordinated debts as at 31 March 2021

(₹ In Crore)

Original maturity of deposits (In no. of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Issued at par and redeemable at par					
More than 1825	50.00	207.10	50.00	3,402.50	3,709.60
Interest accrued and impact of EIR					189.01
Total					3,898.61

- Interest rate ranges from 8.05% to 10.21% as at 31 March 2021

Terms of repayment of subordinated debts as at 31 March 2020

(₹ In Crore)

Original maturity of deposits (In no. of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Issued at par and redeemable at par					
More than 1825	228.70	50.00	207.10	3,452.50	3,938.30
Interest accrued and impact of EIR					203.45
Total					4,141.75

- Interest rate ranges from 8.05% to 10.21% as at 31 March 2020

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)**10. Insurance contract liabilities**

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Insurance contracts liabilities		
General insurance contract liabilities	19,656.20	17,354.83
Life insurance contract liabilities	54,291.92	40,414.17
Undistributed participating policyholders surplus	1,281.94	1,003.95
Total	75,230.06	58,772.95
Change in general insurance contract liabilities		
At the beginning of the period	17,354.83	15,444.58
Add/(Less)		
Premium	(262,254.64)	(240,109.43)
Insurance liabilities released	264,556.01	242,019.68
Total	19,656.20	17,354.83

Particulars	As at 31 March 2021			As at 31 March 2020		
	With DPF	Without DPF	Total	With DPF	Without DPF	Total
Change in life insurance contract liabilities						
At the beginning of the period	17,444.01	22,970.16	40,414.17	15,564.20	25,225.99	40,790.19
Add/(Less)						
Premium	2,800.62	7,427.61	10,228.23	2,510.87	6,185.80	8,696.67
Insurance liabilities released	(2,337.76)	(5,055.42)	(7,393.18)	(1,808.06)	(5,163.11)	(6,971.16)
Unwinding of discount rate	944.85	8,516.68	9,461.53	988.86	(2,558.85)	(1,569.99)
Others	1,901.38	(320.21)	1,581.17	188.14	(719.68)	(531.54)
Total	20,753.10	33,538.82	54,291.92	17,444.01	22,970.16	40,414.17
Undistributed participating policyholders surplus						
Opening balance	1,003.95	-	1,003.95	1,087.86	-	1,087.86
Amount utilised during the period	-	-	-	-	-	-
Amount credited during the period	277.99	-	277.99	(83.91)	-	(83.91)
Total	1,281.94	-	1,281.94	1,003.95	-	1,003.95

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

11. Investment contract liabilities

(₹ In Crore)

As at 31 March

Particulars	2021	2020
Investment contract liabilities	8,881.18	6,946.84
	8,881.18	6,946.84
Reconciliation of investment contract liabilities		
At the beginning of the period	6,946.84	6,651.08
Additions		
Deposits	1,796.61	1,055.85
Interest credited to policyholders'	797.98	409.42
	2,594.59	1,465.27
Deductions		
Withdrawals	580.04	1,131.49
Fee income and other expenses	80.24	69.00
Others	(0.03)	(30.98)
	660.25	1,169.51
At the end of the period	8,881.18	6,946.84

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

12. Material partly owned subsidiaries

Financial information of subsidiaries that have material non-controlling interests is provided below

Proportion of equity interest held by non-controlling interests

Name	Country of incorporation and operation	As at 31 March	
		2021	2020
Bajaj Finance Ltd.	India	52.74%	52.82%
Bajaj Allianz General Insurance Company Ltd.	India	74.00%	74.00%
Bajaj Allianz Life Insurance Company Ltd.	India	74.00%	74.00%

(₹ In Crore)

Particulars	As at 31 March	
	2021	2020
Information regarding non-controlling interest		
Accumulated balances of material non-controlling interests		
Bajaj Finance Ltd.	17,488.12	15,283.75
Bajaj Allianz General Insurance Company Ltd.	2,033.29	1,576.72
Bajaj Allianz Life Insurance Company Ltd.	2,942.57	2,699.68
Profit/(loss) allocated to material non-controlling interests		
Bajaj Finance Ltd.	2,087.95	2,412.66
Bajaj Allianz General Insurance Company Ltd.	481.35	182.67
Bajaj Allianz Life Insurance Company Ltd.	327.62	29.14

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

12. Material partly owned subsidiaries (Contd.)

The summarised financial information of these subsidiaries are provided below. This information is based on amounts before inter-company eliminations.

Summarised Statement of Profit and Loss for the year ended 31 March 2021

	(₹ In Crore)		
Particulars	Bajaj Finance Ltd. (Consolidated)	Bajaj Allianz General Insurance Company Ltd.	Bajaj Allianz Life Insurance Company Ltd.
Revenue from operations	26,668.10	17,942.60	16,061.45
Other income	14.95	18.86	153.37
Total income	26,683.05	17,961.46	16,214.82
Employee benefits expenses	2,498.67	795.46	1,206.59
Finance costs	9,414.00	7.41	7.52
Fees and commission expense	1,246.48	801.37	634.18
Impairment on financial instruments	5,968.58	67.99	(57.72)
Claims incurred pertaining to insurance business	-	6,082.18	5,782.25
Reinsurance ceded	-	4,755.99	98.82
Net change in insurance/investment contract liabilities	-	1,682.18	6,293.87
Depreciation, amortisation and impairment	325.27	75.64	61.16
Other expenses	1,237.79	1,224.76	689.01
Total expenses	20,690.79	15,492.98	14,715.68
Profit before tax	5,992.26	2,468.48	1,499.14
Tax expense	1,572.44	617.13	239.07
Profit for the year	4,419.82	1,851.35	1,260.07
Total comprehensive income	4,362.81	1,901.52	1,096.65
Attributable to non-controlling interests	2,061.01	494.39	285.13
Dividends paid to non-controlling interests	-	38.69	43.10

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

12. Material partly owned subsidiaries (Contd.)

Summarised Statement of Profit and Loss for the year ended 31 March 2020

	(₹ In Crore)		
Particulars	Bajaj Finance Ltd. (Consolidated)	Bajaj Allianz General Insurance Company Ltd.	Bajaj Allianz Life Insurance Company Ltd.
Revenue from operations	26,373.80	16,992.83	11,017.05
Other income	11.83	24.81	105.56
Total income	26,385.63	17,017.64	11,122.61
Employee benefits expenses	2,549.08	962.72	1,075.99
Finance costs	9,473.21	9.32	7.61
Fees and commission expense	1,056.37	832.76	462.05
Impairment on financial instruments	3,929.48	131.57	59.32
Claims incurred pertaining to insurance business	-	6,742.95	5,769.22
Reinsurance ceded	-	4,446.64	74.03
Net change in insurance/investment contract liabilities	-	1,511.05	2,842.82
Depreciation, amortisation and impairment	294.63	81.28	58.03
Other expenses	1,760.74	1,328.11	695.42
Total expenses	19,063.51	16,046.40	11,044.49
Profit before tax	7,322.12	971.24	78.12
Tax expense	2,058.37	268.65	(33.97)
Profit for the year	5,263.75	702.59	112.09
Total comprehensive income	5,148.49	1,009.43	584.31
Attributable to non-controlling interests	2,358.28	262.45	151.92
Dividends paid to non-controlling interests	441.13	28.66	27.43

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

12. Material partly owned subsidiaries (Contd.)

Summarised Balance Sheet as at 31 March 2021

	(₹ In Crore)		
Particulars	Bajaj Finance Ltd. (Consolidated)	Bajaj Allianz General Insurance Company Ltd.	Bajaj Allianz Life Insurance Company Ltd.
Financial assets	168,904.38	25,676.18	77,319.66
Non-financial assets	2,622.49	6,220.04	869.40
Financial liabilities	133,783.71	2,663.86	10,397.13
Insurance contract liabilities	-	19,656.20	55,573.86
Non-financial liabilities	824.75	1,755.84	900.53
Equity	36,918.41	7,820.32	11,317.54
Attributable to			
Equity holders of the parent	19,430.29	5,787.03	8,374.97
Non-controlling interest	17,488.12	2,033.29	2,942.57

Summarised Balance Sheet as at 31 March 2020

	(₹ In Crore)		
Particulars	Bajaj Finance Ltd. (Consolidated)	Bajaj Allianz General Insurance Company Ltd.	Bajaj Allianz Life Insurance Company Ltd.
Financial assets	161,897.07	21,539.72	60,094.54
Non-financial assets	2,494.06	5,655.51	733.48
Financial liabilities	131,511.24	2,017.42	8,386.79
Insurance contract liabilities	-	17,354.83	41,418.12
Non-financial liabilities	552.26	1,758.68	639.76
Equity	32,327.63	6,064.30	10,383.35
Attributable to			
Equity holders of the parent	17,043.88	4,487.58	7,683.67
Non-controlling interest	15,283.75	1,576.72	2,699.68

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

12. Material partly owned subsidiaries (Contd.)

Summarised cash flow information for the year ended 31 March 2021

Particulars	(₹ In Crore)		
	Bajaj Finance Ltd. (Consolidated)	Bajaj Allianz General Insurance Company Ltd.	Bajaj Allianz Life Insurance Company Ltd.
Operating	(880.95)	2,339.15	3,250.19
Investing	(428.54)	(1,864.10)	(1,314.15)
Financing	1,826.14	(200.98)	(188.72)
Net increase/(decrease) in cash and cash equivalents	516.65	274.07	1,747.32

Summarised cash flow information for the year ended 31 March 2020

Particulars	(₹ In Crore)		
	Bajaj Finance Ltd. (Consolidated)	Bajaj Allianz General Insurance Company Ltd.	Bajaj Allianz Life Insurance Company Ltd.
Operating	(24,411.70)	959.13	161.37
Investing	(8,757.61)	(879.52)	242.50
Financing	34,166.81	(132.88)	(127.18)
Net increase/(decrease) in cash and cash equivalents	997.50	(53.27)	276.69

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

13. Derivatives (BALIC)

BALIC offers guaranteed products wherein the policyholders are assured of a fixed rate of return for premiums to be received in the future. These premiums are likely to be received over a longer tenure and the guaranteed rate of return is fixed at the beginning of the policy term. Any fall in interest rates would mean that each incremental investment of BALIC would earn a lower rate of return. Accordingly, a fall in interest rates would mean lower interest earnings for BALIC from future investments, thereby exposing BALIC to interest rate risk. IRDAI master circular for Investment Regulations, 2016 allows insurers to deal in rupee denominated interest rate derivatives to hedge the volatility of returns from future fixed income investments, due to variations in market interest rates.

BALIC has during the year, as part of its hedging strategy, entered into Forward Rate Agreement ("FRA") transactions to hedge the risk of movements in interest rates for highly probable forecasted transactions as permitted by the IRDAI circular on interest rate derivatives.

FRA is a forward contract to hedge the risk of movements in interest rates. In a FRA contract, BALIC fixes the yield on the government bond for the period till the maturity of the contract. As on the date of entering the FRA, BALIC fixes the yield on future investments in a government bond. BALIC is using FRA instruments to hedge the interest rate risk arising out of highly probable forecasted future cash inflows. These highly probable forecasted future cash inflows arise from already written policies or from interest income and redemption of investments.

BALIC has a well-defined Board approved derivative policy and process document setting out the strategic objectives, risk measures and functioning of the derivative transactions as per the hedging strategy. BALIC is following hedge accounting for all derivative transactions.

FRA undertaken by BALIC is solely for the purpose of hedging interest rate risks on account of following forecasted transactions

- Reinvestment of maturity proceeds of existing fixed income investments;
- Investment of interest income receivable; and
- Expected policy premium income receivable on insurance contracts which are already underwritten in life and pension and annuity business.

a. Nature and terms of outstanding derivative contract

- Total notional principal amount of FRA undertaken during the year and outstanding at the year end

(₹ In Crore)

Sr. No.	Particulars	As at 31 March	
		2021	2020
i)	Total notional principal amount of FRAs undertaken during the year		
1	6.79% GOI (MD 26/12/2029)	319.45	-
2	7.88% GOI (MD 19/03/2030)	214.97	-
3	7.61% GOI (MD 09/05/2030)	206.48	-
4	8.97% GOI (MD 05/12/2030)	231.70	-
5	6.68% GOI (MD 17/09/2031)	167.32	-
6	8.32% GOI (MD 02/08/2032)	189.51	-
7	7.95% GOI (MD 28/08/2032)	524.57	-
8	8.24% GOI (MD 10/11/2033)	100.31	-
9	7.40% GOI (MD 09/09/2035)	651.52	-
	Total	2,605.83	-

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

13. Derivatives (Contd.)

		(₹ In Crore)	
		As at 31 March	
Sr. No.	Particulars	2021	2020
ii)	Total notional principal amount of FRAs outstanding at the year-end		
1	6.79% GOI (MD 26/12/2029)	319.45	-
2	7.88% GOI (MD 19/03/2030)	214.97	-
3	7.61% GOI (MD 09/05/2030)	206.48	-
4	8.97% GOI (MD 05/12/2030)	231.70	-
5	6.68% GOI (MD 17/09/2031)	167.32	-
6	8.32% GOI (MD 02/08/2032)	189.51	-
7	7.95% GOI (MD 28/08/2032)	524.57	-
8	8.24% GOI (MD 10/11/2033)	100.31	-
9	7.40% GOI (MD 09/09/2035)	512.20	-
	Total	2,466.51	-
iii)	Notional principal amount of outstanding and not 'highly effective' as at balance sheet date	-	-
iv)	Mark-to-market value of FRA and not 'highly effective' as at balance sheet date	-	-

II. The fair value gains or losses (MTM) with respect of FRAs outstanding as at the balance sheet date is stated below

		(₹ In Crore)	
		As at 31 March	
Sr. No.	Particulars	2021	2020
1	6.79% GOI (MD 26/12/2029)	2.68	-
2	7.88% GOI (MD 19/03/2030)	(1.67)	-
3	7.61% GOI (MD 09/05/2030)	0.12	-
4	8.97% GOI (MD 05/12/2030)	(0.93)	-
5	6.68% GOI (MD 17/09/2031)	(1.01)	-
6	8.32% GOI (MD 02/08/2032)	(0.11)	-
7	7.95% GOI (MD 28/08/2032)	(3.22)	-
8	8.24% GOI (MD 10/11/2033)	(0.70)	-
9	7.40% GOI (MD 09/09/2035)	(9.24)	-
	Total	(14.08)	-

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)**13. Derivatives** (Contd.)**b. Movement in cash flow hedge reserve**

(₹ In Crore)

Particulars	As at 31 March 2021			As at 31 March 2020		
	Realised	Unrealised	Total	Realised	Unrealised	Total
Balance at the beginning of the year	-	-	-	-	-	-
Add: Changes in the fair value during the year	-	0.62	0.62	-	-	-
Less: Amount reclassified from OCI to profit or loss	-	-	-	-	-	-
Balance at the end of the year (Net of tax)	-	0.62	0.62	-	-	-

An amount of ₹ (15.71) crore (Previous year ₹ NIL) was recognised in Statement of Profit and Loss on account of cash flow hedge.

c. Counterparty wise details

(₹ In Crore)

Name of counterparty	Nature of the derivative contract	Current credit exposure	Potential future credit exposure	Credit exposure
1. JP Morgan Chase Bank				
2. HSBC Ltd.	FRA	4.14	71.95	76.09
3. Standard Chartered Bank				

The credit exposure has been calculated on the basis of credit equivalent amount using the Current Exposure Method (CEM) which is sum of the following

- The current credit exposure (gross positive mark to market value of the contract); and
- Potential future credit exposure which is a product of the notional principal amount across the outstanding contract and a factor that is based on the mandated credit conversion factors as prescribed under the IRDAI circular on interest rate derivatives, which is applied on the residual maturity of the contract

d. Price sensitivity of outstanding interest rate derivative contracts

(₹ In Crore)

Particulars	As at 31 March	
	2021	2020
PV01 (Price value of one basis point)		
Hedge instrument	(1.24)	-
Hedge item	1.24	-

PV01 measures the change in the present value of the hedge instrument/item resulting from one basis point shift in the yield and OIS curve.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

46 Other disclosures (Contd.)

14. Fair value of equity investments at FVTOCI

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Ambuja Cements Ltd.	12.36	-
Asian Paints Ltd.	3.81	-
Axis Bank Ltd.	6.98	-
Bajaj Auto Ltd.	0.06	0.03
Bajaj Holdings & Investment Ltd.	0.02	0.01
Bharti Airtel Ltd.	21.72	-
Dr Reddys Laboratories Ltd	22.58	-
Godrej Consumer Products Ltd.	7.29	-
HDFC Bank Ltd.	2.99	-
Housing Development Finance Corporation Ltd.	7.87	-
ICICI Bank Ltd.	5.82	-
ITC Ltd.	21.86	-
Kotak Mahindra Bank Ltd.	10.52	-
Larsen & Toubro Ltd.	11.35	-
Maruti Suzuki India Ltd.	3.43	-
RBL Bank Ltd.	88.70	57.88
Reliance Industries Ltd.	60.09	-
Siemens Ltd.	5.53	-
Tata Steel Ltd.	24.36	-
The Ramco Cements Ltd.	4.00	-
Fair Value	321.34	57.92

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

47 Revenue from contracts with customers (BFL)

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2021	2020
Type of services		
Service and administration charges	1,313.82	899.61
Fees on value added services and products	369.71	413.65
Foreclosure charges	144.56	157.43
Distribution income	612.48	1,115.29
Sale of services	157.53	124.27
Brokerage income	11.82	4.94
Total	2,609.92	2,715.19
Geographical markets		
India	2,609.92	2,715.19
Outside India	-	-
Total	2,609.92	2,715.19
Timing of revenue recognition		
Services transferred at a point in time	2,609.92	2,715.19
Services transferred over time	-	-
Total	2,609.92	2,715.19

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Contract balances		
Service asset receivable	240.95	157.07
Fees, commission and other receivable	415.64	258.91
Total	656.59	415.98

Impairment allowance recognised on contract balances is ₹ Nil (Previous year ₹ Nil)

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

48 Employee stock option plan

i. Bajaj Finance Ltd.

The Board of Directors at its meeting held on 14 October 2009, approved an issue of stock options up to a maximum of 5% of the then issued equity capital of the BFL aggregating to 1,829,803 equity shares of the face value of ₹ 10 each in a manner provided in the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 subject to the approval of the shareholders under section 81(1A) of the Companies Act, 1956. The shareholders of BFL vide their special resolution passed through postal ballot on 15 December 2009 approved the issue of equity shares of the BFL under one or more Employee Stock Option Scheme(s). The shareholders, at the Annual General Meeting held on 16 July 2014, approved an additional issue of 677,313 stock options i.e. from 1,829,803 to 2,507,116 options of the face value of ₹ 10 each under the stock options scheme of BFL i.e. Employee Stock Option Plan 2009.

Pursuant to the sub-division of each equity share of face value of ₹ 10 into five equity shares of face value of ₹ 2 on 10 September 2016 and allotment of bonus equity share in the proportion of one equity share of face value of ₹ 2 for every one equity share on 14 September 2016, the aggregate number of equity shares which would be available for future grants under the Employee Stock Option Plan, 2009 were adjusted from 2,507,116 equity shares of face value of ₹ 10 to 25,071,160 equity shares of face value of ₹ 2 each.

Further, vide the Special Resolution passed by the members of BFL through postal ballot on 19 April 2021, BFL has approved the increase in the aforesaid limit of options by 10,000,000 options. The maximum limit under the scheme now stand revised from 25,071,160 options (adjusted for sub-division and bonus) to 35,071,160 options.

Vesting period of the options issued under the ESOP Scheme is on a straight line basis over the period of 4 years with the vesting condition of continuous employment with BFL or subsidiaries of BFL except in case of death and retirement where the vesting would happen immediately.

The Nomination and Remuneration Committee of BFL has approved the following grants to select senior level executives of BFL in accordance with the Stock Option Scheme. Under the scheme, fifteen grants have been made as of 31 March 2021, details of which, duly adjusted for sub-division of shares and issue of bonus shares thereon, are given as under

As at 31 March 2021

Grant date	Exercise price (₹)	Options granted	Options vested and exercisable	Options unvested	Options exercised	Options cancelled	Options outstanding
12-Jan-10	35.87	1,320,000	-	-	1,282,500	37,500	-
21-Jul-10	54.20	3,267,500	-	-	2,948,130	319,370	-
28-Jul-11	70.52	3,762,000	-	-	3,335,000	427,000	-
16-May-12	87.61	3,595,000	62,050	-	2,953,700	579,250	62,050
15-May-13	138.04	3,949,300	329,225	-	2,767,075	853,000	329,225
1-Nov-13	135.31	197,000	-	-	49,250	147,750	-
16-Jul-14	219.66	2,816,000	637,500	-	1,837,750	340,750	637,500
20-May-15	448.16	1,935,000	474,060	-	1,091,440	369,500	474,060
24-May-16	765.37	1,430,000	584,351	-	620,274	225,375	584,351
17-May-17	1,347.75	1,120,750	384,021	232,526	362,840	141,363	616,547
16-Oct-17	1,953.05	16,350	-	4,088	12,262	-	4,088
1-Feb-18	1,677.85	120,000	24,926	14,914	32,071	48,089	39,840
17-May-18	1,919.95	1,273,416	318,972	530,655	232,903	190,886	849,627
16-May-19	3,002.75	1,123,900	207,880	807,957	66,171	41,892	1,015,837
19-May-20	1,938.60	2,054,250	-	2,020,150	-	34,100	2,020,150
Total		27,980,466	3,022,985	3,610,290	17,591,366	3,755,825	6,633,275

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

48 Employee stock option plan (Contd.)

i. Bajaj Finance Ltd. (Contd.)

As at 31 March 2020

Grant date	Exercise price (₹)	Options granted	Options vested and exercisable	Options unvested	Options exercised	Options cancelled	Options outstanding
12-Jan-10	35.87	1,320,000	-	-	1,282,500	37,500	-
21-Jul-10	54.20	3,267,500	-	-	2,948,130	319,370	-
28-Jul-11	70.52	3,762,000	74,250	-	3,260,750	427,000	74,250
16-May-12	87.61	3,595,000	291,950	-	2,723,800	579,250	291,950
15-May-13	138.04	3,949,300	647,100	-	2,449,200	853,000	647,100
1-Nov-13	135.31	197,000	-	-	49,250	147,750	-
16-Jul-14	219.66	2,816,000	895,145	-	1,580,105	340,750	895,145
20-May-15	448.16	1,935,000	676,850	-	888,650	369,500	676,850
24-May-16	765.37	1,430,000	481,000	276,250	447,375	225,375	757,250
17-May-17	1,347.75	1,120,750	298,449	468,104	214,360	139,837	766,553
16-Oct-17	1,953.05	16,350	4,088	8,176	4,086	-	12,264
1-Feb-18	1,677.85	120,000	20,062	29,828	22,021	48,089	49,890
17-May-18	1,919.95	1,273,416	180,128	811,100	102,005	180,183	991,228
16-May-19	3,002.75	1,123,900	-	1,104,550	-	19,350	1,104,550
Total		25,926,216	3,569,022	2,698,008	15,972,232	3,686,954	6,267,030

Weighted average fair value of stock options granted during the year is as follows

Particulars	Financial year 2020-21	Financial year 2019-20
Grant date	19 May 2020	16 May 2019
No. of options granted	2,054,250	1,123,900
Weighted average fair value (₹)	787.24	1,257.94

Following table depicts range of exercise prices and weighted average remaining contractual life

As at 31 March 2021

Total for all grants	No. of options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (years)
Outstanding at the beginning of the year	6,267,030	70.52-3,002.75	1,206.35	3.98
Granted during the year	2,054,250	1,938.60	1,938.60	
Cancelled during the year	68,871	1,347.75-3,002.75	2,270.91	
Exercised during the year	1,619,134	70.52-3,002.75	637.39	
Outstanding at the end of the year	6,633,275	87.61-3,002.75	1,206.35	4.51
Exercisable at the end of the year	3,022,985	87.61-3,002.75	875.50	2.40

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

48 Employee stock option plan (Contd.)

i. Bajaj Finance Ltd. (Contd.)

As at 31 March 2020

Total for all grants	No. of options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (years)
Outstanding at the beginning of the year	6,621,597	54.20-1,953.05	791.71	4.20
Granted during the year	1,123,900	3,002.75	3,002.75	
Cancelled during the year	201,512	765.37-3,002.75	1,868.80	
Exercised during the year	1,276,955	54.20-1,953.05	532.80	
Outstanding at the end of the year	6,267,030	70.52-3,002.75	1,206.35	3.98
Exercisable at the end of the year	3,569,022	70.52-1,953.05	498.17	4.15

The weighted average market price of equity shares for options exercised during the year is ₹ 4,093.17 (Previous year ₹ 3,584.30).

Method used for accounting for share based payment plan

BFL has used the fair value method to account for the compensation cost of stock options to employees. The fair value of options used are estimated on the date of grant using the Black – Scholes Model. The key assumptions used in Black – Scholes Model for calculating fair value as on the date of respective grants are

Grant date	Risk free interest rate	Expected life	Expected volatility	Dividend yield	Price of the underlying share in the market at the time of the option grant (₹)*
12-Jan-10	6.70%	1-5 years	54.01%	0.62%	35.87
21-Jul-10	7.42%	3.5 -6.5 years	55.38%	1.28%	54.20
28-Jul-11	8.27%	3.5 -6.5 years	53.01%	1.42%	70.52
16-May-12	8.36%	3.5 -6.5 years	49.58%	1.37%	87.61
15-May-13	7.32%	1-5 years	29.97%	1.09%	138.04
1-Nov-13	8.71%	1-5 years	32.83%	1.11%	135.31
16-Jul-14	8.66%	1-5 years	38.01%	0.73%	219.66
20-May-15	7.76%	3.5 -6.5 years	34.88%	0.36%	448.16
24-May-16	7.38%	3.5 -6.5 years	33.13%	0.47%	765.37
17-May-17	6.89%	3.5 -6.5 years	34.23%	0.05%	1,347.75
16-Oct-17	6.69%	3.5 -6.5 years	34.51%	0.04%	1,953.05
1-Feb-18	7.42%	3.5 -6.5 years	34.05%	0.04%	1,677.85
17-May-18	7.91%	3.5 -6.5 years	33.65%	0.19%	1,919.95
16-May-19	7.09%	3.5 -6.5 years	34.03%	0.13%	3,002.75
19-May-20	5.07%	3.5 -6.5 years	42.95%	0.83%	1,938.60

* adjusted for sub-division of shares and issue of bonus shares thereon

For the year ended 31 March 2021, BFL has accounted expense of ₹ 124.75 crore as employee benefits expense on the aforesaid employee stock option plan (Previous year ₹ 100.76 crore). The balance in employee stock option outstanding account is ₹ 303.25 crore as of 31 March 2021 (Previous year ₹ 213.17 crore).

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

48 Employee stock option plan (Contd.)

ii. Bajaj Allianz General Insurance Company Ltd.

BAGIC has granted Employee Stock Option 2018-Tranche I (ESOP 2018), Employee Stock Option 2018 – Tranche II (ESOP 2019) and Employee Stock Option 2018 – Tranche III (ESOP 2020) to its eligible employees. These grants have a graded vesting over three years and the vested options have to be exercised by employees within eight years from the date of vesting, subject to the norms prescribed by the Nomination and Remuneration Committee. The mode of settlement of the scheme is through equity shares of the Bajaj Finserv Ltd. (Holding Company). Details of each grant is as follows

Particulars	ESOP 2020	ESOP 2019	ESOP 2018
Date of grant	22 May 2020	16 May 2019	19 July 2018
No. of options granted	176,675*	45,200	16,625
Exercise price	₹ 4,702.05	₹ 7,454.70	₹ 6,365.75
Graded vesting period			
1st Year	34%	34%	34%
2nd Year	33%	33%	33%
3rd Year	33%	33%	33%
Maximum term of option granted/contractual life (years)	8	8	8

* Includes options granted to Managing Director & CEO of BAGIC, subject to approval from IRDAI

BAGIC follows the fair value method of accounting for stock options granted to employees. A summary of status of ESOP schemes in terms of options forfeited, options exercised, options outstanding and options exercisable is as given below

Particulars	For the year ended 31 March 2021			For the year ended 31 March 2020	
	ESOP 2020	ESOP 2019	ESOP 2018	ESOP 2019	ESOP 2018
Outstanding at the beginning of the year	-	44,375	17,313	-	15,900
Granted during the year *	176,675	-	1,175	45,200	1,725
Forfeited/lapsed during the year	3,425	775	325	825	182
Exercised during the year	-	142	302	-	130
Outstanding at the end of the year	173,250	43,458	17,861	44,375	17,313
Exercisable at the end of the year	-	14,703	5,740	-	5,879
Remaining contractual life (years)	7.14	6.12	5.29	7.12	6.29

* Including transfer within group companies

The fair value of options has been calculated using the Black-Scholes model. The fair value on the date of grant and the key assumptions used in Black-Scholes model for calculating fair value of each option are as follows

Particulars	ESOP 2020	ESOP 2019	ESOP 2018
Weighted average fair value on the date of grant	₹ 1,470.51	₹ 2,240.09	₹ 1,930.46
Risk-free interest rate	6.35%	7.56%	8.07%
Expected life	One year after vesting	One year after vesting	One year after vesting
Expected volatility *	35.56%	30.40%	29.65%
Expected dividend yield	₹ 2.50	₹ 1.75	₹ 1.75

* Based on historical stock prices using annualised standard deviation of daily change in stock price.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

48 Employee stock option plan (Contd.)

iii. Bajaj Allianz Life Insurance Company Ltd.

BALIC has granted Employee Stock Option 2018-Tranche I (ESOP 2018), Employee Stock Option 2018 – Tranche II (ESOP 2019) and Employee Stock Option 2018 – Tranche III (ESOP 2020) to its eligible employees. These grants have a graded vesting over three years and the vested options have to be exercised by employees within eight years from the date of vesting subject to the norms prescribed by the Nomination and Remuneration Committee. The mode of settlement of the scheme is through equity shares of the Bajaj Finserv Ltd. (holding company). Details of each grant is as follows

Particulars	ESOP 2020	ESOP 2019	ESOP 2018
Date of grant	21 May 2020	16 May 2019	19 July 2018
No. of options granted	130,857 *	42,250	23,825
Exercise price	₹ 4,702.05	₹ 7,454.70	₹ 6,365.70
Graded vesting period			
1st Year	34%	34%	34%
2nd Year	33%	33%	33%
3rd Year	33%	33%	33%

* Includes options granted to Managing Director & CEO of BALIC, subject to approval from IRDAI

BALIC follows the fair value method of accounting for stock options granted to employees. A summary of status of ESOP schemes in terms of options forfeited, options exercised, options outstanding and options exercisable is as given below:

Particulars	For the year ended 31 March 2021			For the year ended 31 March 2020	
	ESOP 2020	ESOP 2019	ESOP 2018	ESOP 2019	ESOP 2018
Outstanding at the beginning of the year	-	35,500	16,858	-	21,325
Granted during the year*	130,857	-	-	42,250	-
Forfeited/lapsed during the year	6,350	3,230	2,169	6,750	4,225
Exercised during the year	-	1,652	2,044	-	242
Outstanding at the end of the year	124,507	30,618	12,645	35,500	16,858
Exercisable at the end of the year	-	9,452	7,880	-	5,591
Remaining contractual life (years)	6.13	5.12	4.29	6.12	5.29

The weighted average share price during the year was ₹ 6,743.64 (Previous year: ₹ 7,691.04).

* Including ESOP units of employee transferred within Group Company

Particulars	ESOP 2020	ESOP 2019	ESOP 2018
Average fair value on the date of grant	1,470.51	2,240.09	1,931.14
Risk-free interest rate	6.35%	7.56%	8.07%
Expected life	One year after vesting	One year after vesting	One year after vesting
Expected volatility *	35.56%	30.40%	29.65%
Expected dividend per share	₹ 2.50	₹ 1.75	₹ 1.75

* Based on historical stock prices using annualised standard deviation of daily change in stock price.

Notes to consolidated financial statements for the year ended 31 March 2021 (Contd.)

49 Disclosure in terms of Schedule III of the Companies Act, 2013

(₹ In Crore)

Particulars	Net assets (i.e. total assets minus total liabilities)		Share in profit or (loss)		Share in other comprehensive income		Share in total comprehensive income	
	As a % of consolidated net assets	Amount	As a % of consolidated profit or loss	Amount	As a % of consolidated other comprehensive income	Amount	As a % of consolidated total comprehensive income	Amount
1 Parent								
Bajaj Finserv Ltd.	10.61%	3,800.92	4.00%	178.78	(0.27%)	0.30	4.11%	179.08
2 Subsidiaries (Indian)								
Bajaj Allianz General Insurance Company Ltd.	21.83%	7,820.32	41.41%	1,851.35	(45.55%)	50.17	43.61%	1,901.52
Bajaj Allianz Life Insurance Company Ltd.	31.59%	11,317.54	28.19%	1,260.07	148.37%	(163.42)	25.15%	1,096.65
Bajaj Finance Ltd. (Consolidated)	103.29%	37,005.57	98.88%	4,419.82	51.76%	(57.01)	100.06%	4,362.81
Bajaj Finserv Direct Ltd.	0.30%	109.21	(0.99%)	(44.30)	(3.07%)	3.38	(0.94%)	(40.92)
Bajaj Finserv Health Ltd.	0.05%	15.30	(1.41%)	(63.14)	(0.05%)	0.05	(1.45%)	(63.09)
(Less) : Minority interests in all subsidiaries	(62.70%)	(22,463.98)	(64.80%)	(2,896.92)	(51.19%)	56.39	(65.14%)	(2,840.53)
(Less) : Inter-company eliminations	(5.01%)	(1,787.35)	(5.28%)	(235.02)	-	-	(5.40%)	(235.02)
3 Joint ventures (as per equity method) (Indian)								
Bajaj Allianz Financial Distributors Ltd.	0.04%	13.67	0.00%	(0.18)	-	-	0.00%	(0.18)
(Less) : Inter-company eliminations	-	(1.20)	-	-	-	-	-	-
Total	100.00%	35,830.00	100.00%	4,470.46	100.00%	(110.14)	100.00%	4,360.32

50 Events after reporting date

There have been no events after the reporting date that require disclosure in these financial statements.

51 Miscellaneous

Amounts less than ₹ 50,000 have been shown at actual against respective line items statutorily required to be disclosed.

As per our report of even date

For S R B C & CO LLP

ICAI Firm Registration Number: 324982E/E300003

Chartered Accountants

per Vaibhav Kumar Gupta

Partner

Membership Number: 213935

Pune: 28 April 2021

On behalf of the Board of Directors

S Sreenivasan
Chief Financial Officer

Sonal R Tiwari
Company Secretary

Sanjiv Bajaj
Chairman & Managing Director

Madhur Bajaj
Director

Salient features of the financial statements of subsidiaries for the year ended 31 March 2021

Form AOC-1

In accordance with section 129(3) of the Companies Act, 2013, the salient features of the financial statements of subsidiaries is given below

Part A : Subsidiaries

(₹ In Crore)							
Particulars	Bajaj Allianz General Insurance Co. Ltd.	Bajaj Allianz Life Insurance Co. Ltd.	Bajaj Finance Ltd.	Bajaj Housing Finance Ltd.	Bajaj Financial Securities Ltd.	Bajaj Finserv Direct Ltd.	Bajaj Finserv Health Ltd.
a The date since when subsidiary was acquired	20 February 2008 (being the effective date of demerger of erstwhile Bajaj Auto Ltd.)	20 February 2008 (being the effective date of demerger of erstwhile Bajaj Auto Ltd.)	20 February 2008 (being the effective date of demerger of erstwhile Bajaj Auto Ltd.)	1 November 2014	1 November 2014	7 February 2014	5 July 2019
b Reporting period for the subsidiary	1 April 2020 to 31 March 2021	1 April 2020 to 31 March 2021	1 April 2020 to 31 March 2021	1 April 2020 to 31 March 2021	1 April 2020 to 31 March 2021	1 April 2020 to 31 March 2021	1 April 2020 to 31 March 2021
c Paid-up share capital	110.23	150.71	120.32	4,883.33	263.99	2.50	2.50
d Reserves and surplus	7,710.09	11,166.83	35,818.42	1,148.89	14.64	106.72	12.79
e Total assets	31,896.22	78,189.06	138,338.89	37,859.34	661.14	156.10	45.18
f Total liabilities	31,896.22	78,189.06	138,338.89	37,859.34	661.14	156.10	45.18
g Investments	23,015.41	74,838.38	20,169.12	3,266.04	260.13	21.09	1.01
h Turnover	17,961.46	16,214.82	23,546.33	3,155.28	36.34	101.62	10.48
i Profit before tax	2,468.48	1,499.14	5,362.88	613.18	8.77	(44.29)	(63.14)
j Provision for tax	617.13	239.07	1,407.37	159.99	3.22	-	-
k Profit after tax	1,851.35	1,260.07	3,955.51	453.19	5.55	(44.29)	(63.14)
l Proposed dividend	-	-	500%	-	-	-	-
m % of shareholding	74.00%	74.00%	52.74%	100.00%*	100.00%*	100.00%	100.00%

* Held by Bajaj Finance Ltd.

Name of subsidiary sold during the year: Nil

Part B : Joint venture

(₹ In Crore)		
Particulars	Bajaj Allianz Financial Distributors Ltd.	Bajaj Allianz Staffing Solutions Ltd.
a Date on which the associate or joint venture was associated or acquired	20 February 2008 (being the effective date of demerger of erstwhile Bajaj Auto Ltd.)	16 March 2015
b Latest audited Balance Sheet date	31 March 2021	31 March 2021
c Shares of joint venture held by the Company on the year end		
Number	1,200,000	950,000
Amount of investment in joint venture	1.20	0.95
Extent of holding %	50.00%	100.00%*
d Description of how there is significant influence	By way of shareholding	By way of shareholding
e Reason why associate/joint venture is not consolidated	N.A.	N.A.
f Networth attributable to shareholding as per latest audited Balance Sheet	12.52	1.62
g Profit/(loss) for the year		
Considered in consolidation	(0.36)	0.01
Not considered in consolidation	-	-

* Held by Bajaj Allianz Financial Distributors Ltd.

On behalf of the Board of Directors

S Sreenivasan
Chief Financial Officer

Sanjiv Bajaj
Chairman & Managing Director

Sonal R Tiwari
Company Secretary

Madhur Bajaj
Director

Pune: 28 April 2021

STANDALONE FINANCIAL STATEMENTS

Independent Auditors' Report on the Standalone Financial Statements

To the Members of **Bajaj Finserv Ltd.**

Opinion

We have audited the accompanying standalone financial statements of Bajaj Finserv Ltd. ('the Company'), which comprise the Balance Sheet as at 31 March 2021, the Statement of Profit and Loss, including the Statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013, as amended ('the Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2021, its profit including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for opinion

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's responsibilities for the audit of the standalone financial statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Key audit matters

We have determined that there are no key audit matters to communicate in our report.

Other information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the standalone financial statements and our auditor's report thereon.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the standalone financial statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the

Independent Auditors' Report on the Standalone Financial Statements (Contd.)

accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are also responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the standalone financial statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditors' Report on the Standalone Financial Statements (Contd.)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements for the financial year ended 31 March 2021 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ('the Order'), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the 'Annexure 1' a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143(3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) The Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
 - (e) On the basis of the written representations received from the directors as on 31 March 2021 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2021 from being appointed as a director in terms of section 164(2) of the Act;
 - (f) With respect to the adequacy of the internal financial controls with reference to these standalone financial statements and the operating effectiveness of such controls, refer to our separate Report in 'Annexure 2' to this report;
 - (g) In our opinion, the managerial remuneration for the year ended 31 March 2021 has been paid/provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act; and

Independent Auditors' Report on the Standalone Financial Statements (Contd.)

- (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer Note 26 to the standalone financial statements;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company

For S R B C & CO LLP
ICAI Firm Registration Number: 324982E/E300003
Chartered Accountants

per Vaibhav Kumar Gupta
Partner
Membership Number: 213935
UDIN: 21213935AAAAACF6624

Pune: 28 April 2021

Annexure 1 to Independent Auditors' Report

Annexure 1 referred to in paragraph 1 under the heading 'Report on other legal and regulatory requirements' of our report of even date

Re: Bajaj Finserv Ltd.

- The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
 - According to the information and explanations given by the management, the title deeds of immovable properties included in property, plant and equipment are held in the name of the Company.
- The Company's business does not involve inventories and, accordingly, the requirements under clause 3(ii) of the Order are not applicable to the Company and hence not commented upon.
- According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Act. Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
- In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees and securities granted in respect of which provisions of section 185 and 186 of the Act are applicable and hence not commented upon.
- The Company has not accepted any deposits within the meaning of sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 148(1) of the Act, related to generation of power through wind turbines, and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
- Undisputed statutory dues including provident fund, income-tax, goods and service tax, duty of custom, cess and other statutory dues applicable to the Company have generally been regularly deposited with the appropriate authorities though there has been a slight delay in one case in respect of payment of withholding taxes. The provisions relating to employees' state insurance are not applicable to the Company.
 - According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income-tax, goods and service tax, duty of custom, cess and other statutory dues applicable to the Company were outstanding, at the year end, for a period of more than six months from the date they became payable. The provisions relating to employees' state insurance are not applicable to the Company.
 - According to the records of the Company, the dues of income-tax which have not been deposited on account of any dispute, are as follows:

(₹ In Crore)

Name of the statute	Nature of the dues	Amount	Period to which the amount relates	Forum where the dispute is pending
Income tax Act, 1961	Income Tax	26.92	FY 2008-09 and FY 2010-11	Income Tax Appellate Tribunal
Income tax Act, 1961	Income Tax	18.55	FY 2011-12, FY 2012-13 and FY 2015-16	Commissioner of Income Tax (Appeals)

Annexure 1 to Independent Auditors' Report (Contd.)

8. The Company did not have any outstanding loans or borrowing dues in respect of a financial institution or bank or to government or dues to debenture holders during the year.
9. According to the information and explanations given by the management, the Company has not raised any money by way of initial public offer/further public offer/debt instruments and term loans hence, reporting under clause (ix) is not applicable to the Company and hence not commented upon.
10. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or on the Company by the officers and employees of the Company has been noticed or reported during the year.
11. According to the information and explanations given by the management, the managerial remuneration has been paid/provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
12. In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.
13. According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of the Act where applicable and the details have been disclosed in the notes to the standalone financial statements, as required by the applicable accounting standards.
14. According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and hence not commented upon.
15. According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of the Act.
16. According to the information and explanations given by the management, the Company is an Unregistered Core Investment Company (CIC) in terms of the Reserve Bank of India (RBI) notification no. DoR (NBFC) (PD) CC. No.117/03.10.001/2020-21 dated 13 August 2020 and is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of the clause 3(xvi) of the Order are not applicable to the Company.

For S R B C & CO LLP
ICAI Firm Registration Number: 324982E/E300003
Chartered Accountants

per Vaibhav Kumar Gupta
Partner
Membership Number: 213935
UDIN: 21213935AAAAACF6624

Pune: 28 April 2021

Annexure 2 to Independent Auditors' Report

Annexure 2 referred to in paragraph 2 (f) under the heading, 'Report on other legal and regulatory requirements' to the independent auditors' report of even date on the standalone financial statements of Bajaj Finserv Ltd.

Report on the Internal Financial Controls under clause (i) of sub-section 3 of section 143 of the Companies Act, 2013 ('the Act')

We have audited the internal financial controls with reference to standalone financial statements of Bajaj Finserv Ltd. ('the Company') as of 31 March 2021 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's responsibility for internal financial controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to these financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the 'Guidance Note') and the Standards on Auditing, as specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to these financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to these financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to these financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to these financial statements.

Meaning of internal financial controls with reference to these financial statements

A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements includes those policies and procedures that

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Annexure 2 to Independent Auditors' Report (Contd.)

Inherent limitations of internal financial controls with reference to financial statements

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to standalone financial statements and such internal financial controls with reference to standalone financial statements were operating effectively as at 31 March 2021, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For S R B C & CO LLP
ICAI Firm Registration Number: 324982E/E300003
Chartered Accountants

per Vaibhav Kumar Gupta
Partner
Membership Number: 213935
UDIN: 21213935AAAAACF6624

Pune: 28 April 2021

Balance Sheet

		(₹ In Crore)	
		As at 31 March	
Particulars	Note No.	2021	2020
ASSETS			
Financial assets			
Cash and cash equivalents	3	24.25	4.35
Bank balances other than cash and cash equivalents	4	100.42	0.61
Trade receivables	5	0.52	0.43
Investment in subsidiaries and joint venture	6A	2,394.66	2,282.77
Other investments	6B	1,100.31	1,057.23
Other financial assets	7	37.85	61.53
		3,658.01	3,406.92
Non-financial assets			
Current tax assets (net)		46.85	24.61
Deferred tax assets (net)	8	–	7.94
Investment property	9	5.37	5.50
Property, plant and equipment	10	153.19	152.88
Capital work-in-progress		2.29	–
Other non-financial assets	11	2.82	2.31
		210.52	193.24
Total		3,868.53	3,600.16

Balance Sheet (Contd.)

(₹ In Crore)			
As at 31 March			
Particulars	Note No.	2021	2020
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Trade payables			
Total outstanding dues of micro enterprises and small enterprises		-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises		2.31	2.10
Other financial liabilities	12	31.80	32.52
		34.11	34.62
Non-financial liabilities			
Current tax liabilities (net)		17.41	17.41
Deferred tax liabilities (net)	8	6.63	-
Provisions	13	6.36	8.80
Other non-financial liabilities	14	3.10	3.90
		33.50	30.11
EQUITY			
Equity share capital	15	79.57	79.57
Other equity	16	3,721.35	3,455.86
		3,800.92	3,535.43
Total		3,868.53	3,600.16
Summary of significant accounting policies followed by the Company	2		

The accompanying notes are an integral part of the financial statements

As per our report of even date

On behalf of the Board of Directors

For S R B C & CO LLP
ICAI Firm Registration Number: 324982E/E300003
Chartered Accountants

per Vaibhav Kumar Gupta
Partner
Membership Number: 213935

Pune: 28 April 2021

S Sreenivasan
Chief Financial Officer

Sonal R Tiwari
Company Secretary

Sanjiv Bajaj
Chairman & Managing Director

Madhur Bajaj
Director

Statement of Profit and Loss

(₹ In Crore)			
For the year ended 31 March			
Particulars	Note No.	2021	2020
Revenue from operations			
Interest income	17	61.59	67.28
Dividend income		232.79	668.14
Rental income		1.98	2.16
Windpower income	18	23.94	39.23
Net gain on fair value changes	19	3.43	3.05
Total revenue from operations		323.73	779.86
Other income	20	68.30	35.30
Total income		392.03	815.16
Expenses			
Employee benefits expenses	21	101.88	84.72
Depreciation, amortisation and impairment	22	4.68	2.90
Other expenses	23	40.37	45.66
Total expenses		146.93	133.28
Profit before tax		245.10	681.88
Tax expense			
Current tax		67.84	13.94
Deferred tax		(1.52)	1.08
Total tax expense	24	66.32	15.02
Profit for the year		178.78	666.86
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial gains/(losses) of defined benefit plans		0.69	(3.24)
Tax impacts on above		(0.39)	0.94
Items that will be reclassified to profit or loss		-	-
Other comprehensive income for the year (net of tax)		0.30	(2.30)
Total comprehensive income for the year		179.08	664.56
Basic and diluted Earnings per share (in ₹)	25	11.2	41.9
(Nominal value per share ₹ 5)			
Summary of significant accounting policies followed by the Company	2		

The accompanying notes are an integral part of the financial statements

As per our report of even date

On behalf of the Board of Directors

For S R B C & CO LLP

ICAI Firm Registration Number: 324982E/E300003

Chartered Accountants

per Vaibhav Kumar Gupta

Partner

Membership Number: 213935

Pune: 28 April 2021

S Sreenivasan
Chief Financial Officer

Sonal R Tiwari
Company Secretary

Sanjiv Bajaj
Chairman & Managing Director

Madhur Bajaj
Director

Statement of Changes in Equity

A Equity share capital

(₹ In Crore)

For the year ended 31 March

Particulars	Note No.	2021	2020
At the beginning of the year		79.57	79.57
Changes in equity share capital during the year		-	-
At the end of the year	15	79.57	79.57

B Other equity

(₹ In Crore)

Particulars	Note No.	Reserves and surplus					Total other equity
		Securities premium	General reserve	Share based payments reserve	Treasury shares	Retained earnings	
Balance as at 31 March 2019	16	929.18	1,197.14	3.04	(25.85)	951.98	3,055.49
Profit for the year		-	-	-	-	666.86	666.86
Other comprehensive income (net of tax)		-	-	-	-	(2.30)	(2.30)
Total comprehensive income for the year ended 31 March 2020		-	-	-	-	664.56	664.56
Recognition of share based payments to employees of the Company		-	-	14.17	-	-	14.17
Equity shares earlier held in abeyance, issued during the year [See note 15 d.]		0.08	-	-	-	-	0.08
Final dividend, declared and paid during the year		-	-	-	-	(39.79)	(39.79)
Interim dividend, declared and paid during the year		-	-	-	-	(79.57)	(79.57)
Treasury shares held by ESOP trust		-	-	-	(174.32)	-	(174.32)
Recognition of share based payments to employees of subsidiaries		-	-	15.24	-	-	15.24
Balance as at 31 March 2020	16	929.26	1,197.14	32.45	(200.17)	1,497.18	3,455.86
Profit for the year		-	-	-	-	178.78	178.78
Other comprehensive income (net of tax)		-	-	-	-	0.30	0.30
Total comprehensive income for the year ended 31 March 2021		-	-	-	-	179.08	179.08
Recognition of share based payments to employees of the Company		-	-	19.11	-	-	19.11
Equity shares earlier held in abeyance, issued during the year [See note 15 d.]		0.01	-	-	-	-	0.01
Realisation from treasury shares held by ESOP trust		-	-	-	15.95	-	15.95
Recognition of share based payments to employees of subsidiaries		-	-	51.34	-	-	51.34
Balance as at 31 March 2021	16	929.27	1,197.14	102.90	(184.22)	1,676.26	3,721.35
Summary of significant accounting policies followed by the Company	2						

The accompanying notes are an integral part of the financial statements

As per our report of even date

On behalf of the Board of Directors

For S R B C & CO LLP

ICAI Firm Registration Number: 324982E/E300003

Chartered Accountants

per Vaibhav Kumar Gupta
Partner

Membership Number: 213935

Pune: 28 April 2021

S Sreenivasan
Chief Financial Officer

Sonal R Tiwari
Company Secretary

Sanjiv Bajaj
Chairman & Managing Director

Madhur Bajaj
Director

Statement of Cash Flows

(₹ In Crore)

Particulars	For the year ended 31 March	
	2021	2020
I. Operating activities		
Profit before tax	245.10	681.88
Adjustments to reconcile profit before tax to net cash flows:		
Add:		
i) Depreciation, amortisation and impairment	4.68	2.90
ii) Share based payment to employees	19.11	14.17
iii) Loss on sale of property, plant and equipment	0.07	0.40
	23.86	17.47
Less:		
i) Profit on sale of investments, net	3.43	3.05
ii) Amortisation of premium/discount on acquisition of debt securities	10.69	0.60
	14.12	3.65
	254.84	695.70
Change in assets and liabilities		
i) (Increase)/decrease in trade receivables	(0.09)	(0.14)
ii) (Increase)/decrease in loans and other assets	23.17	(3.98)
iii) (Increase)/decrease in other bank balances	(99.81)	(0.31)
iv) Increase/(decrease) in liabilities and provisions	(2.87)	3.19
	(79.60)	(1.24)
Reimbursement of share based payments	45.55	-
(Purchase)/sale of money market mutual funds, etc., net *	22.95	(37.47)
Net cash from operating activities before income-tax	243.74	656.99
Income-tax paid	(74.38)	(18.16)
Net cash flow from operating activities	169.36	638.83
Carried forward	169.36	638.83

Statement of Cash Flows (Contd.)

(₹ In Crore)

Particulars	For the year ended 31 March	
	2021	2020
Brought forward	169.36	638.83
II. Investing activities		
i) Purchase of property, plant and equipment	(7.64)	(55.24)
ii) Sales proceeds of assets	0.42	0.32
iii) Investment in subsidiaries	(106.10)	(90.00)
iv) Sale of investments *	809.95	141.50
v) Purchase of investments *	(861.86)	(397.74)
vi) (Investment in)/Realisation from treasury shares by ESOP trust	15.95	(174.32)
Net cash used in investing activities	(149.28)	(575.48)
III. Financing activities		
i) Dividend paid	(0.19)	(119.05)
ii) Rights issue proceeds (net of expenses) [See note 15 d.]	0.01	0.08
Net cash used in financing activities	(0.18)	(118.97)
Net change in cash and cash equivalents	19.90	(55.62)
Cash and cash equivalents as at the beginning of the year	4.35	59.97
Cash and cash equivalents as at the end of the year	24.25	4.35

* As the Company is an investment company, dividend received and interest earned are considered as part of cash flow from operating activities. Purchase and sale of investments has been classified into operating and investing activity based on the intention of the Management at the time of purchase of securities.

Summary of significant accounting policies followed by the Company

2

The accompanying notes are an integral part of the financial statements

As per our report of even date

On behalf of the Board of Directors

For S R B C & CO LLP

ICAI Firm Registration Number: 324982E/E300003

Chartered Accountants

per Vaibhav Kumar Gupta

Partner

Membership Number: 213935

Pune: 28 April 2021

S Sreenivasan
Chief Financial Officer

Sonal R Tiwari
Company Secretary

Sanjiv Bajaj
Chairman & Managing Director

Madhur Bajaj
Director

Notes to standalone financial statements for the year ended 31 March 2021

1 Bajaj Finserv Ltd. (the 'Company') is a public limited company domiciled in India and incorporated under the provisions of Companies Act, 1956. The Company is primarily engaged in the business of promoting financial services such as finance, insurance, wealth management, etc. through its investments in subsidiaries and joint ventures. The Company is also engaged in the business of generating power through wind turbines, a renewable source of energy. The Company's registered office is at Bajaj Auto Ltd. Complex, Mumbai-Pune road, Pune, Maharashtra, India. Its shares are listed on two recognised stock exchanges in India.

Under the Master Circular – Core Investment Companies (Reserve Bank) Directions, 2016, the Company is termed as an unregistered Core Investment Company (CIC) as per Reserve Bank of India Guidelines dated 13 August 2020. As an unregistered CIC, the Company must invest at least 90% of its net assets in Group companies, of which at least 60% must be through equity investments.

2 Significant accounting policies followed by the Company

2A Basis of preparation

These financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under section 133 of the Companies Act, 2013 ('the Act') read together with the Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time, other relevant provisions of the Act and the RBI guidelines/regulations to the extent applicable on an accrual basis.

The financial statements have been prepared on a historical cost basis, except for certain financial assets and financial liabilities that are measured at fair value.

The financial statements are presented in INR, which is also the Company's functional currency and all values are rounded to the nearest crore (INR 0,000,000), except when otherwise indicated.

2B Summary of significant accounting policies followed by the Company

1. Use of estimates

Estimates and assumptions used in the preparation of the financial statements and disclosures are based upon Management's evaluation of the relevant facts and circumstances as of the date of the financial statements, which may differ from the actual results at a subsequent date.

2. Revenue recognition

Income

The Company recognises income (including rent, etc.) on accrual basis to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. However, where the ultimate collection of revenue lacks reasonable certainty, revenue recognition is postponed.

1. Interest income

Interest income from debt instruments is recognised using the effective interest rate (EIR) method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Company recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the instrument.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

2B Summary of significant accounting policies followed by the Company (Contd.)

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk. The adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the Balance Sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through Interest income in the Statement of Profit and Loss.

2. Dividends

Dividends are recognised in the Statement of Profit and Loss only when the right to receive payment is established, and it is probable that the economic benefits associated with the dividend will flow to the Company and that the amount of the dividend can be measured reliably.

3. Wind farm income

A five-step model in line with Ind AS 115 is applied to account for revenue arising from contracts with customers and revenue is recognised at an amount that reflects the consideration to which Company expects to be entitled in exchange for transferring goods or services to a customer.

Income from wind-power generation is recognised on acceptance by Maharashtra State Electricity Distribution Company Ltd. (MSEDCL) of units generated and after giving allowance for wheeling and transmission losses over time. Simultaneously, relevant entitlements for generating green energy are recognised to the extent the ultimate collection is reasonably certain.

Company exercises judgment, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers.

4. Rent and other income

The Company recognises income (including rent) on accrual basis.

3. Property, plant and equipment and depreciation/amortisation

A. Property, plant and equipment

- i) Property, plant and equipment, capital work in progress except land are carried at cost of acquisition or construction as the case may be, less accumulated depreciation and amortisation. Land is carried at cost of acquisition. Cost comprises of the purchase price including import duties and non-refundable taxes, and directly attributable expenses incurred to bring the asset to the location and condition necessary for it to be capable of being operated in the manner intended by the Management. The Company identifies and determines cost of each component/part of the asset separately, if the component/part has a cost which is significant to the total cost of the asset and has useful life that is materially different from that of the remaining asset. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. Changes in the expected useful life are accounted for by changing the period or methodology, as appropriate, and treated as changes in accounting estimates. All other repair and maintenance costs are recognised in the Statement of Profit and Loss as incurred.
- ii) An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit and Loss when the asset is derecognised.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

2B Summary of significant accounting policies followed by the Company (Contd.)

B. Depreciation and amortisation

a. Leasehold land

Premium on leasehold land is amortised over the period of lease.

b. On other tangible assets

- i. Depreciation is calculated using the straight line method to write down the cost of property and equipment (including components thereof) to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are, as follows:
 - Buildings – 60 years
 - Computers – 3 years
 - Others – furniture, electric fittings and office equipment – 3 to 22 years
- ii. Useful life of assets/components are determined by the Management by internal technical assessments.
- iii. Depreciation on additions is being provided on pro rata basis from the month of such additions.
- iv. Depreciation on assets sold, discarded or demolished during the year is being provided up to the month in which such assets are sold, discarded or demolished.
- v. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if necessary and appropriate.

C. Impairment of property, plant and equipment

An assessment is done at each Balance Sheet date as to whether there are any indications that an asset may be impaired. If any such indication exists, an estimate of the recoverable amount of the asset/Cash Generating Unit (CGU) is made. Where the carrying value of the asset/CGU exceeds the recoverable amount, the carrying value is written down to the recoverable amount.

4. Investment property

Land and buildings which are held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property. Investment property is measured initially at its cost, including related transaction costs. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance costs are expensed when incurred. Depreciation on investment property is provided on a pro rata basis on straight line method over the estimated useful lives. Useful life of assets, as assessed by the Management, corresponds to those prescribed by Schedule II- Part 'C'.

5. Investments and financial assets

A. Investment in subsidiaries and joint venture

Interest in subsidiaries and joint venture are recognised at cost and not adjusted to fair value at the end of each reporting period. Cost represents amount paid for acquisition of the said investments. Loans and other similar arrangements with subsidiaries which are probable to be settled for a fixed number of equity shares of the borrower for a fixed price are classified as equity investments.

The Company assesses at the end of each reporting period, if there are any indications that the said investments may be impaired. If so, the Company estimates the recoverable value/amount of the investment and provides for impairment, if any i.e. the deficit in the recoverable value over cost.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

2B Summary of significant accounting policies followed by the Company (Contd.)

B. Other investments and financial assets

I. Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (FVTOCI), or through profit or loss (FVTPL)), and
- those to be measured subsequently at amortised cost.

The classification is done depending upon the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets classified as 'measured at fair value', gains and losses will either be recorded in profit or loss or other comprehensive income, as elected. For assets classified as 'measured at amortised cost', this will depend on the business model and contractual terms of the cash flows.

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- The expected frequency, value and timing of sales are also important aspects of the Company's assessment

If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test (Solely Payments of Principal and Interest)

As a second step of its classification process the Company assesses the contractual terms of financial instruments to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset.

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk.

II. Measurement

Initial Measurement

Financial assets are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. At initial recognition, the Company measures a financial

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

2B Summary of significant accounting policies followed by the Company (Contd.)

asset at its fair value including, in the case of 'a financial asset not at FVTPL', transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at 'FVTPL' are expensed in profit or loss.

Subsequent Measurement

Subsequent measurement of financial assets depends on the Company's business model for managing the financial asset and the cash flow characteristics of the financial asset. There are two measurement categories into which the Company classifies its financial instruments:

Subsequently measured at amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost e.g. Debentures, Bonds etc. A gain or loss on a financial asset that is subsequently measured at amortised cost is recognised in the Statement of Profit and Loss when the asset is derecognised or impaired. Interest income from these financial assets is included in investment income using the effective interest rate method.

Subsequently measured at FVTPL

Financial assets that do not meet the criteria for amortised cost, are measured at FVTPL e.g. investments in mutual funds. A gain or loss on a financial asset that is subsequently measured at FVTPL is recognised in profit or loss and presented net in the Statement of Profit and Loss with other gains/(losses) in the period in which it arises.

III. Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk and if so, assess the need to provide for the same in the Statement of Profit and Loss.

The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables.

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument.

Since the Company makes investments in highly rated fixed income securities, which are categorised as 'subsequently measured at amortised cost', the risk parameters such as tenor, the probability of default corresponding to the credit rating by rating agency (viz. CRISIL, ICRA), for each of these instruments is considered in estimating the probable credit loss over life time of such securities.

ECL impairment loss allowance (or reversal) is recognised during the period only if material and is recognised as income/expense in the Statement of Profit and Loss. This amount is reflected under the head 'other expenses' in the Statement of Profit and Loss.

Financial assets measured at amortised cost and revenue receivables: ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the Balance Sheet. The allowance

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

2B Summary of significant accounting policies followed by the Company (Contd.)

reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.

IV. Reclassification of financial assets and liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Company did not reclassify any of its financial assets or liabilities in 2020-21 and 2019-20.

V. Derecognition of financial assets

A financial asset is derecognised only when Company has transferred the rights to receive cash flows from the financial asset. Where the entity has transferred an asset, the Company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised.

6. Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

7. Employee benefits

A. Compensated absences and long-term incentive plan

Compensated absences entitlements are recognised as a liability, in the calendar year of rendering of service, as per the rules of the Company. As accumulated leave can be availed and/or encashed at any time during the tenure of employment the liability is recognised on the basis of an independent actuarial valuation.

The Company's liability towards long-term incentive plan, being a defined benefit plan, is accounted for on the basis of an independent actuarial valuation.

They are therefore measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields at the end of the reporting period that have terms approximating to the terms of the related obligation.

Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in Statement of Profit and Loss.

B. Gratuity

Payment for present liability of future payment of gratuity is being made to approved gratuity fund, which fully covers the same under Cash Accumulation Policy and Debt fund of the Life Insurance Corporation of India (LIC) and Bajaj Allianz Life Insurance Company Ltd. (BALIC). However, any deficit in plan assets managed by LIC and BALIC as compared to the liability on the basis of an independent actuarial valuation is recognised as a liability.

The liability or asset recognised in the Balance Sheet in respect of defined benefit gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

2B Summary of significant accounting policies followed by the Company (Contd.)

C. Employee stock option scheme

The fair value of options granted under the Bajaj Finserv Ltd. - Employee Stock Option Scheme (BFS-ESOS) is recognised as an employee benefits expenses with a corresponding credit to share based payments reserve. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g., the entity's share price)
- excluding the impact of any service and non-market performance conditions (e.g., continuance of an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions

The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Upon exercise of the options, the aggregate of exercise price received and the corresponding balance in share based payments reserve is transferred to share capital to the extent of face value of equity shares and balance into securities premium account.

In case of forfeiture/lapse stock option, which is not vested, amortised portion is reversed by credit to employee compensation expense. In a situation where the stock option expires unexercised, the related balance standing to the credit of the Share based payments reserve is transferred within other equity.

While the fair value of stock options granted to employees of the Company is recognised in the Statement of Profit and Loss, the value of stock options, net of reimbursements, granted to employees of the subsidiary companies is considered as capital contribution/investment in the subsidiary.

D. Treasury shares

The Company has created an employee benefit trust (EBT) for providing share based payment to its employees. When the Company uses EBT as a vehicle for distributing shares to employees under the Employee Stock Option Scheme and EBT purchases shares of the Company from the market, for giving shares to employees. The Company treats EBT as its extension and shares held by EBT are treated as treasury shares.

Own equity instruments that are re-acquired (treasury shares) are recognised at cost and deducted from other equity. No gain or loss is recognised in the Statement of Profit and Loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued or sold, is recognised in capital reserve. Share options exercised during the reporting period are settled with treasury shares.

E. Defined contribution plans

The Company has three defined contribution plans for its employees:

- Contribution to superannuation fund as per the scheme of the Company
- Contribution to provident fund is made to Government Provident Fund Authority
- Contribution to Employees Pension Scheme 1995 is made to Government Provident Fund Authority

The Company recognises contribution payable to these fund/schemes as an expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

2B Summary of significant accounting policies followed by the Company (Contd.)

sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognised as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognised as an asset to the extent that the prepayment will lead to, for example, a reduction in future payment or a cash refund.

8. Taxation

- a. Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, in accordance with the Income Tax Act, 1961 and the Income computation and Disclosure standards prescribed therein. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.
- b. Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.
- c. Minimum Alternate Tax (MAT) in respect of a year is charged to the Statement of Profit and Loss as current tax for the year. The deferred tax asset is recognised for MAT credit available only to the extent that it is probable that the Company will pay normal income tax and thereby utilising MAT credit during the specified period, i.e., the period for which MAT credit is allowed to be carried forward and utilised. In the year in which the Company recognises MAT credit as an asset, it is created by way of credit to the Statement of Profit and Loss and shown as part of deferred tax asset. The Company reviews the 'MAT credit entitlement' asset at each reporting date and writes down the asset to the extent that it is no longer probable that it will pay normal tax during the specified period.
- d. Deferred tax is provided using the asset-liability method on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- e. Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences.
- f. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.
- g. Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.
- h. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

2B Summary of significant accounting policies followed by the Company (Contd.)

9. Goods and service tax/value added taxes paid on acquisition of assets or on incurring expenses.

Expenses and assets are recognised net of the goods and services tax/value added taxes paid, except:

- When the tax incurred on a purchase of assets, goods or services is not eligible for recovery from the taxation authority, in which case, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of tax included

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

10. Provisions and contingent liabilities

The Company creates a provision when there is present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When the likelihood of outflow of resources is remote, no provision or disclosure is made.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

11. Operating leases including investment properties

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

a) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to note 3C for accounting policies on impairment of non-financial assets.

b) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments primarily comprise of fixed payments.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

2B Summary of significant accounting policies followed by the Company (Contd.)

commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

c) Short term leases

The Company applies the short-term lease recognition exemption to its short-term leases of office spaces (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

As a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

12. Cash and cash equivalents

For the purpose of presentation in the Statement of Cash Flows, cash and cash equivalents includes cash on hand, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

13. Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Earnings considered in ascertaining the Company's earnings per share is the net profit for the period. The weighted average number of equity shares outstanding during the period and all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares that have changed the number of equity shares outstanding without a corresponding change in resources. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of share outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

14. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Core Management Committee which includes the Chairman & Managing Director who is the Chief Operating Decision Maker. The Core Management Committee examines performance both from product and a geographical perspective.

15. Foreign currency translation

Functional and presentational currency

The standalone financial statements are presented in INR which is also functional currency of the Company.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date. All differences arising on non-trading activities are taken to other income/expense in the Statement of Profit and Loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

2B Summary of significant accounting policies followed by the Company (Contd.)

16. Dividends on equity shares

The Company recognises a liability to make cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

17. Fair value measurement

The Company measures financial instruments, such as, investment in mutual funds at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Company has set policies and procedures for both recurring and non-recurring fair value measurement of financial assets, which includes valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

3 Cash and cash equivalents

(₹ In Crore)		
As at 31 March		
Particulars	2021	2020
Balances with banks	24.25	4.35
	24.25	4.35

4 Bank balances other than cash and cash equivalents

(₹ In Crore)		
As at 31 March		
Particulars	2021	2020
Unclaimed dividend accounts	0.42	0.61
Deposits with original maturity exceeding three months	100.00	-
	100.42	0.61

5 Trade receivables

(Unsecured, considered good, unless stated otherwise)

(₹ In Crore)		
As at 31 March		
Particulars	2021	2020
Good	0.52	0.43
	0.52	0.43

No trade or other receivable are due from directors or other officers of the company either severally or jointly with any other person nor from any firms or private companies respectively in which any director is a partner, a director or a member.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

6 Investments

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
A Investment in subsidiaries and joint venture		
Investment in equity instruments carried at cost		
In subsidiaries		
Bajaj Finance Ltd.	1,910.73	1,910.73
Bajaj Allianz Life Insurance Co. Ltd.	111.53	111.53
Bajaj Allianz General Insurance Co. Ltd.	81.57	81.57
Bajaj Finserv Direct Ltd.	2.50	2.50
Bajaj Finserv Health Ltd.	2.50	2.50
Deemed equity at cost for Bajaj Finserv Direct Ltd. *	176.10	125.00
Deemed equity at cost for Bajaj Finserv Health Ltd. *	87.50	32.50
Deemed equity at cost on account of ESOP scheme	21.03	15.24
Cost	2,393.46	2,281.57
In joint venture		
Bajaj Allianz Financial Distributors Ltd.	1.20	1.20
Cost	1.20	1.20
Total (A)	2,394.66	2,282.77
B Other investments		
Investments carried at amortised cost		
In debt securities of subsidiaries		
Bajaj Finance Ltd.	529.47	912.45
Bajaj Housing Finance Ltd.	150.01	-
Amortised cost	679.48	912.45
In certificate of deposits		
Axis Bank Ltd.	48.16	23.73
Bank of Baroda	49.87	-
Export Import Bank Of India	48.71	-
National Bank For Agriculture And Rural Development Ltd.	195.86	23.87
Small Industries Development Bank Of India	48.09	47.45
Amortised cost	390.69	95.05
Investments carried at fair value through profit and loss		
In mutual funds		
Nippon India Overnight Fund - Direct Growth Plan	30.14	10.00
SBI Liquid Fund - Direct Growth	-	39.73
Fair value	30.14	49.73
Total (B)	1,100.31	1,057.23
Total Investments (C) = (A) + (B)	3,494.97	3,340.00

* Refer note 2B. 5) A.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

7 Other financial assets

(Unsecured, considered good, unless stated otherwise)

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Credit receivable for windpower generated	2.17	2.22
REC receivable (31 March 2020: ₹ 45,313)	0.01	
Interest receivable on investments	33.76	54.13
Security deposits	1.24	1.34
Other receivables	0.67	3.84
	37.85	61.53

8 Deferred tax assets/(liabilities) - net

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Deferred tax liabilities		
On account of timing difference in Property, plant and equipment	6.82	9.20
Retiral and other employee benefits:		
Defined benefit plan provisions - P&L	0.97	0.88
Financial instruments		
Amortisation of premium/discount on acquisition of fixed income securities	1.06	-
Movement in fair value of financial assets designated at FVTPL	0.01	-
Gross deferred tax liabilities	8.86	10.08
Deferred tax assets		
On account of timing difference in		
Retiral and other employee benefits:		
Provision for compensated absences	0.67	0.61
Defined benefit plan provisions - OCI	1.19	1.60
Financial instruments		
Amortisation of premium/discount on acquisition of fixed income securities	0.37	0.11
MAT credit entitlement	-	15.70
Gross deferred tax assets	2.23	18.02
Deferred tax assets/(liabilities) - net	(6.63)	7.94

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

8 Deferred tax assets/(liabilities) - net (Contd.)

Movement in deferred tax assets/(liabilities)

(₹ In Crore)

Particulars	Property, plant and equipment	Financial instruments	Retiral and other employee benefits	MAT credit entitlement	Total
At 31 March 2019	(9.01)	0.06	1.33	15.70	8.08
(Charged)/credited					
- to profit and loss	(0.19)	0.05	(0.94)	-	(1.08)
- to other comprehensive income	-	-	0.94	-	0.94
At 31 March 2020	(9.20)	0.11	1.33	15.70	7.94
(Charged)/credited					
- to profit and loss	2.38	(0.81)	(0.05)	-	1.52
- to other comprehensive income	-	-	(0.39)	-	(0.39)
MAT (utilisation/transfer)/credited	-	-	-	(15.70)	(15.70)
At 31 March 2021	(6.82)	(0.70)	0.89	-	(6.63)

9 Investment property

(₹ In Crore)

Particulars	As at 31 March	
	2021	2020
Gross carrying amount		
Opening balance	8.25	8.25
Additions	-	-
Closing balance	8.25	8.25
Accumulated depreciation		
Opening balance	2.75	2.62
Depreciation charge	0.13	0.13
Closing balance	2.88	2.75
Net carrying amount	5.37	5.50

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

9 Investment property (Contd.)

i) Amounts recognised in profit or loss for investment properties

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2021	2020
Rental income	1.98	2.16
Direct operating expenses from property that generated rental income	(0.06)	(0.03)
Profit from investment properties before depreciation	1.92	2.13
Depreciation	(0.13)	(0.13)
Profit from investment property	1.79	2.00

ii) Contractual obligations

There are no contractual obligations to purchase, construct or develop investment property.

iii) Leasing arrangements

Investment properties are leased out to tenants under operating leases. Disclosure on future rent receivable is included in Note 32.

iv) Fair value

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Investment property	40.26	39.29

Estimation of fair value

The best evidence of fair value is current prices in an active market for similar properties. Investment properties leased out by the Company are cancellable leases. The market rate for sale/purchase of such premises are representative of fair values. Company's investment properties are at a location where active market is available for similar kind of properties. Hence fair value is ascertained on the basis of market rates prevailing for similar properties in those location determined by an independent registered valuer and consequently classified as a level 2 valuation.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

10 Property, plant and equipment**Current year**

(₹ In Crore)

Particulars	Gross block (a)				Accumulated depreciation			Net block	
	As at 1 April 2020	Additions	Deductions/ adjustments	As at 31 March 2021	As at 1 April 2020	Deductions/ adjustments	For the year (a)	As at 31 March 2021	As at 31 March 2021
Land freehold (c)	47.12	1.39	-	48.51	-	-	-	-	48.51
Land leasehold	8.19	-	-	8.19	-	-	-	-	8.19
Buildings (b)	71.68	1.94	-	73.62	7.33	-	1.60	8.93	64.69
Waterpumps, Reservoirs and Mains	0.94	0.12	-	1.06	0.02	-	0.07	0.09	0.97
Computers	2.62	0.31	-	2.93	1.47	-	0.43	1.90	1.03
Electric fittings	7.40	0.17	-	7.57	0.73	-	0.68	1.41	6.16
Furniture	6.65	0.56	-	7.21	1.98	-	0.83	2.81	4.40
Office equipment	2.01	0.01	0.01	2.01	1.83	*	0.06	1.89	0.12
Vehicles	7.52	0.85	0.61	7.76	2.08	0.13	0.88	2.83	4.93
Wind energy generators	283.72	-	-	283.72	269.53	-	-	269.53	14.19
Total	437.85	5.35	0.62	442.58	284.97	0.13	4.55	289.39	153.19

* The amount is below the rounding off norms adopted by the Company

Previous year

(₹ In Crore)

Particulars	Gross block (a)				Accumulated depreciation			Net block	
	As at 1 April 2019	Additions	Deductions/ adjustments	As at 31 March 2020	As at 1 April 2019	Deductions/ adjustments	For the year (a)	As at 31 March 2020	As at 31 March 2020
Land freehold (c)	18.95	28.17	-	47.12	-	-	-	-	47.12
Land leasehold	8.19	-	-	8.19	-	-	-	-	8.19
Buildings (b)	28.47	43.21	-	71.68	6.45	-	0.88	7.33	64.35
Waterpumps, Reservoirs and Mains	-	0.94	-	0.94	-	-	0.02	0.02	0.92
Computers	1.53	1.09	-	2.62	1.21	-	0.26	1.47	1.15
Electric fittings	0.47	6.93	-	7.40	0.40	-	0.33	0.73	6.67
Furniture	1.99	4.66	-	6.65	1.50	-	0.48	1.98	4.67
Office equipment	2.10	0.01	0.10	2.01	1.81	0.07	0.09	1.83	0.18
Vehicles	4.97	3.57	1.02	7.52	1.70	0.33	0.71	2.08	5.44
Wind energy generators	283.72	-	-	283.72	269.53	-	-	269.53	14.19
Total	350.39	88.58	1.12	437.85	282.60	0.40	2.77	284.97	152.88

(a) Refer note 2B clause 3) of summary of significant accounting policies.

(b) Excludes premises held as investment properties and given on lease disclosed as an investment. Correspondingly depreciation for the year on investment property amounting to ₹ 0.13 crore (previous year ₹ 0.13 crore) has been reduced from the said Investments under note 9.

(c) Includes proportionate ownership in land consequent to acquisition of office premises under a Deed of Apartment, at an attributed cost of ₹ 2.94 crore.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

11 Other non-financial assets

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Capital advances	0.69	1.04
VAT refund receivable	0.88	0.88
Others	1.25	0.39
	2.82	2.31

12 Other financial liabilities

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Unclaimed dividend	0.42	0.61
Directors' remuneration and commission payable	8.77	8.23
Employee benefits payable	19.84	17.65
Security deposits	2.14	2.14
Others	0.63	3.89
	31.80	32.52

13 Provisions

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Provision for employee benefits [See note 29]		
Provision for gratuity	0.90	2.43
Provision for compensated absences	2.66	2.11
Provision for long-term incentive plan	2.80	4.26
	6.36	8.80

14 Other non-financial liabilities

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Taxes and duties payable	2.64	3.49
Other payables	0.46	0.41
	3.10	3.90

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

15 Equity share capital

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Authorised		
200,000,000 equity shares of ₹ 5 each	100.00	100.00
Issued, subscribed and fully paid-up shares		
159,137,444 (31 March 2020: 159,137,290) equity shares of ₹ 5 each	79.57	79.57
	79.57	79.57

a. Reconciliation of the shares outstanding at the beginning and at the end of the year

Particulars	As at 31 March 2021		As at 31 March 2020	
	Nos.	₹ In Crore	Nos.	₹ In Crore
Equity shares				
At the beginning of the year	159,137,290	79.57	159,136,111	79.57
Equity shares earlier held in abeyance, issued during the year [See note 15 d.]	154		1,179	
Outstanding at the end of the year	159,137,444	79.57	159,137,290	79.57

b. Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 5 per share. Each holder of equity shares is entitled to one vote per share. The interim dividend declared by the Board of Directors and the final dividend proposed by the Board of Directors and approved by the shareholders in the annual general meeting is paid in Indian rupees. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

c. Details of shareholders holding more than 5% shares in the Company

Particulars	As at 31 March 2021		As at 31 March 2020	
	Nos.	% Holding	Nos.	% Holding
Equity shares of ₹ 5 each fully paid				
Bajaj Holdings & Investment Ltd.	62,314,214	39.16%	62,314,214	39.16%
Jamnalal Sons Pvt. Ltd.	15,345,384	9.64%	15,345,384	9.64%

d. Shares reserved for issue at a subsequent date

14,417 (31 March 2020: 14,571) equity shares of ₹ 5 each offered by way of right in an earlier year, have been held in abeyance pending adjudication of title and subscription thereafter. During the year, the Company issued and allotted 154 (previous year 1,179) of such equity shares at the offered price of ₹ 650 (previous year ₹ 650), thereby collecting ₹ 0.01 crore (previous year ₹ 0.08 crore) as premium.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

16 Other equity

(₹ In Crore)		
As at 31 March		
Particulars	2021	2020
a. Reserves and surplus		
Securities premium		
Balance as at the beginning of the year	929.26	929.18
Add: Received during the year (See note 15 d.)	0.01	0.08
Balance as at the end of the year	929.27	929.26
General reserve		
Balance as at the beginning and the end of the year	1,197.14	1,197.14
Share based payments reserve		
Balance as at the beginning of the year	32.45	3.04
Add: Recognition of share based payments to employees of the Company	19.11	14.17
Add: Recognition of share based payments to employees of subsidiaries	51.34	15.24
Balance as at the end of the year	102.90	32.45
Treasury shares		
Balance as at the beginning of the year	(200.17)	(25.85)
Add: Movement during the year	15.95	(174.32)
Balance as at the end of the year	(184.22)	(200.17)
Retained earnings		
Balance as at the beginning of the year	1,497.18	951.98
Profit for the year	178.78	666.86
Items of other comprehensive income recognised directly in retained earnings		
Actuarial losses of defined benefit plans	0.30	(2.30)
Less: Appropriations		
Final dividend, declared and paid during the year	–	39.79
Interim dividend, declared and paid during the year	–	79.57
Total appropriations	–	119.36
Balance as at the end of the year	1,676.26	1,497.18
	3,721.35	3,455.86

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

16 Other equity (Contd.)

b. Nature and purpose of reserve

Securities premium

Securities premium is used to record the premium on issue of shares. The reserve can be utilised only for limited purposes in accordance with section 52 and other provisions of the Companies Act, 2013.

General reserve

General reserve is free reserve available for distribution as recommended by Board in accordance with requirements of the Companies Act, 2013.

Share based payments reserve

Share based payments reserve is created as required by Ind AS 102 'Share Based Payments' on the employee stock option scheme operated by the Company.

Treasury shares

The reserve for shares of the Company held by the BFS ESOP Trust (ESOP Trust). Company has issued employees stock option scheme for its employees. The equity shares of the Company have been purchased and held by ESOP Trust. Trust to transfer such shares to employees at the time of exercise of option by employees.

17 Interest income

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2021	2020
Interest income on		
Investments (at amortised cost)	61.39	67.17
Others	0.20	0.11
	61.59	67.28

18 Windpower income

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2021	2020
Income from power generation (within India)	21.76	26.53
Income from Renewable Energy Certificates (REC) (within India)	2.18	12.70
	23.94	39.23

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

19 Net gain on fair value changes

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2021	2020
Net gain/(loss) on financial instruments at fair value through profit or loss		
On trading portfolio		
Debt instrument at FVTPL	3.36	3.04
Others		
Gain on sale of debt instrument at amortised cost	0.07	0.01
Total net gain on fair value changes	3.43	3.05
Fair value changes		
Realised	3.53	2.92
Unrealised	(0.10)	0.13
	3.43	3.05

20 Other income

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2021	2020
Business support service	68.25	35.20
Miscellaneous receipts	–	0.08
Provision no longer required	0.05	0.02
	68.30	35.30

21 Employee benefits expenses

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2021	2020
Salaries, wages and bonus to employees	77.19	66.30
Contribution to provident and other funds	4.85	3.82
Share based payments to employees	19.11	14.17
Staff welfare expenses	0.73	0.43
	101.88	84.72

22 Depreciation, amortisation and impairment

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2021	2020
Depreciation on property, plant and equipment	4.55	2.77
Depreciation on investment property	0.13	0.13
	4.68	2.90

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

23 Other expenses

Particulars	For the year ended 31 March	
	(₹ In Crore)	
	2021	2020
Rent	0.97	0.59
Repairs to buildings	3.38	1.83
Repairs to machinery - windmill	8.68	8.43
Repairs to others	0.06	0.09
Energy generation expenses	9.08	9.60
REC registration, issuance and brokerage charges	0.24	0.37
Rates and taxes	0.60	0.64
Insurance	0.76	0.50
Payment to auditor	0.23	0.24
Directors' fees and travelling expenses	0.71	0.68
Commission to non-executive directors	1.07	1.16
Loss on sale of property, plant and equipment	0.07	0.40
Travelling (including foreign travel) expenses	0.12	0.81
Business support service expenses	2.38	1.70
Expenditure towards Corporate Social Responsibility (CSR) activities	0.73	1.20
Legal and professional charges	2.30	2.95
Miscellaneous expenses	8.99	14.47
	40.37	45.66
Payment to auditor		
As auditor		
Audit fee	0.11	0.11
Tax audit fee	0.02	0.02
Limited review	0.09	0.09
Other services (certification fees and other matters)	0.01	-
Reimbursement of expenses [₹ 36,825]	-	0.02
	0.23	0.24
Expenditure towards Corporate Social Responsibility (CSR) activities		
Gross amount required to be spent by the Company during the year	0.70	1.16
Amount spent in cash during the year on:		
i) Construction/acquisition of any asset	-	-
ii) On purposes other than (i) above	0.73	1.20
	0.73	1.20

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

24 Tax expense

(₹ In Crore)		
For the year ended 31 March		
Particulars	2021	2020
(a) Tax expense		
Current tax		
Current tax on profits for the year	67.84	13.94
Total current tax expense	67.84	13.94
Deferred tax		
Decrease/(increase) in deferred tax assets	(0.22)	(0.05)
(Decrease)/increase in deferred tax liabilities	(1.30)	1.13
Total deferred tax expense/(benefit)	(1.52)	1.08
Tax expense	66.32	15.02
(b) Reconciliation of tax expense and the accounting profit multiplied by statutory tax rate		
Profit before tax	245.10	681.88
Tax at the statutory tax rate of 25.17% (Previous year - 29.12%) *	61.69	198.56
Tax on expenditure not considered for tax provision	7.18	11.20
Tax on income not subject to tax	(2.55)	(194.74)
Tax expense	66.32	15.02

*The Company intends to opt for reduced corporate tax rate of 25.17% as per section 115BAA of the Income Tax Act, 1961 for the year ended 31 March 2021.

25 Earnings per share (EPS)

(₹ In Crore)		
For the year ended 31 March		
Particulars	2021	2020
Profit for the year (₹ In Crore)	178.78	666.86
Weighted average number of shares outstanding during the year (Nos)	159,137,373	159,136,747
Weighted average number of shares outstanding during the year (Nos) - Diluted	159,168,792	159,173,555
Earnings per share (Basic) ₹	11.2	41.9
Earnings per share (Diluted) ₹	11.2	41.9
Face value per share ₹	5.0	5.0

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

26 Contingent liabilities

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
a. Claims against the Company not acknowledged as debts	8.53	8.53
b. Income-tax matters under dispute Appeal by Company	5.10	5.10
c. Value Added Tax (VAT) and service tax matters under dispute	1.23	1.23

In all the cases mentioned above, outflow is not probable and hence not provided by the Company.

It is not practicable for the Company to estimate the timings of the cash flows, if any, in respect of the above pending resolution of the respective proceedings.

27 Capital and other commitments

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Capital commitments, net of capital advances	–	–

28 Details of windpower generation and turnover

Particulars	For the year ended 31 March	
	2021	2020
Credit for units brought forward from previous year		
In units (In Lakh)	73	73
In value (₹ In Crore)	2.22	4.53
Generated, during the year		
In units (In Lakh)	639	792
In value (₹ In Crore)	21.76	26.53
Sold, during the year		
In units (In Lakh)	644	792
In value (₹ In Crore)	21.81	28.84
Credits receivable		
In units (In Lakh)	68	73
In value (₹ In Crore)	2.17	2.22

The Company has 99,130 renewable energy certificates (REC) including 14,507 RECs at various stages for regulatory approvals.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

29 Employee benefit plans

Liability for employee benefits has been determined by an actuary, appointed for the purpose, in conformity with the principles set out in the Indian Accounting Standard 19 the details of which are as hereunder.

Funded schemes

Gratuity

The Company provides for gratuity payments to employees. The gratuity benefit payable to the employees of the Company is greater of the provisions of the Payment of Gratuity Act, 1972 and the Company's gratuity scheme. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The gratuity plan is a funded plan and the Company makes contributions to approved gratuity fund.

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Amount recognised in Balance Sheet		
Present value of funded defined benefit obligation	16.76	16.83
Fair value of plan assets	15.86	14.40
Net funded obligation	0.90	2.43
Expense recognised in the Statement of Profit and Loss		
Current service cost	1.56	0.96
Interest on net defined benefit liability/(asset)	0.13	0.16
Total expense charged to statement of profit and loss	1.69	1.12
Amount recorded as Other Comprehensive Income		
Opening amount recognised in OCI outside statement of profit and loss	5.44	2.20
Remeasurements during the period due to		
Changes in financial assumptions	–	1.21
Experience adjustments	(0.83)	2.22
Actual return on plan assets less interest on plan assets	0.14	(0.19)
Closing amount recognised in OCI outside statement of profit and loss	4.75	5.44
Reconciliation of net liability/(asset)		
Opening net defined benefit liability/(asset)	2.43	2.54
Expense charged to statement of profit and loss	1.69	1.12
Amount recognised outside statement of profit and loss	(0.69)	3.24
Employer contributions	(2.53)	(4.47)
Closing net defined benefit liability/(asset)	0.90	2.43

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

29 Employee benefit plans (Contd.)**Funded schemes (Contd.)**

(₹ In Crore)

Particulars	As at 31 March	
	2021	2020
Movement in benefit obligation		
Opening of defined benefit obligation	16.83	11.64
Current service cost	1.56	0.96
Interest on defined benefit obligation	1.05	0.80
Remeasurements due to		
Actuarial loss/(gain) arising from change in financial assumptions	-	1.21
Actuarial loss/(gain) arising on account of experience changes	(0.83)	2.22
Benefits paid/transferred	(1.85)	-
Closing of defined benefit obligation	16.76	16.83
Movement in plan assets		
Opening fair value of plan assets	14.40	9.10
Employer contributions	2.53	4.47
Interest on plan assets	0.92	0.64
Remeasurements due to		
Actual return on plan assets less interest on plan assets	(0.14)	0.19
Assets acquired/(settled) *	(1.85)	-
Closing fair value of plan assets	15.86	14.40
* On account of inter group transfer		
Disaggregation of assets		
Category of assets		
Insurer managed funds	15.86	14.40
Others	-	-
Grand Total	15.86	14.40

Sensitivity Analysis

Gratuity is a lump sum plan and the cost of providing these benefits is typically less sensitive to small changes in demographic assumptions. The key actuarial assumptions to which the benefit obligation results are particularly sensitive to are discount rate and future salary escalation rate. The following table summarises the impact in percentage terms on the reported defined benefit obligation at the end of the reporting period arising on account of an increase or decrease in the reported assumption by 50 basis points.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

29 Employee benefit plans (Contd.)

Funded schemes (Contd.)

Particulars	As at 31 March 2021		As at 31 March 2020	
	Discount rate	Salary escalation rate	Discount rate	Salary escalation rate
Senior staff				
Impact of increase in 50 bps on DBO	(3.42%)	3.48%	(3.72%)	3.80%
Impact of decrease in 50 bps on DBO	3.60%	(3.34%)	3.93%	(3.63%)
Junior staff				
Impact of increase in 50 bps on DBO	(10.71%)	11.84%	(9.99%)	11.01%
Impact of decrease in 50 bps on DBO	12.28%	(10.46%)	11.42%	(9.76%)

These sensitivities have been calculated to show the movement in defined benefit obligation in isolation and assuming there are no other changes in market conditions at the accounting date. There have been no changes from the previous periods in the methods and assumptions used in preparing the sensitivity analysis.

Funding arrangement and policy

The money contributed by the Company to the fund to finance the liabilities of the plan has to be invested.

The trustees of the plan have outsourced the investment management of the fund to insurance companies. The insurance companies in turn manage these funds as per the mandate provided to them by the trustees and the asset allocation which is within the permissible limits prescribed in the insurance regulations.

There is no compulsion on the part of the Company to fully pre fund the liability of the Plan. The Company's philosophy is to fund the benefits based on its own liquidity and tax position as well as level of under funding of the plan.

The expected contribution payable to the plan next year is ₹ 0.95 crore.

Projected plan cash flow

The table below shows the expected cash flow profile of the benefits to be paid to the current membership of the plan

	Less than a year	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total
31 March 2021					
Senior staff	3.08	0.17	0.75	21.98	25.98
Junior staff	0.01	0.01	0.06	9.46	9.54
31 March 2020					
Senior staff	2.89	0.15	0.71	24.55	28.30
Junior staff	0.05	0.01	0.03	5.36	5.45

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

29 Employee benefit plans (Contd.)**Funded schemes (Contd.)**

(₹ In Crore)

Particulars	As at 31 March	
	2021	2020
Weighted average duration of defined benefit obligation (in years)		
Senior Staff	7.02	7.65
Junior Staff	22.91	21.34

Principal Actuarial Assumptions (expressed as weighted averages)

As at 31 March

Particulars	As at 31 March	
	2021	2020
Discount rate (p.a.)	6.80%	6.80%
Salary escalation rate (p.a.) - senior staff	10.00%	10.00%
Salary escalation rate (p.a.) - junior staff	10.00%	10.00%

The estimates of future salary increases, considered in actuarial valuation, takes into account, inflation, seniority, promotions and other relevant factors, such as demand and supply in the employment market.

Unfunded schemes

(₹ In Crore)

Particulars	As at 31 March 2021		As at 31 March 2020	
	Compensated Absences	Long-term incentive plan	Compensated Absences	Long-term incentive plan
Present value of unfunded obligations	2.66	2.80	2.11	4.26
Expense recognised in the Statement of Profit and Loss	1.79	0.21	1.50	0.35
Amount recorded as Other Comprehensive Income	-	-	-	-
Discount rate (p.a.)	6.80%	6.80%	6.80%	6.80%
Salary escalation rate (p.a.) - senior staff	10.00%	N.A	10.00%	N.A
Salary escalation rate (p.a.) - junior staff	10.00%	N.A	10.00%	N.A

Amount recognised in the Statement of Profit and Loss

(₹ In Crore)

For the year ended 31 March

Particulars	For the year ended 31 March	
	2021	2020
Defined contribution plans		
Provident fund paid to Government authorities	2.33	2.00
Superannuation paid to trust	0.57	0.57
Pension fund paid to Government authorities	0.15	0.10
Others	0.04	0.01
Defined benefit plans		
Gratuity	1.69	1.12
Others	0.07	0.02
Total	4.85	3.82

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

30 Segment information

Segment information based on consolidated financial statements is given in note 43 to consolidated financial statements.

The Company has disclosed the business segments as primary reporting segment on the basis that risks and returns are primarily determined by the nature of products and services. Consequently, geographical segment has been considered as a secondary segment.

The business segments have been identified on the basis of the nature of products and services, the risks and returns and internal performance reporting systems

The business segments comprise the following:

- Life insurance
- General insurance
- Windmill
- Retail financing
- Investments and others

31 Disclosure of transactions with related parties as required by Ind AS 24

(₹ In Crore)

Name of related party and nature of relationship	Nature of transaction	2020-21		2019-20	
		Transaction value	Outstanding amounts carried in Balance Sheet	Transaction value	Outstanding amounts carried in Balance Sheet
A Subsidiaries :					
Bajaj Allianz General Insurance Co. Ltd. (74% shares held by Bajaj Finserv Ltd.)	Contribution to equity (81,568,165 shares of ₹ 10 each)	-	81.57	-	81.57
	Dividend received	110.11	-	81.57	-
	Rent received	1.98	-	2.14	-
	Deposit received	-	(2.14)	-	(2.14)
	Insurance premium paid	0.95	0.67	0.60	0.70
	Reimbursements for share based payments	22.56	-	-	-
	Business support service rendered	8.28	-	6.10	-
	Revenue expenses reimbursement received	0.17	-	0.34	-
Bajaj Allianz Life Insurance Co. Ltd. (74% shares held by Bajaj Finserv Ltd.)	Contribution to equity (111,524,660 shares of ₹ 10 each)	-	111.53	-	111.53
	Dividend received	122.68	-	78.07	-
	Reimbursements for share based payments	16.38	-	-	-
	Business support service rendered	9.12	-	7.31	3.84
	Insurance expense	0.11	-	0.05	-
	Revenue expenses reimbursement received	0.19	-	0.34	-
	Business support service received	0.19	-	-	-
Bajaj Finance Ltd. (52.74% shares held by Bajaj Finserv Ltd. previous year 52.82%)	Contribution to equity (317,816,130 shares of ₹ 2 each)	-	1,910.73	-	1,910.73
	Investment in non-convertible debentures/Commercial Paper	-	525.00	-	910.00
	Redemption of non-convertible debentures	560.00	-	141.00	-
	Interest received on non-convertible debentures	74.27	-	57.73	-
	Dividend received	-	-	508.51	-
	Employee car transfer	0.23	-	0.16	-
	Licence fee received (₹ 10,110 (Previous year ₹ Nil))	-	-	-	-
	Business support services received	1.68	-	1.10	-
	Business support services rendered	28.93	-	21.13	-
	Revenue expenses reimbursement received	0.03	-	-	-
	Interest accrued but not due	-	29.33	-	54.13

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

31 Disclosure of transactions with related parties as required by Ind AS 24 (Contd.)

		(₹ In Crore)			
Name of related party and nature of relationship	Nature of transaction	2020-21		2019-20	
		Transaction value	Outstanding amounts carried in Balance Sheet	Transaction value	Outstanding amounts carried in Balance Sheet
Bajaj Finserv Direct Ltd. (Fully owned subsidiary)	Contribution to equity (2,500,000 shares of ₹ 10 each)	-	2.50	-	2.50
	Deemed equity at cost for Bajaj Finserv Direct Ltd.	51.10	176.10	55.00	125.00
	Licence fee received (₹ 6,066 (Previous year ₹ Nil))	-	-	-	-
	Business support service received	-	-	0.05	-
	Reimbursements for share based payments	4.40	-	-	-
	Business support service rendered	8.08	-	-	-
	Revenue expenses reimbursement received	0.01	-	-	-
Bajaj Finserv Health Ltd. (Fully owned subsidiary)	Contribution to equity (2,499,994 shares of ₹ 10 each)	-	2.50	2.50	2.50
	Deemed equity at cost for Bajaj Finserv Health Ltd.	55.00	87.50	32.50	32.50
	Business support service rendered	13.33	-	0.66	-
	Reimbursements for share based payments	2.21	-	-	-
	Revenue expenses reimbursement received	-	-	1.54	-
	Employee car transfer	0.18	-	-	-
Bajaj Housing Finance Ltd. (Fully owned subsidiary of Bajaj Finance Ltd.)	Investment in non-convertible debentures/commercial paper	-	150.00	-	-
	Interest accrued but not due	-	0.37	-	-
Bajaj Financial Securities Ltd. (Fully owned subsidiary of Bajaj Finance Ltd.)		-	-	-	-
B Associates and investing parties:					
Bajaj Holdings & Investment Ltd. (investing party)	Shares of BFS held by BHIL (62,314,214 shares of ₹ 5 each)	-	(31.16)	-	(31.16)
	Dividend paid	-	-	46.74	-
	Business support service received	0.13	-	0.12	-
	Business support service rendered	0.51	-	-	-
	Revenue expenses reimbursement paid	0.54	-	0.48	-
Bajaj Allianz Financial Distributors Ltd. (a joint venture - 50% shares held by Bajaj Finserv Ltd.)	Contribution to equity (1,200,000 shares of ₹ 10 each)	-	1.20	-	1.20
	Services received	1.68	-	1.72	-
Bajaj Allianz Staffing Solutions Ltd. (Fully owned subsidiary of Bajaj Allianz Financial Distributors Ltd.)	Business support services received	0.06	-	0.08	-
C Key management personnel and their relatives:					
Rahul Bajaj (Chairman Emeritus)	Sitting fees	-	-	0.02	-
	Commission	-	-	0.03	(0.03)
Madhur Bajaj	Sitting fees	0.06	-	0.04	-
	Commission	0.09	(0.09)	0.06	(0.06)
Rajiv Bajaj	Sitting fees	0.05	-	0.05	-
	Commission	0.08	(0.08)	0.08	(0.08)
Sanjiv Bajaj (Chairman & Managing Director) (Also Key management personnel)	Short-term employee benefits (including Commission & Perquisite)	16.41	(7.71)	9.92	(7.07)
	Post-employment benefits	0.91	-	0.91	-
	Deposit paid	-	0.41	0.02	0.41
	Rent paid	0.43	-	0.41	-

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

31 Disclosure of transactions with related parties as required by Ind AS 24 (Contd.)

(₹ In Crore)

Name of related party and nature of relationship	Nature of transaction	2020-21		2019-20	
		Transaction value	Outstanding amounts carried in Balance Sheet	Transaction value	Outstanding amounts carried in Balance Sheet
D Other entities/persons:					
Bajaj Auto Ltd.	Sale of windpower	11.40	-	14.57	-
	Open access charges reimbursement	8.14	-	8.74	-
	Business support services received	0.39	-	0.43	-
	Revenue expenses reimbursement paid	0.08	-	0.10	-
Bajaj Auto Holdings Ltd.	Shares of BFS held by BAHF (209,005 shares of ₹ 5 each)	-	(0.10)	-	(0.10)
	Dividend paid	-	-	0.16	-
Hind Musafir Agency Ltd.	Services received	0.11	-	0.65	(0.08)
Mukand Ltd.	Sale of windpower	10.48	0.52	13.56	0.44
	Open access charges reimbursement	0.55	-	1.93	-
	Rent paid	-	-	0.05	-
	Security deposit paid/(refunded)	(0.10)	-	(3.90)	0.10
	Interest received	0.01	-	0.05	-
Maharashtra Scooters Ltd.	Shares of BFS held by MSL (3,725,740 shares of ₹ 5 each)	-	(1.86)	-	(1.86)
	Dividend paid	-	-	2.79	-
Sanjali Family Trust	Rent paid	0.55	-	0.14	-
	Security deposit paid	-	0.14	0.14	0.14
	Revenue expenses reimbursement paid	0.07	-	0.03	-
Bajaj Auto Employees Superannuation Fund	Superannuation contribution	0.57	-	0.57	-
Bajaj Auto Employees Group Gratuity Fund	Gratuity Contribution	0.30	-	0.50	-
Bajaj Auto Senior staff Group Gratuity Fund	Gratuity Contribution	2.30	-	4.00	-
Bajaj Finserv Charitable Trust	CSR payment	-	-	0.25	-
Late Nanoo Pamnani	Sitting fees	-	-	0.12	-
	Commission	-	-	0.38	(0.38)
D J Balaji Rao	Sitting fees	0.13	-	0.11	-
	Commission	0.20	(0.20)	0.17	(0.17)
Dr. Gita Piramal	Sitting fees	0.14	-	0.12	-
	Commission	0.21	(0.21)	0.18	(0.18)
Dr. Naushad Forbes	Sitting fees	0.14	-	0.09	-
	Commission	0.21	(0.21)	0.14	(0.14)
Manish Kejriwal	Sitting fees	0.13	-	0.03	-
	Commission	0.20	(0.20)	0.05	(0.05)
Anami Roy	Sitting fees	0.06	-	0.06	-
	Commission	0.09	(0.09)	0.09	(0.09)

Name of the related party and nature of the related party relationship where control exists have been disclosed irrespective of whether or not there have been transactions between the related parties. In other cases, disclosure has been made only when there have been transactions with those parties.

Related parties as defined under para 9 of Ind AS 24 'Related Party Disclosures' have been identified based on representations made by key managerial personnel and information available with the Company.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

32 Lease

As a lessor

The Company has given a premise on operating lease. This lease arrangement is for a period of five years and is a cancellable lease. This lease agreement is renewable for further period on mutually agreeable terms and also includes escalation clause.

(₹ In Crore)

Particulars	As at 31 March	
	2021	2020
i) Office premise		
Gross carrying amount	8.25	8.25
Depreciation for the year	0.13	0.13
Accumulated depreciation	2.88	2.75
ii) The total future minimum lease rentals receivable at the balance sheet date is as under		
Receivable		
Within one year	1.93	0.89
After one year but not more than five years	7.16	-
More than five years	-	-
	9.09	0.89

33 Fair value measurement

i) Financial instruments by category

(₹ In Crore)

Particulars	As at 31 March 2021			As at 31 March 2020		
	FVTPL	FVTOCI	Amortised Cost	FVTPL	FVTOCI	Amortised Cost
Financial assets						
Investments						
Bonds and debentures	-	-	679.48	-	-	912.45
Liquid mutual funds	30.14	-	-	49.73	-	-
Certificate of Deposit	-	-	390.69	-	-	95.05
Trade receivables	-	-	0.52	-	-	0.43
Other financial assets	-	-	37.85	-	-	61.53
Cash and cash equivalents	-	-	24.25	-	-	4.35
Other bank balances	-	-	100.42	-	-	0.61
Total financial assets	30.14	-	1,233.21	49.73	-	1,074.42
Financial liabilities						
Trade payables	-	-	2.31	-	-	2.10
Other financial liabilities	-	-	31.80	-	-	32.52
Total financial liabilities	-	-	34.11	-	-	34.62

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

33 Fair value measurement (Contd.)

ii) Fair value hierarchy

This section explains the basis of estimates made in determining the fair values of the financial instruments that are

- (a) recognised and measured at fair value and
- (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the Accounting Standard, which are explained herein below.

Financial assets measured at fair value - recurring fair value measurements at 31 March 2021

(₹ In Crore)

Particulars	Notes	Level 1	Level 2	Level 3	Total
Financial investments at FVTPL					
Liquid mutual funds	6B	30.14	–	–	30.14
Total financial assets		30.14	–	–	30.14

Financial assets which are measured at amortised cost for which fair values as at 31 March 2021 are disclosed below

(₹ In Crore)

Particulars	Notes	Level 1	Level 2	Level 3	Total
Bonds and debentures	6B	706.38	–	–	706.38
Certificate of Deposit	6B	390.69	–	–	390.69
Total financial assets		1,097.07	–	–	1,097.07

Assets disclosed at fair value - at 31 March 2021

(₹ In Crore)

Particulars	Notes	Level 1	Level 2	Level 3	Total
Investment property	9	–	40.26	–	40.26

Financial assets measured at fair value - recurring fair value measurements at 31 March 2020

(₹ In Crore)

Particulars	Notes	Level 1	Level 2	Level 3	Total
Financial investments at FVTPL					
Liquid mutual funds	6B	49.73	–	–	49.73
Total financial assets		49.73	–	–	49.73

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

33 Fair value measurement (Contd.)

Financial assets which are measured at amortised cost for which fair values as at 31 March 2020 are disclosed below.

(₹ In Crore)

Particulars	Notes	Level 1	Level 2	Level 3	Total
Bonds and debentures	6B	919.57	–	–	919.57
Certificate of Deposit	6B	95.05	–	–	95.05
Total financial assets		1,014.62	–	–	1,014.62

Assets disclosed at fair value - at 31 March 2020

(₹ In Crore)

Particulars	Notes	Level 1	Level 2	Level 3	Total
Investment property	9	–	39.29	–	39.29

Valuation principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique.

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as explained below

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices in active markets. Quotes would include rates/values/valuation references published periodically by BSE, NSE etc. basis which trades take place in a linked or unlinked active market. This includes traded bonds and mutual funds, as the case may be, that have quoted price/rate/value.

Level 2: The fair value of financial instruments that are not traded in an active market are determined using valuation techniques which maximise the use of observable market data (either directly as prices or indirectly derived from prices) and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities, contingent consideration and indemnification asset included in level 3.

Valuation Techniques used to determine fair value

Valuation Techniques used to determine fair value include

- Open ended mutual funds and certain bonds and debentures at NAV's/rates declared and/or quoted
- Close ended mutual funds at NAV's declared by AMFI
- For other bonds and debentures values with references to prevailing yields to maturity matching tenures, quoted on sites of credible organisation such as ICRA (Investment Information and credit rating agency)
- Commercial papers and certificate of deposits, being short term maturity papers, amortised cost is assumed to be the fair value

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

33 Fair value measurement (Contd.)

iii) Fair value of financial assets and liabilities measured at amortised cost

(₹ In Crore)

Particulars	As at 31 March 2021		As at 31 March 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Investments				
Bonds and debentures	679.48	706.38	912.45	919.57
Certificate of Deposit	390.69	390.69	95.05	95.05
Total financial assets	1,070.17	1,097.07	1,007.50	1,014.62

The carrying amounts of certificate of deposits, trade receivables, trade payables, other financial assets/liabilities and cash and cash equivalents are considered to be the same as their fair values, due to their short-term nature.

34 Financial risk management

The Company has operations in India. Whilst risk is inherent in the Company's activities, it is managed through a risk management framework, including ongoing identification, measurement and monitoring subject to risk limits and other controls. The Company's activities expose it to credit risk, liquidity risk and market risk.

This note explains the sources of risk which the Company is exposed to and how the entity manages the risk.

The Board of Directors provide guiding principles for overall risk management, as well as policies covering specific areas, such as, credit risk, liquidity risk, and investment of available funds. The Company's risk management is carried out by its Risk Management Committee as per such policies approved by the Board of Directors. Accordingly, Company's Risk Management Committee identifies, evaluates and manages financial risks

A. Credit risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations leading to a financial loss to the Company. Credit risk primarily arises from cash equivalents, financial assets measured at amortised cost, financial assets measured at FVTPL and trade receivables.

Credit Risk Management

In regard to Trade receivables, which are typically unsecured, credit risk is managed through credit approvals, establishing credit and exposure limits and continuously monitoring the credit worthiness of customers to whom credit is extended (substantially through Debt securities) in the normal course of business.

With regards to financial assets represented substantially by investments, the Company has an investment policy which allows the Company to invest only with counterparties having a credit rating equal to or above AA+ and P1+. The Company reviews the creditworthiness of these counterparties on an on-going basis. Counter party limits maybe updated as and when required, subject to approval of Board of Directors.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

34 Financial risk management (Contd.)

B. Liquidity Risk

The Company's principal sources of liquidity are 'cash and cash equivalents, investments in money market instruments' and cash flows that are generated from operations. The Company believes that its working capital is sufficient to meet the financial liabilities within maturity period.

C. Other risk (Market Risk)

The Company has deployed its surplus funds in debt and money market instruments (including through funds). The Company is exposed to price risk on such investments; which arises on account of movement in interest rates, liquidity and credit quality of underlying securities.

As an unregistered CIC, the Company must invest at least 90% of its net assets in Group companies, of which at least 60% must be through equity investments. Therefore 10% of its net assets are currently invested in liquid fixed income securities such as certificate of deposits and liquid mutual funds to ensure adequate liquidity is available. Hence temporary market volatility, if any (such as those due to pandemics/epidemics such as COVID) is not considered to have material impact on the carrying value of these Investments. Nevertheless, the Company has invested its surplus funds primarily in debt instruments of its subsidiary with CRISIL AAA and STABLE A1+ rating and thus the Company does not have significant risk exposure here.

35 Capital management

a) Objectives, policies and processes of capital management

The Company is cash surplus and has only equity capital. Under Master Direction – Core Investment Companies (Reserve Bank) Directions, 2016, the Company is termed as an Unregistered Core Investment Company (CIC) as per Reserve Bank of India Guidelines dated 13 August 2020 and is not exposed to any regulatory imposed capital requirements.

The cash surpluses are currently invested in debt and money market instruments (including through mutual funds) depending on economic conditions in line with the CIC guidelines set out by the RBI and investment policy set by the Management. Safety of capital is of prime importance to ensure availability of capital for operations. Investment objective is to provide safety and adequate return on the surplus funds.

The Company does not have any borrowings.

Particulars	(₹ In Crore)	
	As at 31 March	
	2021	2020
Equity	3,800.92	3,535.43
Less: Tangible and other assets	160.85	158.38
Working capital	151.73	29.11
Deferred tax assets/(liabilities) (net)	(6.63)	7.94
Investments in subsidiaries and joint venture	2,394.66	2,282.77
Investments in debt and similar investments	1,100.31	1,057.23

No changes in this regard were made in the objectives, policies and processes of capital management during the year.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

35 Capital management (Contd.)

b) Dividends distributed and proposed

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2021	2020
Dividends recognised in the financial statements		
Final dividend for the year ended 31 March 2020 of ₹ Nil (31 March 2019 - ₹ 2.50) per equity share.	–	39.79
Interim dividend for the year ended 31 March 2021 of ₹ Nil (31 March 2020 - ₹ 5.00) per equity share, declared and paid	–	79.57
Dividends not recognised at the end of the reporting period		
Directors have recommended the payment of a final dividend of ₹ 3 per equity share (31 March 2020 - ₹ Nil). This proposed dividend is subject to the approval of shareholders in the ensuing annual general meeting	47.74	–

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

36 Maturity analysis of assets and liabilities

(₹ In Crore)

Particulars	As at 31 March 2021			As at 31 March 2020		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Assets						
Financial assets						
Cash and cash equivalents	24.25	-	24.25	4.35	-	4.35
Bank balances other than cash and cash equivalents	100.00	0.42	100.42	0.03	0.58	0.61
Trade receivables	0.52	-	0.52	0.43	-	0.43
Investment in subsidiaries and joint venture	-	2,394.66	2,394.66	-	2,282.77	2,282.77
Other investments	455.69	644.62	1,100.31	704.60	352.63	1,057.23
Other financial assets	36.61	1.24	37.85	60.20	1.33	61.53
Non-financial assets						
Current tax assets (net)	-	46.85	46.85	-	24.61	24.61
Deferred tax assets (net)	-	-	-	-	7.94	7.94
Investment property	-	5.37	5.37	-	5.50	5.50
Property, plant and equipment	-	153.19	153.19	-	152.88	152.88
Capital work-in-progress	-	2.29	2.29	-	-	-
Other non-financial assets	0.06	2.76	2.82	0.38	1.93	2.31
Total	617.13	3,251.40	3,868.53	769.99	2,830.17	3,600.16
Liabilities						
Financial liabilities						
Trade payables	2.31	-	2.31	2.10	-	2.10
Other financial liabilities	29.25	2.55	31.80	29.79	2.73	32.52
Non-financial liabilities						
Current tax liabilities (net)	-	17.41	17.41	-	17.41	17.41
Deferred tax liabilities (net)	-	6.63	6.63	-	-	-
Provisions	3.94	2.42	6.36	2.43	6.37	8.80
Other non-financial liabilities	3.10	-	3.10	3.90	-	3.90
Total	38.60	29.01	67.61	38.22	26.51	64.73
Net	578.53	3,222.39	3,800.92	731.77	2,803.66	3,535.43

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

37 Share-based payments (Employee option plan)

The Company has established employees stock options plan, 2018 (ESOP Scheme) for its employees pursuant to the special resolution passed by shareholders at the annual general meeting held on 19 July 2018. The employee stock option plan is designed to provide incentives to the employees of the Company and for its unlisted subsidiaries to deliver long-term returns and is an equity settled plan. The ESOP Scheme is administered by the Compensation committee of the Board. Participation in the plan is at the Compensation committee's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. Options granted under ESOP scheme would vest in not less than one year and not more than five years from the date of grant of the options. The Compensation committee of the Company has approved grant with related vesting conditions. Vesting of the options would be subject to continuous employment with the Company and hence the options would vest with passage of time. In addition to this, the Compensation committee may also specify certain performance parameters subject to which the options would vest. Such options would vest when the performance parameters are met.

Once vested, the options remain exercisable over period of eight years from the date of vesting or such period as may be decided by the Compensation committee at its sole discretion from time to time. Options granted under the plan are for no consideration and carry no dividend or voting rights. On exercise, each option is convertible into one equity share.

Set out below is a summary of options granted under the plan to employees of the Company and its unlisted subsidiaries

Particulars	Number of options	
	As at 31 March	
	2021	2020
Opening balance	288,037	134,997
Granted during the year	500,912	164,925
Exercised during the year	5,376	353
Forfeited during the year	11,399	11,532
Closing balance	772,174	288,037
Vested and exercisable	117,248	38,151

No options expired during the year

Weighted average fair value of options granted during the year

Grant date	21 May 2020	16 September 2020
Weighted average fair value per option	₹ 1,517 per option	₹ 1,611 per option

The fair value at grant date is determined using the Black Scholes model which takes into account the exercise price, the term of the option, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Notes to standalone financial statements for the year ended 31 March 2021 (Contd.)

37 Share-based payments (Employee option plan) (Contd.)

The model inputs for options granted during the year ended 31 March 2021 and 31 March 2020 included

Grant	Tranche I	Tranche II	Tranche III	Tranche IV	Tranche V
a) options are granted for no consideration and vesting period is	1 to 4 years	1 to 4 years	1 to 4 years	1 to 4 years	1 to 2 years
b) exercise price	₹ 6,365.70 per option	₹ 6,050.90 per option	₹ 7,454.70 per option	₹ 4,702.05 per option	₹ 6,115.55 per option
c) grant date	19 July 2018	29 January 2019	16 May 2019	21 May 2020	16 September 2020
d) share price at grant date	₹ 6,296.90	₹ 6,233.05	₹ 7,617.45	₹ 4,537.75	₹ 6,143.60
e) expected price volatility of the Company's shares	29.65%	30.50%	30.40%	35.56%	36.57%
f) expected dividend yield	0.03%	0.03%	0.02%	0.05%	0.08%
g) risk-free interest rate	8.07%	7.45%	7.56%	6.35%	6.41%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

38 On the basis of information requested from vendors with regards to their registration (filing of Memorandum) under 'The Micro, Small and Medium Enterprises Development Act, 2006. (27 of 2006)' and in view of the terms of payments not exceeding 45 days, which has been promptly paid, no liability exists as at 31 March 2021 and 31 March 2020 and hence no disclosures have been made in this regard.

39 Events after reporting date

There have been no events after the reporting date that require disclosure in these financial statements.

40 Miscellaneous

Amounts less than ₹ 50,000 have been shown at actual against respective line items statutorily required to be disclosed.

As per our report of even date

On behalf of the Board of Directors

For S R B C & CO LLP
ICAI Firm Registration Number: 324982E/E300003
Chartered Accountants

per Vaibhav Kumar Gupta
Partner
Membership Number: 213935

Pune: 28 April 2021

S Sreenivasan
Chief Financial Officer

Sonal R Tiwari
Company Secretary

Sanjiv Bajaj
Chairman & Managing Director

Madhur Bajaj
Director

NOTES

[illegible]

NOTES

[illegible]



In these toughest of times,
we may lose a lot. But we will not
lose **hope** because it makes us live
for a better tomorrow.



BAJAJ FINSERV LIMITED

Akurdi, Pune - 411 035, India
www.bajajfinserv.in

FY2021

**BUSINESS
RESPONSIBILITY
REPORT**

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To download this report or for any other company information, please check link
<https://www.bajajfinserv.in/finserv-investor-relations-annual-reports>



Preface

The Securities and Exchange Board of India (SEBI) has mandated India's top 1000 listed entities based on market capitalisation on BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) to submit 'Business Responsibility Report' (BRR) along with their Annual Report. This report is required to be in line with the 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business' ('NVG') as released by the Ministry of Corporate Affairs in July 2011.

Bajaj Finserv Limited ('BFS', 'Bajaj Finserv', 'the Company') herewith presents its BRR for FY2021, in line with the NVG and BRR requirement under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "SEBI Listing Regulations").

This report describes the approach of the Company and its subsidiaries ('BFS Group', 'the Group') towards creating employee-friendly workplace and positive environmental and social outcomes through its business in a responsible, ethical and inclusive manner. It also highlights the Group's commitment towards enhancing customer experience.

While this BRR provides information about the key initiatives undertaken by the Group towards Environment, Society and Governance ('ESG'), certain other initiatives that are covered in the annual report of the Company and its subsidiaries for FY2021 (available on Company's website – bajajfinserv.in) have not necessarily been repeated here.

About Bajaj Finserv

BFS is the holding company for financial services business in the Bajaj Group. It serves millions of customers through its subsidiaries by providing financial products and services for asset acquisition through financing, asset protection through general insurance, family & income protection in the form of life & health insurance and retirement & savings solutions.

BFS's areas of business



Consumer Finance and Lending

BFS participates in lending business through its 52.74% subsidiary – Bajaj Finance Limited (BFL), a non-banking finance company (NBFC), whose equity shares are listed on BSE and NSE. BFL also participates in savings business by offering fixed deposits, mutual funds and the like to its customers.

BFL operates mortgage business through a 100% subsidiary – Bajaj Housing Finance Limited (BHFL), which is registered with the National Housing Bank as a Housing Finance Company. BHFL's debt is listed on BSE. BFL also has broking business through its another 100% subsidiary – Bajaj Financial Securities Limited (BFSL).



Insurance

BFS's insurance participation is through (i) Bajaj Allianz General Insurance Company Limited (BAGIC) – general insurance (including health insurance); and (ii) Bajaj Allianz Life Insurance Company Limited (BALIC) – life insurance and retirement plans (together 'Insurance subsidiaries'). Both are unlisted joint ventures with Allianz SE, one of the world's leading composite insurers. BFS holds 74% equity capital in these companies, with the balance being held by Allianz SE.



Renewable Power

BFS has interest in renewable energy in the form of 138 windmills situated in Maharashtra, with an aggregate installed capacity of 65.2 MW.



New Ventures

BFS through its 100% subsidiary, Bajaj Finserv Direct Limited (BFDL), is creating a digital marketplace which offers range of financial products including loans, insurance, mutual funds, investments, payments and select e-commerce. It has been recognised, during the year, by Economic Times for 'Business Model Innovation'.

BFS through its another 100% subsidiary, Bajaj Finserv Health Limited (BFHL), seeks to create digital, preventive and personalised pre-paid health solution for customers connecting them with service providers such as hospitals, clinics, doctors, pharmacies, diagnostic centres and the like.

During the year, BFS has made an application to the SEBI seeking permission to set up an asset management company in order to start the mutual fund business.

Under the Master Circular – Core Investment Companies (Reserve Bank) Directions, 2016, the Company is termed as an unregistered Core Investment Company as per Reserve Bank of India (RBI) Guidelines dated 13 August 2020. The Company's equity shares are listed on BSE and NSE.

Key consolidated financial metrics for the BFS Group (₹ In crore)

FY2020	54,347	3,369	251,384
FY2021	60,592	4,470	280,164
	Total income	Net profit*	Total assets

*attributable to owners of the Company

Message from the Chairman & Managing Director

“ESG is not just the right thing to do, it is what will shape a better tomorrow”

Sanjiv Bajaj



To view the message,
click the play button



As one of the most diversified and profitable financial services group in the country, we are aware of the transformative effect we have in shaping a better society. By mobilising finance, providing protection and making available other financial products and services, we can leave a far greater impact on people by empowering them.

Achieving the United Nations Sustainable Development Goals, as outlined in Agenda 2030, requires public and private sector to work together in order to achieve desired results across the three dimensions of sustainable development: economic, social and environmental. We are cognisant of the importance of integrating sustainable development dimensions of ESG in our business operations. Our governance mechanisms lead from the front, as they reflect the principles entrenched in our values and policies. We believe in not only meeting compliance requirements, but also improving upon them to run prudent businesses.

Through our consumer finance and lending business, we have been at the forefront of bringing new-to-credit customers onto the credit bureau with our innovative financing products and thereby enabling them to have access to a larger suite of products offered by the financial services sector. We have also been active participants in the Government's crop insurance programmes, thereby providing protection to farmers from vagaries of the nature. As a Group, we are committed to "reaching financial services to millions of Indians".

Our businesses have limited impact on the environment, being in financial services. But we are sensitive to the needs of our planet today and have taken steps to reduce paper consumption, make our offices eco-friendly, offer financial products that support protection of planet and more. With our windmills, we continue to generate more renewable power than we consume in the Group. We have also initiated carbon footprint assessment across our businesses and will take necessary measures to reduce it.

Bajaj Group's philanthropic philosophy was articulated by its founder Shri Jamnalalji Bajaj who had advised that all business activities should look for philanthropy opportunities. In the same breath, he also said that business motive should not be considered during philanthropy. This philosophy shapes the way we have worked with the underprivileged in the areas of health, education and livelihood. The world has seen how COVID-19 created a significant challenge for the society and the Bajaj Group committed ₹ 100 crore towards the cause. With the recent rise of COVID-19, we continue to work passionately towards the cause.

Finally, our business hinges on our customers and their needs. Listening to our customers and driving continuous transformation to provide them a frictionless experience is what we have always strived for. Our investments in machine learning, robotic process automation and other technologies are testament to this commitment. These are backed by our cyber security and data protection policies and practices. We have also been actively educating our customers about their credit performance, financial products, potential frauds, information security, phishing and more.

None of this is possible without our people, who are at the heart of our success. We are committed to attract, engage and retain the right talent and provide them a fair, safe and transparent workplace. Even as COVID-19 created a significant challenge for our employees, we stayed committed to provide them safer and healthier physical work environment.

Life has a way of testing us at times we least expect it. Nothing embodies this better for us in recent times than FY2021. It served an unprecedented challenge – but one that we saw as an opportunity, to maximise our ESG ethic like never before, especially in the areas of financial inclusion and Corporate Social Responsibility ('CSR'). With our resilient and time-tested DNA, we knew how to stand tall in the midst of a crisis, and also bend, respond and adapt swiftly – a skill we will carry into the future with our head held high.

ESG is not just the right thing to do, it is what will shape a better tomorrow.

Sanjiv Bajaj

Chairman & Managing Director

Pune

28 April 2021

Summary of our major initiatives towards furtherance of ESG



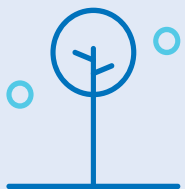
Governance

- Board approved business responsibility policy of the Company and its material subsidiaries¹ consisting the essence of ESG and empowered ESG executive committee.
- Board is composed of directors from diverse backgrounds and substantial experience.
- Liquidity / solvency higher than the statutory requirement across material subsidiaries.
- Women empowerment through our policies at workplace, entrepreneurship opportunities, social initiatives and more.



Reaching financial services to millions of Indians

- Operates over 2,200 branches through our subsidiaries across the country providing finance, insurance etc.
- Insured crop in over 12 million hectares covering about 4.8 million farmers in 13 states in last 3 years.
- Insured over 48.4 million beneficiaries / 12.98 million families through participation in Government's health insurance schemes, in last 3 years.
- Extended financing to over 10 million new-to-credit customers during last 3 years.
- Significantly higher contribution of rural and social sector business in Insurance subsidiaries, as compared to Insurance Regulatory and Development Authority of India (IRDAI) norms.
- Disbursed ₹ 3,098 crore under 'Pradhan Mantri Awas Yojana'.
- Committed to open 50 financial inclusion branches of BFL in rural and backward areas in FY2022.



Preserving and protecting environment

- Renewable power generated is over two times the electricity consumed.
- Planted saplings and water harvesting / conservation initiatives.
- Established eco-friendly offices and practices.
- Continuous focus on reducing paper consumption through digital initiatives.
- Promoting fixed deposits through digital medium by offering 10bps of incremental pricing.



Empowering society

- Spent ₹ 151 crore towards CSR in FY2021.
- 'Cleft Reconstructive Surgeries' for more than 58,000 children since 2014.
- Healthy motherhood and childhood for about 85,000 households since 2017.
- Eye care for 0.4 million individuals over last 3 years.
- Education facility for 67 autistic and slow learner children since 2019.
- Safe and nurturing environment for 5,423 children of migrant labourers since 2016.
- 9,511 students (67.5% being women) have enrolled for Certification Programme in Banking, Finance and Insurance (CPBFI), since inception.
- About 860 women farmers in 12 villages empowered in ecologically sensitive areas.
- In response to COVID-19, focussed on setting up COVID care centre, upgrading of hospitals, distribution of safety gears and immunity booster medicines, etc.

¹BFL, BHFL, BAGIC and BALIC are material subsidiaries



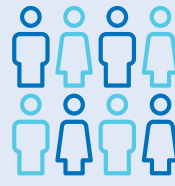
Customer centricity

- Charters and policies to protect interest of customers.
- Use of technology to enhance customer experience.
- Customer education and awareness campaigns.
- Supported customers amidst the pandemic through:
 - requested and *suo moto* repayment moratorium
 - renewal extension for health, motor and life insurance
 - one-time restructuring of loans for COVID-related stress
 - introduced Tele Medical Examination Report for health check-ups



Information and cyber security

- Well-established information security framework, cyber security policy and business continuity plan.
- Dedicated information security, cyber risk and fraud control units.
- Data Loss Prevention solutions in place.
- IT Security related projects have oversight of Board of respective companies.
- Data security and information technology security systems compliant with ISO 27001:2013.
- Over 86% employees completed training on cyber security.



Human capital management

- Promoted equal employment opportunities and nurtured diversity.
- Commitment to employees is enshrined in employee charters setting out employee rights and responsibilities, in all companies in the Group.
- More than 33,000 employees underwent training to upskill / multi-skill themselves.
- Youth employment – over 40% employees are below 30 years of age.
- Offered equal growth opportunities through auto promotions / internal job posting mechanism – more than 4,200 employees moved to new roles.
- COVID-19 initiatives for employees and their families:
 - financial aid of ₹ 36 crore to 4,476 employee families.
 - dedicated 24*7 helplines – served more than 10,500 employees
 - 25,816 free doctor consultations for employees
 - professional counsellors to discuss mental health and wellbeing matters – availed by more than 1,100 employees



Stakeholder engagement

- Maintained one of the highest standards of business information disclosure amongst financial services group in India.
- Continuous engagement with value chain partners.
- Various offline and online engagement channels for customers.
- Actively participated in public and regulatory policy development.

Details of our ESG initiatives



a. Governance

Integrity, ethical behaviour and prudent practices are at the heart of great businesses. BFS, built on these timeless principles, is a part of the Bajaj Group, which has roots in India's freedom struggle. It strives to combine the Bajaj Group's historical values with modern best-in-class business practices.

The Company and all its material subsidiaries have their own business responsibility policies as approved by their respective Boards, the implementation of which is monitored through empowered executive committee.

Corporate Governance

The Bajaj Group's commitment to the highest standards of corporate governance practices predates provisions of the SEBI Listing Regulations and Clause 49 of erstwhile Listing Agreement. BFS strives to adopt highest standards of corporate governance, while adhering to guidelines with transparent disclosures about performance and business.

- Number of Board meetings more than the statutory requirement, including meetings dedicated to discussing strategy, operating plans and risk.
- Board is composed of directors from diverse backgrounds and substantial experience, who are able to provide appropriate guidance to the executive management as required.
- The Board comprises independent directors with outstanding track record and reputation.
- Pre-Audit Committee meetings of Audit Committee Chair with Statutory auditors, Internal auditor and members of executive management who are the process owners.
- Separate meeting of independent directors without presence of non-independent directors or executive management.
- Confidential Board evaluation process where each Board member evaluates the performance of every other Director, Committees of the Board, the Chairman of the Board and the Board itself.
- Presentations by key senior management team members of the Company and its subsidiaries to familiarise the directors with key elements of each of the businesses.
- Complete and detailed information provided to Board members in advance to enable them to evaluate matters brought to the Board getting considered carefully with meaningful discussions.
- Representation of the Company via non-executive and independent directors in the Boards of its material subsidiaries ensuring an institutionalised structure of oversight over such subsidiaries.
- Adoption of key governance policies and codes by the Board, which are made available to stakeholders for downloading/viewing from the Company's website.
- Half-yearly letter from the Chairman to all shareholders of the Company giving an update on the Company's performance.
- Apart from BFS and its listed subsidiaries, which carry out familiarisation programs for its Directors, as required under the SEBI Listing Regulations, even unlisted material subsidiaries on an ongoing basis keep their respective Directors abreast on matters relating to the industry, business models, risk metrics, mitigation and management, governing regulations, information technology including cyber security, their roles, rights and responsibilities and major developments and updates on the Company, etc. Further independent directors of Insurance subsidiaries also participated in the orientation programme conducted by National Insurance Academy.

Full details of the Company's Corporate Governance are presented separately in the Corporate Governance Report section of the Annual Report.

Ethics and Integrity

At BFS Group, ethics and integrity are deeply ingrained and practised in day-to-day operations. Some of the key elements of its policies and practices in this regard include:

- BFS's Code of Conduct ('COC') covers good working, cultural and integrity norms. It includes 'disciplinary actions & grievance redressal policy' and 'whistle blower policy/vigil mechanism' which allows employees to consult on issues, report and/or escalate grievances of any nature including harassment, fraud / suspected fraud, unethical behaviour, instances of leak or suspected leak of Unpublished Price Sensitive Information, etc. which are detrimental to the Company's interest or/and is a process/policy violation.
- The Group has in place policies and processes to safeguard employees who report any unethical behaviour, against discrimination, harassment, victimisation or other unfair employment practice. BFS and its material subsidiaries also accord direct access to Chairman of their Audit Committee.
- BFS and its listed subsidiaries have a separate CoC for its Directors and Senior Management – 'Directors and Senior Management shall observe the highest standards of ethical conduct and integrity and shall work to the best of their ability and judgement'. The Annual Report carries Directors' and Senior Management's affirmation as communicated to all stakeholders by the Chairman & Managing Director.
- The Company, through its Chairman, has signed charters of Confederation of Indian Industry ('CII'):
 - 'Model code of conduct for ethical business practices' – containing ethical practices regarding accurate books and records, bribery and corruption, fair and equitable treatment, environment and society and the like.
 - 'Charter on fair and responsible workplace guidelines for collaborative employee relations' – laying down principles for operating ethos, collectivism, engagement and dispute resolution amongst others.
 - 'Charter on fair and responsible workplace guidelines for contract labour' – provides for well-being of non-permanent workforce and building positive practices in engaging such workforce.
- BFS Group has zero tolerance towards unethical business practices and ensures adherence to necessary policies with respect to anti-fraud, anti-bribery, conflict of interest, prevention of insider trading, prevention of money laundering, prevention of sexual harassment and related-party transactions. Depending on the nature of severity of misconduct/non-compliance of CoC/policies, appropriate action ranging from counselling, warning, suspension, pay deduction to termination is taken.
- Material outsourcing contracts across the BFS Group require vendors to confirm anti-corruption practices through their agreements with us.
- Transparency and fairness in dealings with customers is followed across the Group. None of the products withhold any relevant information needed by the customers to make informed decisions.

Prudent and responsible business conduct

The Group is committed to building long-term businesses and provide sustainable growth and returns to its stakeholders. While adopting high standards of governance, following prudent business practices is equally important to ensure that businesses are not exposed to undue risks.

Some of the prudent business practices are enumerated below:

- Recognising the risks that our businesses carry and keeping the interest of its stakeholders into consideration, all material subsidiaries maintain liquidity / solvency in excess of the norms laid down by the relevant regulators:

Subsidiary	As of 31 March 2021		As of 31 March 2020	
	Regulatory requirement	Company ratio	Regulatory requirement	Company ratio
A. Capital to Risk-weighted Assets Ratio (CRAR)				
BFL	15% (RBI)	28.3%	15% (RBI)	25%
BHFL	14% (RBI)	21.3%	13% (RBI)	25%
B. Solvency Ratio				
BAGIC	150% (IRDAI)	345%	150% (IRDAI)	254%
BALIC	150% (IRDAI)	666%	150% (IRDAI)	745%

- BFL maintains low leverage levels and has always raised equity capital upon reaching 6 to 7 times, much more conservative than the regulatory stipulation and most other NBFCs.
- More than 99% of fixed income portfolio of Insurance subsidiaries consists of highest credit rated securities (sovereign / AAA or equivalent).
- Risk management systems have been robustly developed across our businesses and is reflected in:
 - BFL has consistently maintained one of the lowest GNPA and NNPA levels. Despite the stress caused by pandemic, BFL

ended FY2021 with GNPA and NNPA on a consolidated basis of 1.79% and 0.75% respectively, marginally higher than 1.61% and 0.65% respectively in FY2020.

- BALIC won the 'Best Fraud Intelligence' award at the 5th Annual Insurance India Summit & Awards 2020 recognising fraud prevention and mitigation initiatives.
- BAGIC's Operational Risk Management process is 'ISO 9001:2015 - Quality Management System' certified, signifying its organisational objective towards proactively managing risks.
- BFL having recorded enviable performance metrics over the last 12 years, from FY2009 to FY2020, with compounded annual growth rate of 45% in its consolidated AUM and 58% in its consolidated profit after tax, in FY2021, it focussed on sustainability and long-term health of the business considering the ongoing COVID-19 pandemic. It contained itself with marginal growth in its AUM of 4%, while ensuring adequate loan loss provisioning for risk emanating from COVID-19 induced stress.
- Long-term sustainable businesses can only be run by empowered professionals. But the BFS Group strongly believes that empowerment and accountability go hand-in-hand and hence 'Accountable Empowerment' is one of its core principles. With this principle in mind, all the Companies in the Group are managed by competent professionals, while being overseen by the respective Boards. The remuneration of senior management across BFS Group is benchmarked with appropriate peer groups and consists of fixed pay, annual variable pay and long-term incentive (including stock options).
- Across our material subsidiaries, we use a compliance management tool to identify, report and monitor the compliances. Further, we have engaged a well reputed advisory firm, to assist us in keeping the library of compliances updated in the tool on a monthly basis.



Women empowerment

Women empowerment is one of the key priorities for sustainable and inclusive development of the society. Our initiatives for empowerment of women within the Group and outside include:

- To support women colleagues, BFS and its subsidiaries have policies such as women safety, cab facility, women travel policy, flexible working hours (especially post maternity), preferential transfers and so on.
- Insurance subsidiaries provide significant entrepreneurship opportunities to women – 14,763 women insurance agents represent 19% of our total insurance agents.
- Female student enrolment in CPBFI is 67.5% – our flagship programme to equip fresh graduates and final-year undergraduate students for BFSI sector.
- Empowering women (including young girls) through our other CSR programmes in areas of healthcare, education and livelihood (refer 'Empowering society' section at page 15).
- Loans of more than ₹ 42,000 crore disbursed to over 7.4 million women borrowers during last 3 years.



b. Reaching financial services to millions of Indians

The BFS Group strongly believes that individuals and businesses across the country should have access to relevant and affordable financial products and services in a sustainable way that meet their transactional, payments, credit, insurance and savings needs. It operates over 2,200 branches across the country providing finance, insurance and other products and has increased access to financial products and services through digital presence over the years.

BFS Group's initiatives towards this objective include:

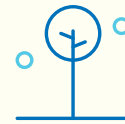
- The Group has created deep distribution in medium and small towns, and villages across the country thereby taking financial solutions closer to society. For example, BFL is operational in 1,690 such locations with retail presence in over 24,000 points of sale. To further expand its reach to under-banked and unbanked rural customers, BFL has committed to opening 50 financial inclusion branches in rural and backward areas in FY2022.
- With active participation in the Government's crop insurance programmes, we have insured over 12 million hectares covering about 4.8 million farmers in more than 13 states in last 3 years.
- Similarly, through participation in Government's health insurance schemes, in last 3 years, we have insured over 48.4 million beneficiaries / 12.98 million families.
- The Group has been at the forefront of bringing new-to-credit customers onto bureau with small-ticket financing products and thereby enabling them access to a larger suite of products offered by the financial services sector. In last three years, BFL has extended credit facilities to over 10 million new-to-credit customers.
- Significantly higher contribution of rural / social sector business in our Insurance subsidiaries as compared to IRDAI norms:

	Subsidiary	IRDAI requirement	FY2021	FY2020
Rural Sector Obligation	BAGIC	7%	15.3%	7.9%
	BALIC	20%	28.9%	27.4%
Social Sector Obligation	BAGIC	5%	25.0%	20.6%
	BALIC	5%	11.7%	18.8%

- Supporting the national agenda of 'Housing for All', disbursed loans of ₹ 3,098 crore under 'Pradhan Mantri Awas Yojana' to 11,136 customers and facilitated ₹ 168 crore of interest subsidy from National Housing Board for customers.
- 'Bajaj Allianz Life Pradhan Mantri Jeevan Jyoti Bima Yojana' was launched which provides life cover of ₹ 2 lakh at an affordable annual premium of ₹ 330. This is a Government-backed scheme, which is simple to enrol and does not require pre-issuance medical tests.
- BFL caters to working capital and term loan needs of professionals and the relatively underserved SME and MSMEs. These offerings serve short-term and growth needs.

The Group's operations into smaller towns and villages create localised opportunities in the form of employment and addition to value-chain partner network. Such opportunities enhance local capabilities and create a chain of economic cycle in such towns and villages. For example, BFL operates 'Rural Training Centres' in four locations to equip its rural employees with requisite functional and technical skills.





c. Preserving and protecting environment

As a financial services group, BFS does not have a sizeable consumption of any raw material nor does it produce any tangible goods. We only provide financial solutions to serve the needs of the people. Yet, we passionately nurture a culture of conservation and reduce dependence on natural resources.

138 windmills of the Company with installed capacity of 65.2 MW generated over 64 million units of electricity, which is over two times the electricity consumed by the BFS Group. The Group is a net generator of renewable power.

We have adopted four major areas in preservation and protection of environment: i) off-setting environmental impact, ii) eco-friendly offices and practices, iii) reducing paper consumption, and iv) products that preserve and protect the environment.

These initiatives are detailed below:

Off-setting environmental impact

Following initiatives assist in off-setting the impact of businesses on environment:

- 138 windmills of the Company with installed capacity of 65.2 MW generated over 64 million units of electricity, which is over two times the electricity consumed by the BFS Group². The Group is a net generator of renewable power.
- In addition, there are rooftop solar plants installed with capacity to generate 0.10 million units annually.
- Planted over 0.23 million saplings at more than 350 locations in the last 3 years.
- Two large offices in Pune have rainwater harvesting facility, with aggregate capacity of 14,600 litres.
- BFS Group also participates in the Bajaj Water Conservation Project benefiting 25,847 households (144,657 lives) over 110 villages with improved irrigational opportunities and safe drinking water.

Eco-friendly offices and practices

The offices that people interact with every day, set the benchmark for BFS's beliefs and work ethic, including its commitment to a better environment. Its initiatives include:

- selected and designed offices to facilitate maximum natural light.
- use of LED light fittings in most offices.
- installed more than 5,100 ozone-friendly air conditioners manufactured with R32 refrigerant – resulting in lower carbon emission.
- implemented e-waste policy encompassing safe disposal and handling with certified handlers.
- segregation of dry and wet waste.
- using cloud-based virtual servers to increase energy efficiency and data security.
- meeting and training through digital mediums – reducing impact of travel on environment.

Reducing paper consumption

The BFS Group strives to reduce paper consumption across all business operations. We have been increasingly focussed on integrating digital applications; improving efficiencies, lowering cost and enhancing customer experience, while helping protect the environment. Our initiatives include:

Customer processes

- e-agreements and OTP-based agreements across low ticket and high-volume businesses.
- end-to-end web-based onboarding of customers, intermediaries, agents, etc.
- insurance policy issuance through electronic means.
- enabling customers to place fixed deposits through end-to-end digital medium.
- paperless loans on e-commerce and wallet platforms, and through tele-binding process for existing customers.
- video survey facility for motor insurance claims.
- providing e-mandate registration process.
- processing of insurance claims based on scanned documents and images.
- processed over 2.4 million requests for EMI moratorium digitally.
- migrating all mandatory and voluntary customer communications over email, messaging apps etc.

Employee processes

- paperless hiring of over 5,000 employees saving document submission and ensuring superior experience.
- adoption of payroll services portal and applications for communicating related information.
- final settlements and claim management of employees through clearance portals.

Other processes

- shifting from issuance of physical purchase orders to electronic purchase orders.
- shifting significant proportion of invoice processing to e-invoicing
- end-to-end digital claim settlement.
- access-controlled printing system which enables reducing paper wastage.

As a step towards further reducing paper consumption across the Group, documents for i) Board and their Committee meetings and ii) internal review meetings are all transmitted electronically, using a secured web-based application, since past many years.

Products that preserve and protect the environment

Another important way of supporting the environment is providing financial offerings to our customers that assist in preservation and protection of environment:

- insuring solar power generation facilities, electric vehicles, etc.
- financing solar power generation facilities.
- promoting fixed deposits through digital medium by offering 10bps of incremental pricing.

We have also initiated carbon footprint assessment across our companies and will take necessary measures to reduce it.

²The Company and its subsidiaries do not consume the minimum power needed to qualify for captive consumption and hence, the power is wheeled to third party consumers.



d. Empowering society

Bajaj Group's philanthropic philosophy was articulated by its founder Shri Jamnalalji Bajaj who had advised that all business activities should look for opportunities for philanthropy. In the same breath, he also said that business motive should not be considered during philanthropy.

Most of the projects we support are executed by credible grassroots organisations – ranging from very small local entities to those with a pan-India presence. Since 2014 we have worked with 181 partner organisations on more than 250 projects. In collaboration with other entities in the Bajaj Group, the partner engagement is managed through an online platform. Partner proposals undergo appropriate checks to ensure that they meet stipulated criteria and have the potential for delivering to target beneficiaries. While collaborating with other Companies in the Bajaj Group, the BFS Group has its own flagship projects that resonate closest to its social objectives of healthcare, education and livelihood.

Healthcare

We have directed our focus towards projects that would help in i) healthcare infrastructure creation and augmentation, ii) reduction in malnourishment, infant and maternal mortality rates, iii) communicable & non-communicable diseases, and iv) specialised surgeries & treatment programmes. Some of the notable impact of these initiatives have been as under:

- 'Cleft Reconstructive Surgeries' for more than 58,000 underprivileged children across India since 2014.
- Medical support provided to 70 underprivileged children suffering from Type 1 Diabetes.
- Healthy motherhood and childhood projects in Rajasthan benefiting about 85,000 households since 2017.
- 20 differently abled girls supported for education, medical care, vocational training and professional courses since 2019.
- Developed 12 model comprehensive villages in rural Pune covering antenatal care and postnatal care, for children and elderly from 2019.
- 0.4 million individuals (including 0.1 million children) across 1,496 villages, benefited from eye screening and spectacle distribution initiatives over last 3 years.
- Facilitated setting up of mental health centre, creating awareness amongst about 1,000 students, 298 teachers and 100 parents since 2018.



Spreading smiles with cleft lip surgeries – Smile Train

Every year about 35,000 children in India are born with clefts and less than 50% of those children get treatment due to ignorance and poverty. Children with untreated clefts often have difficulty in breathing, eating and speaking. Since October 2014, in partnership with Smile Train, free cleft reconstructive surgeries have been provided to more than 58,000 children at 25 Smile Train partner hospitals in Maharashtra, Rajasthan, Uttar Pradesh, Bihar, Jharkhand, Telangana and Delhi. The programme also includes crucial comprehensive care elements such as speech therapy and cleft orthodontics.

Education

Education initiatives focus strongly on primary education with special focus on improving i) low learning outcomes, ii) early childhood education, iii) learning disabilities and iv) out-school programmes. Some of the notable impact of these initiatives has been as under:

- Education facility for 67 autistic and slow learner children since 2019.
- Safe and nurturing environment for 5,423 children (up to 6 years of age) of migrant labourers since 2016, with age-appropriate development activities such as health, nutrition and low-cost education.
- Created scalable model schools that provide quality education to underprivileged children – 300 students in 2016 to 636 in 2020.
- 1,064 children of migrant labourers have been enrolled in school since 2016, including 534 girls.



The Akanksha Foundation, Pune

With a mission to create scalable model schools that provide quality education to children from underprivileged backgrounds, we have partnered with The Akanksha Foundation.

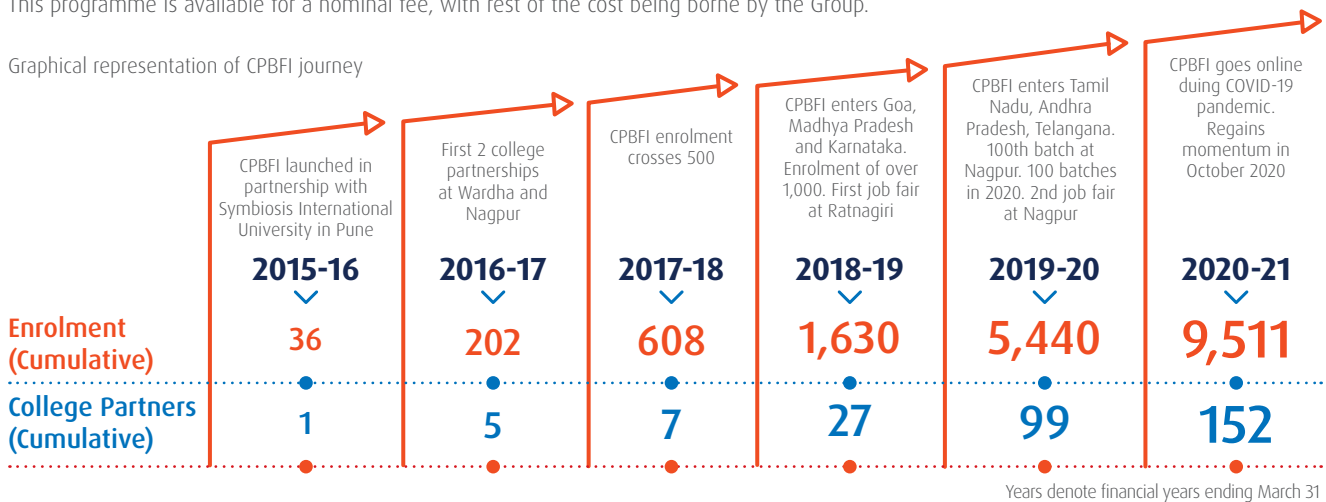
- Students increased from 300 in 2016 to 636 in 2020.
- Teachers engagement increased from 11 in 2019 to 32 in 2020.
- 50% increase in the performance of the 10th standard students.

CPBFI – Our flagship programme

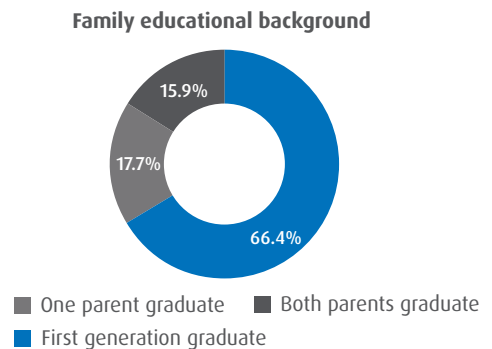
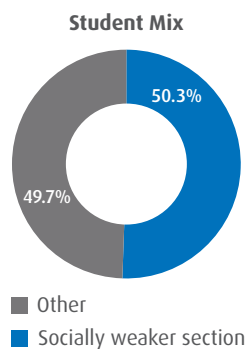
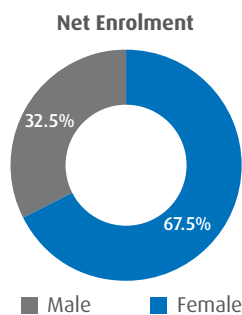
CPBFI is a customised certificate programme to equip fresh graduates and final-year undergraduate students with requisite attitude, skills and domain knowledge required by the BFSI sector, one of the largest employers of graduates in India. It enables building local talent pool for the BFSI sector across Tier 2 and 3 cities of India. This is our directly implemented initiative and has been scaled up over the years.

We have partnered with a top management school and experts in the mental health space to develop the curriculum and pedagogy for the programme. The training is imparted by a team of corporate trainers. A round of mock interviews is also conducted by recruiters from the BFS Group, where the students gain experience of a corporate recruitment process and receive feedback about their own readiness for industry. This programme is available for a nominal fee, with rest of the cost being borne by the Group.

Graphical representation of CPBFI journey



Beneficiary Profile



Livelihood

The BFS Group undertakes two modes of livelihood activities i) farm/agro based and ii) non-farm. Further, we also undertake projects in childcare and protection. Some of the notable impact of these initiatives have been:

- Around 860 women farmers in 12 villages were empowered to align their farming with new technologies, markets and build efficient supply chain in ecologically sensitive areas.
- We support 16 Rainbow homes operational in Pune, Kolkata and Patna, a non-custodial care that provides education, protection, love and care to street children.
- Specialised adoption agency to 285 mothers and 330 orphaned children
- Mentorship to 1,071 disadvantaged youth in developing business ideas into viable enterprises.

Our response to COVID-19

In order to strengthen the country's fight against COVID-19, we have taken certain initiatives:

- The Bajaj Group pledged ₹ 100 crore to fight against COVID-19. Working with the Government and a network of about 200 NGO partners, the Bajaj Group committed to ensure that resources like access to healthcare and other necessities of life reach those who need it the most. Efforts have been focussed on setting up a COVID Care Centre in

Pune, upgradation of hospitals, distribution of safety gears and immunity booster medicines, amongst others.

- The BFS Group also directly distributed about 24,000 litres of sanitiser, 90,000 face shields & masks and 500 infra-red thermometers & oximeters.
- In addition, during the year, BFS Group employees have also contributed ₹ 4.96 crore to the PM CARES Fund. The companies in the Group have made similar contribution, taking the total contribution to PM CARES Fund to ₹ 10.04 crore.

The Group has also partnered on projects relating to water conservation and plantation of saplings (refer 'Preserving and protecting environment' section at page 14).

Summary of CSR expenditure by BFS Group during the year:

Social objective	Amount (₹ In crore)
Healthcare	38.81
Education	37.29
Livelihood	35.90
COVID-19	29.34
Others	9.66
Total	151.00

For statutory disclosures on CSR, refer Corporate Social Responsibility section of the Annual Report.



e. Customer centricity

Listening to customers and driving continuous transformation to provide them a frictionless experience is what we have always strived for. Ethics, transparency and accountability are deeply ingrained and practised in daily operations, including in dealing with customers. For a better customer experience, the Group offers innovative products / services to appropriately address their grievances and make them more aware.

Enhancing customer experience

Tech-led seamless customer experiences have been the hallmark of our businesses. Each business is unique and so is its approach towards enhancing customer experience. But the core objectives that tie them together stay the same – simplification of processes, ease of use and quick and appropriate response. Some of the initiatives taken in this regard include:

- BALIC's award-winning customer servicing platform – 'i-SERV' available on digital platforms like messaging app, customer portal, mobile app and Bot has served more than 20,000 requests during the year. It provides support in 12 vernacular languages, eliminating the need of customers to visit branches.
- Leveraging machine learning and robotic process automation, BFL enabled quick response to customer requests in an automated manner – approximately 30% of the service requests were responded on a near-to-real-time basis without human intervention.
- Communication with customers over messaging apps enabled, with more than 10 million customers availing this service across the Group.
- BFS Group endeavours to maintain best-in-class customer service, which is continuously tracked through net promoter scores, claim settlement ratio and grievance percentages. Insurance subsidiaries have one of the highest claim settlement ratio in the industry with BALIC at 98.5% individual claim settlement ratio and BAGIC at 93.2% total claims ratio.
- Self-service chatbot support for customers over digital platforms.
- Insurance subsidiaries provide relevant and important information in the policy schedule, key features document and transcript for all their policies.
- Introduced "Google Business Messaging" by integrating Bot with Google search and Google Maps on android.
- BALIC launched 'Smart Assist' – first of its type in India with co-browsing capabilities enabling customers and agents/distributors to interact through live screen-2-screen sharing. More than 100,000 sessions have been facilitated since the launch in August 2020.
- Digitalised group mediclaim enrolment processes involving policy issuance, endorsement and claim submissions with single signoff process for its corporate health clients.
- *Suo moto* 'Debt Recovery Agent certification' for its collection agents by BFL – approximately 6,700 agents have been trained and it endeavours to train rest of its agents in next 12-18 months.
- BAGIC launched industry-first completely digital and paperless process from onboarding, offline screening and medical check-ups, risk assessment to report and policy generation.
- Insurance subsidiaries are active participants in Regulatory Sandbox Framework of IRDAI contributing to new and innovative products for its customers.



BAGIC not only provides crop insurance to farmers, it also empowers them through 'Farmitra' app, a unique offering in the industry, by:

- hosting over 7,000 articles related to farming and insurance in various regional languages.
- enabling claim intimations through the app – over 0.10 million claim intimations since launch.
- receiving and processing video-based self-survey – 13,945 since July 2020.
- verification of self-submitted land records for discrepant cases – over 14,000 cases and more.

The app has more than 0.33 million unique downloads.

Customer grievance redressal

Timely and appropriate customer grievance redressal is imperative. In fact, we aim to reduce the grievances learning from our experiences, through root cause analysis.

Some of the initiatives in this regard are:

- The BFS Group companies through their charters, policies, etc. communicate the customer rights, company commitments, grievance redressal mechanism and ombudsman scheme, as applicable. These emphasise our commitment to fair practices by maintaining transparency in products and services offered.
- Dedicated customer complaint reduction units to review the grievance redressal mechanism, under Board oversight of respective material subsidiaries.
- Customer grievances are also reviewed with focus on identification of root cause, corrective action plans and customer service initiatives. Even such review has Board oversight of respective material subsidiary.
- On a *suo moto* basis, BFL has appointed an Internal Ombudsman to further strengthen the customer grievance redressal mechanism.
- All material subsidiaries follow strict protocols for their outsourced agents by prescribing guidelines for maintaining privacy of prospect and existing customer, providing accurate product information, telemarketing etiquettes and more.

- All material subsidiaries have a monitoring framework for their value chain partners such as debt recovery agents, insurance agents, etc. to review their performance and taking suitable action in terms of warning, penalty and termination for deviations.
- BFL has 'Reparation Policy' based on principles of transparency and fairness in treatment of customers. This policy seeks to compensate customers for service deficiencies as per agreed metrics.

BFS Group, during the year, did not receive any complaint regarding unfair trade practices, irresponsible advertising and anti-competitive behaviour. During the year, the Group received 10,364 customer complaints, against which 21 were outstanding as at 31 March 2021.

Insurance subsidiaries have one of the lowest grievance ratios in the industry, with BAGIC at 0.72 per 10,000 new policies and BALIC at 44 per 10,000 new policies. Further, BFL received 4,931 complaints during the year, against its significant customer base.

Customer education and awareness

As a responsible corporate citizen, it is imperative to not just do business with customers, but also educate them and make them more aware of what could be good or bad for them, frauds, addressing their questions on financial products, etc.

Some of the initiatives taken in this regard are:

- Video series called 'School of Insurance' with over 80 videos to educate on insurance in multiple regional languages.
- Campaigns like 'Savdhaan Rahein. Safe Rahein' and 'Fraud Awareness Week' across customer portals and social media channels for creating awareness about various consumer frauds that take place in financial services ecosystem.
- Online initiatives such as Bajaj Allianz Marathon, Bagic4Fitness and other programmes around health awareness and well-being are conducted to promote health and safety.
- Awareness initiatives like webinars, use of offline tools (including print and radio), comprehensive FAQs on website / apps, communications through email, blogs, etc.
- Insurance subsidiaries actively participate and provide advisory support in industry-wide insurance awareness campaigns – like 'Sabse Pehle Life Insurance' and 'Fayde ki Baat' carried out by Life Insurance Council and General Insurance Councils respectively, in addition to providing monetary contributions.
- Educational material on information security, phishing, etc. is provided on our websites.
- SMS and email alerts are sent to customers notifying them that we never ask for OTP, PIN or such personal details. If such details are asked, they should report such matter immediately.
- Mental health care kit was launched to enhance mental health awareness. This kit comprises a series of questions along with the guidance.



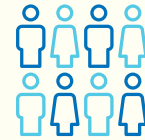
- For 4th year in a row, BAGIC has been promoting healthy heart initiatives through leadership participation in panel discussions.

Details on the Group initiatives on cyber security and data privacy is provided in 'Information and cyber security' section at page 24.

Support extended to customers amidst the pandemic

BFS Group took various actions to support its customers during the pandemic, including:

- offering moratorium based on request and on a *suo moto* basis where customers were unable to make their payments or raise requests due to pandemic.
- offering loan restructuring to eligible customers basis RBI guidelines.
- renewal extension for health, motor and life insurance, as per IRDAI guidelines.
- providing option to existing good customers of converting their term loans into hybrid flexi loans and thereby enabling them to manage their cashflows better.
- introduced Tele Medical Examination Report in lieu of physical pre-policy health check-ups – 15,427 cases processed.
- 'Social Trackback' feature provided on the 'Caringly Yours' app by BAGIC, to help users keep track of the people they meet through their day-to-day activities.
- pre-booking of time slot for branch visit through the app made available for the users by BFL and BALIC.
- virtual branch operations and service managers launched by BAGIC – proactively contacted nearly 13,000 distributors / business partners providing them support for policy issuance and allied services, handling about 25% customer footprint.



f. Human capital management

At BFS Group, people are at the heart of our success. The Group is committed to attract, engage and retain the right talent that can contribute to delivering superior business performance. This also provides them an opportunity to maximise their performance-linked earning. We are focussed on creating a thriving, safe and inclusive workplace for its employees while keeping them engaged and providing opportunities for professional development and growth.

As on 31 March 2021, the BFS Group has 48,624 employees with diversified professional backgrounds, age brackets and so on, building a collaborative work culture and stronger teams. Its 4,535 female employees represent over 9% of the entire workforce. Further, more than 40% of its employees are under the age of 30 and only under 5% are above 45. The Group also has 15 employees with disabilities.

Thoughtful people strategies

We are committed to creating an inclusive workplace for employees and take steps to ensure these are embedded in our policies and practices. We always seek to provide opportunities to learn, grow and develop professionally. In FY2021, BFS Group moved to digital learning models with most trainings being conducted by internally certified trainers and managers. This has resulted in more relevant and aligned training of employees.

Our people strategies are bucketed under four broad categories viz. i) fair, safe & transparent workplace; ii) pay, rewards and benefits; iii) talent development and retention; and iv) ethics, compliance and grievance redressal.

Fair, safe & transparent workplace

BFS and its subsidiaries strive to create a culture which is open, fair and transparent and where employees can openly present their thoughts. The BFS Group demonstrates transparency through open communication relating to policies and practices like business plans, compensation, performance metrics, performance pay grids and calculation, career enhancements, compliance and other processes.

Some of the practices are as under:

- Our commitment to employees is enshrined in the Employee Charter of the respective Company – it sets out what employees can reasonably expect from the company (Employee Rights) and the responsibilities and qualities that are expected from them while performing their duties (Employee Responsibilities). It also lays down the principles of equal opportunity and non-discrimination, anti-corruption and bribery, prohibition of forced and child labour, transparency, safe healthful and harassment-free workplace, amongst others.
- BFS Group is an equal employment opportunity provider – it does not discriminate basis age, sex, colour, caste, disability, marital status, ethnic origin, race, religion, sexual orientation, disease (viz. HIV/Aids) etc.
- The Group firmly holds meritocracy-based recruitment and career advancement.
- We offer competitive remuneration and benefits to employees based on effort, commitment and contribution without bias or discrimination.
- BFS Group strives to provide a safe and healthy workplace and it complies with applicable laws and regulations with respect to safety at workplace.
- It trains its employees on safety protocols – conducts periodic training on fire safety and evacuation. During the year, 481 fire audits and 266 drills were conducted.
- We understand and value the importance of a healthy worklife balance and accordingly offer a generous leave policy. Flexible office timing enables employees to spend quality time with their families and for leisure while managing work.
- Employee surveys are conducted for continuous employee listening, action planning and for co-creating a preferred workplace.

Pay, rewards and benefits

BFS Group's philosophy is to reward people for their performance and contribution which are anchored on metricised work

Our commitment to employees is enshrined in the Employee Charter of the respective Company – it sets out what employees can reasonably expect from the company (Employee Rights) and the responsibilities and qualities that are expected from them while performing their duties (Employee Responsibilities)

deliverables and directly reflect in earning potential. Accordingly, a strong performance pay, rewards and recognition and benefit plans have been created. The remuneration of employees consists of fixed pay, short-term performance pay (monthly/quarterly/annual) and long-term incentive plans (including stock options).

Some of the initiatives in this regard are:

- We insure our employees under group term insurance, health insurance and accidental insurance policies. Further, BAGIC provides unlimited health insurance cover for all its employees.
- We also award and recognise our employees for their superlative performance – more than 10,400 employees were recognised during the year.
- To support women colleagues, BFS and its subsidiaries have policies such as women safety, cab facility, women travel policy, flexible working hours (especially post maternity), preferential transfers and so on.
- BFL and its subsidiaries have an employee participatory financial assistance programme called 'i-Care' for emergency situations, whether medical or otherwise. It encourages employees to enrol and contribute a small amount from their monthly salaries, which is matched by BFL and its subsidiaries contributing an equal amount. In FY2021, 25,974 employees have registered under this programme and 138 employees received financial support of ₹ 9.87 crore. BFL is committed to make additional contribution in case of any insufficiency.
- Certain subsidiaries provide an option of receiving fortnightly salary, advance salary etc. – 3,642 employees availed these benefits in FY2021.

Talent development and retention

The BFS Group invests significant time and resources in the training and development of its employees, help them stay ahead of latest trends and technology. We follow two-pronged learning and development approach: i) building leadership capabilities, and ii) enhancing role-based skills.

Building a talent pipeline is crucial for BFS Group. In selecting between a 'develop versus hire' talent model, we place a larger emphasis on developing talent.

- During the year, more than 33,000 employees participated in at least one of the development programmes viz. functional, managerial and leadership skill enhancement programmes helping them in upskilling / multi-skilling. Almost 89% women employees and 93% employees with disabilities participated in these trainings. In addition, more than 35,000 casual/temporary/contractual employees participated in such trainings.
- Eligible employees are encouraged to pursue higher studies and enhance their technical skills.

The Group provides internal career growth and mobility opportunities to employees through internal job posting mechanism and auto-promotions. More than 4,200 employees moved to new roles through these mechanisms. Further, during the year, 'One Finserv Career' was launched to provide opportunities of internal job posting within different companies of the BFS Group.

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- The BFS Group believes in identifying and nurturing young talent. Through some group-wide programmes, identified young talent is groomed in three different companies / roles over a period of 18-36 months after which they take up a final role:
 - Group Young Leaders Program – Talent from Premier B-Schools is groomed for Gen-man roles.
 - 30 Under 30 – Aimed at identifying young internal talent under 30 who can be groomed for future capabilities. It was launched during the year, with first batch announced in April 2021.
 - Group Finance Associate Program – Fresh chartered accountants groomed for future roles.
- BFS Group employees undergo quarterly / biannual / annual performance assessments conducted in a transparent manner and focussed on structured development conversations.
- BFS Group companies organise various programmes for upskilling and mentorship of its people. For example, BAGIC conducts 'BAGICATHON' and 'Power Economy' where employees collaborate and solve real-life business problems – more than 200 teams comprising over 2,000 employees participated during the year, solving 41 business problems spread across 20 functions.

Ethics, compliance and grievance redressal

BFS Group ensures that all its employees follow the high standards of ethics and compliance.

- BFS and its subsidiaries are compliant with applicable labour laws.
- BFS Group employees are not part of any employee association.
- A formal grievance mechanism is available to all employees to report or raise their concerns confidentially, without fear of retaliation, along with mechanism to consult on ethical issues

through the explicit means provided by CoC, employee charter, disciplinary action committee reviews, whistle blower and vigil mechanism policies.

- No Company in the Group has received any complaint related to child, forced or involuntary labour during the year. Across the BFS Group, nine complaints related to sexual harassment were received during the year, out of which six have been appropriately resolved and rest are under resolution as on 31 March 2021.
- BFS and its material subsidiaries conduct trainings covering topics of acceptable behaviour, human rights, anti-corruption and bribery, anti-money laundering and facilitation payments, fraud prevention, prevention of sexual harassment, etc.

Support extended to employees amidst the pandemic

BFS and its subsidiaries took several steps to prevent the spread of COVID-19 viz. (i) migrated from physical to digital trainings and conferences, (ii) curtailed travel, (iii) took extensive precautionary measures like sanitisation of offices, availability of hand sanitisers and masks, (iv) work from home facilities and introduced operations in multiple shifts to ensure lesser number of employees at the workplace – enabling social distancing.

Various other initiatives were also implemented for welfare of employees, including:

- Employees infected by COVID-19 were allowed additional leaves, over and above their yearly leave entitlement – 1,443 employees availed the same.
- Through tracking and monitoring mechanism, contact tracing was done for over 7,200 employees and their families.
- Anti-body testing camps were conducted – availed by 1,149 employees.
- The Group companies launched dedicated 24x7 helplines to support employees and their families for COVID-19 testing, hospitalisation etc. – over 10,500 employees and their family members were served through these helplines.
- Some companies in the Group introduced financial aid for employees who contacted COVID-19, in addition to the medical insurance, in order to reduce the financial burden of treatment and isolation – aid of ₹ 36 crore to 4,476 employees.
- Group directly connected with nearly 99% of employees over the call for a quick pulse check during the initial crisis.
- 25,816 free doctor consultations were availed by employees and their dependents, where their queries related to health and COVID-19 were addressed.
- Employee counselling programmes/initiatives were introduced for employees to connect with professional counsellors and discuss mental health and wellbeing matters – more than 1,100 employees availed the benefit.
- DIY health regimes with Health Coach Workshop on Parenthood, Wellbeing Webinar for Women, Children, Virtual Fun Friday, physical fitness activities including Zumba, yoga etc. were organised to help cope with remote working and enable a good work-life balance.



g. Information security, cyber security and fraud controls

Information is a valuable asset, regardless of its source and nature. The importance of information security, cyber security and fraud controls cannot be over-emphasised in this technological age. The need for robust control over these areas find a dominant place in our information technology framework. These controls obviate disruptions and security threats endangering loss of customer data and disruption in business operations.

We overcome these threats and challenges through Information Technology (IT) framework which *inter alia* covers governance, policy, operations, security, audit and Business Continuity Plan (BCP).

Each of the material subsidiaries in the Group has adopted an information security framework to establish, implement, monitor and constantly improve its information security posture. We focus on privacy of customer information and data security. The material subsidiaries of the Company are compliant with ISO 27001:2013 Information security management system. They also comply with the applicable regulatory framework and guidelines (viz. RBI's Master Direction – Information Technology Framework for the NBFC Sector, IRDAI's Guidelines on Information and Cyber Security for Insurers, etc).

The Group Companies have implemented Data Loss Prevention (DLP) solutions such as endpoint DLP, email DLP, conditional access to Office 365, VPN access on corporate laptops, Mobile Device Management for corporate mobile apps, etc. All data protection controls are enhanced periodically and evaluated at least once in a year.

Cybersecurity

We have institutionalised cybersecurity practices to protect information infrastructure on internet; prevent and respond to cyber threats; reduce vulnerabilities; and minimise damage from cyber incidents. This is achieved through a combination of dedicated teams, processes and technology. Some of the operational measures to monitor and respond to data breaches and cyber-attacks are:

- Security operations centre: managed by reputed cybersecurity service providers,
- Surface Web and Dark Web monitoring: carried out through service providers, and
- Customer-related fraud events: detected, managed and mitigated through risk control unit along with cyber risk team.

Privacy of customer's personal information

We are committed to protecting privacy of customer's personal data. Across material subsidiaries we have adopted various measures to ensure privacy of customer's personal information:

- Customer's Personally Identifiable Information (PII) is masked in the core systems and customer facing systems through data encryption.
- Access to customer PII is restricted and access is granted on a need-to-know basis with due approval.
- Data uploaded on dialler is stored in an encrypted format and no access to customer's PII is granted to the calling agent.
- Privacy terms are displayed on the website of the respective Company of the Group, which *inter alia* cover the details regarding consent, collection, use, sharing, processing and

retention of customer data. Any changes to these Privacy Terms are updated on the website. The customers can also raise their concerns on the website.

BFS Group is evaluating the requirements of proposed Personal Data Protection Bill, 2019 and its impact on existing policies and processes.

Audits and assessments

- Regular internal security audits, vulnerability assessments and penetration testing of systems, products and practices affecting user data.
- Periodic application security assessment like pre-production, six monthly application security assessment and a yearly structured exercise at various stages of its business enhancements, APIs, Bots etc. is conducted.
- Systems, products and practices affecting user data goes through audit assessment by external experts:
 - ISO 27001 surveillance audit
 - Audits required as per the applicable regulatory requirements
 - Red Team exercise for internet facing customer systems and IT Infrastructure

Governance structure

In case of material subsidiaries, IT Security related projects and operations are reviewed by a committee, under oversight of Board of respective companies. These committees meet at least on a half-yearly frequency.

Dedicated teams manage cyber security programme and operations for digital initiatives.

Awareness and training

BFS Group creates cybersecurity awareness across stakeholders including employees, value-channel partners, business partners, etc. through multiple channels such as classrooms training, mails, posters, brochures, etc. Trainings are conducted for its employees and vendors who use customer facing application and assets. In FY2021, over 86% employees completed such trainings.

Business continuity management

All material subsidiaries have business continuity strategy and framework which is also compliant with applicable regulatory requirements. BCP envisages the likely disruptive events, their probability and impact on business operations which is assessed through business impact analysis. These aim to eliminate or minimise any potential disruption to critical business operations.

The BCP includes Disaster Recovery procedures to quickly recover from an emergency. Annual BCP drills are conducted to ensure that the BCP is effective given the current nature of business processes, infrastructure, personnel, etc.



h. Stakeholder engagement

BFS's key stakeholders include shareholders and investors, value chain partners, customers, employees, society & government and regulators. Through periodic interactions, the BFS Group actively addresses their expectations and concerns. It is dedicated to uphold and protect their human rights and ensure compliance with all applicable laws pertaining to human rights. In FY2021, none of the companies in BFS Group received any complaint relating to violation of human rights.

Shareholders and Investors

BFS and BFL, the two equity listed entities within the BFS Group, maintain one of the highest standards of business information disclosures amongst financial services companies in India. Both companies communicate with shareholders and investors in various ways including quarterly investor presentations, press releases and communications through stock exchanges, participation in investor conferences, etc. Further, senior executives of BHFL and of the material unlisted subsidiaries (BAGIC and BALIC) also participate in investor calls, underlying the importance of these engagements.

Stakeholders' Relationship Committee of the Board looks into the grievances of investors. During the year, the Company received two shareholder complaints, which were appropriately addressed.

Value-chain partners

We believe that mutual and inclusive growth of our value-chain partners is necessary. Each subsidiary has various partners such as vendors, business associates etc. with whom they have an ongoing engagement in the form of in-person meetings, emails, performance discussions, trainings, company policy/process communication etc. Further, each company conducts periodical meets/conferences for some of its value-chain partners, for example, BFL conducts 'Samvaad - Dialogues to Success' with business partners, insurance subsidiaries conduct agent meets, etc. These engagements are conducted by the employees and may involve participation of senior executives as well.

Government and Regulators

BFS Group maintains regular engagement with the Government agencies and regulators and stands committed to providing timely and accurate information, suggestions and recommendations, feedback on draft policies, etc., as and when required. It keenly participates in putting forward views on the setting of new industry standards or regulatory developments pertaining to the financial services industry. While making recommendations, in line with our policy, we attempt to balance the interest of various stakeholders.

The senior executives of the BFS Group engage with RBI, SEBI, IRDAI and other regulators on a periodic basis or as and when required. This enables the BFS Group to understand their areas of focus and concerns. All interactions with the Government and regulators are done by authorised officials of the respective company.

BFS is a member of World Economic Forum and CII, through which it actively engages in policy advocacy. In addition, Mr. Sanjiv Bajaj, Chairman & Managing Director of the Company, was the Chairman of CII, Western Region for the year 2019-20 and is Vice-President of CII for 2020-21.

BFS and its subsidiaries are members of various trade and industry chambers, associations, councils and such other collective platforms ('forums'). We proactively contribute to the discussions and resolutions within the scope of these forums.




Samvaad - Dialogues to Success

BFL conducted annual digital engagement session 'Samvaad' - Dialogues to Success with more than 5,000 value chain partners to strengthen relationship to address their concerns. Around 1,000 large retailers attended this session in person in pre-COVID period. Similar meetings were done at a regional level called "Mini-Samvaad" where over 20,000 retailers were covered. BFL felicitates and recognises outstanding performance of its partners in such forums. In FY2021, due to travel restrictions, a digital version of 'Samvaad' was conducted and broadcasted LIVE where retailers and partners interacted with the senior management.

Customers
Customer centricity

 **Refer**
Pg. 18

Employees
Human capital management

 **Refer**
Pg. 21

Society
Empowering society

 **Refer**
Pg. 15

Statutory Disclosures

(as required under Regulation 34(2)(f) of SEBI Listing Regulations)

Section A	General information about the Company											
1	Corporate identification number	L65923PN2007PLC130075										
2	Name of the Company	Bajaj Finserv Limited										
3	Registered Address	Bajaj Auto Limited Complex, Mumbai-Pune Road, Akurdi, Pune 411 035										
4	Website	www.bajajfinserv.in										
5	Email address	investors@bajajfinserv.in										
6	Financial year reported	1 April 2020 – 31 March 2021										
7	Sector(s) that the Company is engaged in	Financial Services (Investments) and Windmill										
8	Key services provided by the Company	1. Investment activity (NIC Code - 6430) 2. Electric power generation (NIC Code - 3510)										
9	Total number of locations where business activity is undertaken by the Company	Three locations - Registered office and Corporate office at Pune and Windmills at Satara										
10	Markets served by the Company	India										
Section B	Financial details of the Company											
1	Paid-up capital	₹ 79.57 crore										
2	Total turnover	Consolidated: ₹ 60,592 crore; Standalone: ₹ 324 crore										
3	Total Profit after taxes	Consolidated: ₹ 4,470 crore; Standalone: ₹ 179 crore										
4	Total spending on CSR as percentage of profit after tax (%)	Standalone: ₹ 0.73 crore; Consolidated: ₹ 151 crore										
		<table><tr><th>Name of material subsidiary</th><th>CSR Spend (2%) (₹ crore)</th></tr><tr><td>BFL</td><td>107.07</td></tr><tr><td>BAGIC</td><td>25.96</td></tr><tr><td>BALIC</td><td>13.33</td></tr><tr><td>BHFL</td><td>3.91</td></tr></table>	Name of material subsidiary	CSR Spend (2%) (₹ crore)	BFL	107.07	BAGIC	25.96	BALIC	13.33	BHFL	3.91
Name of material subsidiary	CSR Spend (2%) (₹ crore)											
BFL	107.07											
BAGIC	25.96											
BALIC	13.33											
BHFL	3.91											
5	List of the activities in which expenditure in 4 above has been incurred	Refer “Empowering society” section on page 15										
Section C	Other details											
1	Does the Company have any Subsidiary Company/ Companies?	Yes (for details, refer section Consolidated Financial Statements in Annual Report)										
2	Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)	Yes, all seven										
3	Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]	Material outsourcing contracts across the BFS Group require vendors to confirm anti-corruption practices through their agreements with us.										

Section D BR information

1	Details of Director(s) responsible for BR									
(a)	Details of the Director/Director responsible for implementation of the BR policy/policies									
	DIN Number				DIN 00014615					
	Name				Sanjiv Bajaj					
	Designation				Chairman & Managing Director					
(b)	Details of the BR head:									
	DIN (if applicable)				Not applicable					
	Name				Sonal Tiwari					
	Designation				Company Secretary					
	Telephone number				(020) 6610 7458					
	E-mail id				sonal.tiwari@bajajfinserv.in					
2	Principle-wise business responsibility policies - Details of compliance:									
	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	Do you have a policy / policies for	Y	Y	Y	Y	Y	Y	Y	Y	Y
2	Has the policy been formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
3	Does the policy conform to any national / international standards? If yes, specify? (50 words)	All policies have been developed based on industry practices or as per the regulatory requirements and through appropriate consultation with relevant stakeholders.								
4	Has the policy been approved by the Board? Is yes, has it been signed by MD / owner / CEO / appropriate Board Director?	Y	Y	Y	Y	Y	Y	Y	Y	Y
5	Does the Company have a specified committee of the Board / Director / Official to oversee the implementation of the policy?	Y	Y	Y	Y	Y	Y	Y	Y	Y
6	Indicate the link for the policy to be viewed online?	Refer Note below								
7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	Y	Y	Y
8	Does the Company have in-house structure to implement the policy / policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
9	Does the Company have a grievance redressal mechanism related to the policy / policies to address stakeholders' grievances related to the policy / policies?	Y	Y	Y	Y	Y	Y	Y	Y	Y
10	Has the Company carried out independent audit / evaluation of the working of this policy by an internal or external agency?	Evaluation is a continuous process and is done internally.								

Note:

Other than the policies placed on the Company's website (bajajfinserv.in), policies of the Company are internal documents and are not accessible to public.

The above compliance is also done by all the material subsidiaries of the Company through their policies and accompanying processes, to the extent relevant/applicable to them. Publicly accessible policies of material subsidiaries are available on their respective websites (bajajfinserv.in, bajajhousingfinance.in, bajajallianz.com/general-insurance.html, bajajallianzlife.com)

3	Governance related to BR - Included in this report	
(a)	Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year	3-6 months
(b)	Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?	Annually. This report is available on https://www.bajajfinserv.in/finserv-investor-relations-annual-reports

Section E Principle-wise performance

Principle 1	Businesses should conduct and govern themselves with integrity in a manner that is Ethical, Transparent and Accountable	Refer detailed section on "Governance" at page 08 and "Stakeholder engagement" at page 26.
Principle 2	Businesses should provide goods and services in a manner that is sustainable and safe	Refer detailed section on "Reaching financial services to millions of Indians" at page 11, "Customer centricity" at page 18 and "Preserving and protecting environment" at page 13.
Principle 3	Businesses should respect and promote the well-being of all employees, including those in their value chains	Refer detailed section on "Human capital management" at page 21.
Principle 4	Businesses should respect the interests of and be responsive to all its stakeholders	Refer detailed section on "Stakeholder engagement" at page 26.
Principle 5	Businesses should respect and promote human rights	Refer detailed section on "Human capital management" at page 21 and "Stakeholder engagement" at page 26.
Principle 6	Businesses should respect and make efforts to protect and restore the environment	Refer detailed section on "Preserving and protecting environment" at page 13.
Principle 7	Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent	Refer detailed section on "Stakeholder engagement" at page 26.
Principle 8	Businesses should promote inclusive growth and equitable development	Refer detailed section on "Governance" at page 08, "Reaching financial services to millions of Indians" at page 11 and "Empowering society" at page 15.
Principle 9	Businesses should engage with and provide value to their consumers in a responsible manner	Refer detailed section on "Customer centricity" at page 18 and "Stakeholder engagement" at page 26.

