



**“Bajaj Finserv Limited Q3 FY24 Earnings Conference
Call hosted by JM Financial”**

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MODERATOR: **MR. SAMEER BHISE – JM FINANCIAL**

Moderator: Ladies and Gentlemen, Good day and welcome to the Bajaj Finserv Limited Q3 FY24 Earnings Conference Call hosted by JM Financial.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now handover the conference call to Mr. Sameer Bhise from JM Financial. Thank you and over to you, sir.

Sameer Bhise: Thank you Zico. Good morning, everyone and welcome to the Q3 FY24 Earnings Conference Call of Bajaj Finserv. First, I would like to thank the management team of Bajaj Finserv for giving us the opportunity to host the call.

From the Management side today, we have Mr. S. Sreenivasan – CFO, Bajaj Finserv Limited, Mr. Tapan Singhel – CEO, Bajaj Allianz General Insurance Company, Mr. Tarun Chugh – CEO, Bajaj Allianz Life Insurance Company, Mr. Ramandeep Singh Sahni – CFO of Bajaj Allianz General Insurance Company, Mr. Bharat Kalsi – CFO of Bajaj Allianz Life Insurance Company as well as Mr. Devang Mody who is the CEO of Bajaj Finserv Health Limited.

We will have “Opening Comments” from Mr. Sreenivasan post which we will open the floor for Q&A. Over to you, sir. Thank you so much.

S. Sreenivasan: Good morning, everybody. I welcome all of you to the Conference Call to discuss the Results of Bajaj Finserv Limited for the quarter ended 31st December 2023.

As before, in this call, we will largely be concentrating on the consolidated results as well as the results of our insurance operations and our other digital businesses Bajaj Finserv Health and Bajaj Finserv Direct. While the conference call for Bajaj Finance Limited our major listed subsidiary has already happened on 29th of this month.

However, if there are any high-level questions on BFL, we would be glad to take that as well. We will not be taking any questions on the status of Allianz's stake in our insurance companies. The status has remained the same as at the end of the previous quarter, and there is no further update on that. Any statements that may look like forward-looking statements are just estimates and do not constitute an assurance or indication of any future performance result.

, As required by regulation, BFS prepares its financials in compliance with Indian Accounting Standards or IndAS. Insurance companies are not yet covered under IndAS. They have prepared Ind AS financials only for the purpose of consolidation. Accordingly, for BAGIC and BALIC, stand-alone numbers reported are based on non-Ind AS accounting standards, Indian GAAP as applicable to insurance companies. Our results, the press release accompanying the results and

our investor deck have been uploaded on our website on Tuesday. And I do hope all of you had a chance to go through the same.

Before I get into the performance update for the quarter, let me briefly explain the acquisition of Vidal Healthcare Services Limited and its key subsidiaries by Bajaj Finserv Health:

I will refer to it as Finserv Health going forward, which is our wholly owned subsidiary. Yesterday, on 30th January our healthcare subsidiary Finserv Health announced that it has entered into an agreement to acquire Vidal Healthcare Services (Vidal) for short.

It is one of the top health services management Companies in India and amongst the largest third-party administrators (TPA) in India and. Third-party administration business which is licensed by IRDAI is carried out through its subsidiary Vidal Healthcare TPA. Through another subsidiary, Vidal Medicare Private Limited, it provides health and wellness offerings to its customers. Vidal also has an international business which offers KPO services to a few clients in the Middle East.

Finserv Health will acquire 100% of the company at an enterprise value of 325 crores for cash. Vidal TPA Serviced over Rs. 5,000 crores of insurance premium/claims in FY23 spread over 130 million lives across corporate, SMEs and some government schemes as well. The strategic rationale for this is that this acquisition will provide Finserv Health with access to inpatient hospitalization payments, which is predominantly covered by insurance and is the largest segment of healthcare payments.

To summarize, the acquisition provides Finserv Health the opportunity to offer integrated outpatient and wellness services combined with inpatient or IP to retail and corporate customers thereby providing continuum of care. It effectively fills a gap in the entire payment space in which Finserv Health is trying to develop in its business.

It enables superior digital customer experience platform access for Vidal customers. It compliments IP network of Vidal with the well-established OPD network developed by Finserv Health and it opens up management of government schemes as a potential opportunity for the combined entity, some of which is already being carried out by Vidal.

The core Management Team of Vidal led by their Managing director, Mr. Girish Rao will continue to lead Vidal post the acquisition and we welcome all Vidal employees to the Bajaj Finserv family. This acquisition we expect, will accelerate Finserv HealthQuest to become one of the largest players in the healthcare payment spectrum. The acquisition will take affect once legal requirements are completed.

The CEO of Finserv Health, Devang Mody is with us on this call to take any questions you may have on this acquisition, on Finserv Health strategy. If there are any questions related to the overall ecosystem of Bajaj Finserv, I would be glad to take that.

Let me move on to the Business Update on the Performance for Q3 FY24.:

Macro conditions overall were favorable during the quarter with a higher level of business confidence and in this conducive environment our companies have once again delivered strong operating performance.

I will start with Bajaj Allianz General Insurance Company (BAGIC):

BAGIC continued its strong growth momentum recording above market growth in Q3 while headline profit after tax showed a modest increase, the core profitability excluding claims from a series of natural catastrophes events were stronger. Headline gross domestic premium income GDPI as reported to the General Insurance Council including a small amount of inward reinsurance, if applicable during the quarter grew by 18.7% which is well above the industry including private and public Multiline players growth of 11.2%. Excluding the tender driven bulky government health and crop lines, the growth for BAGIC was even better at 19.6% which was more than twice the industry growth of 9.4%.

On the bottom line, the industry has been significantly impacted by a series of NAT CAT events this year. While we call it NAT CAT this was not one significant very large event, but a series of events. We experienced 8 floods during the last 9 months mainly, floods in North India, Sikkim, Tamil Nadu apart from cyclonic events such as Biparjoy and Michaung. In fact, when events which are of medium size like these happen, the impact on the net profit for that period is somewhat higher because a higher proportion of the losses tend to be within the retention limits of the company.

Accordingly, the combined ratio for the quarter was higher at 102.9% as against 100.3% in Q3 of FY23. Excluding the impact of NAT CAT events, the combined ratio would have been 99.5% reflecting robust risk selection and prudent underwriting. BAGIC also continued to grow ahead of industry in all profitable commercial lines. Current investment income for BAGIC grew at 21.7% backed by higher yields and 30% growth in advanced premium.

Our capital gains on the investment side were lower in this quarter at Rs. 10 crores as against Rs. 36 crores in Q3 of FY23 on account of timing of booking gains. At the same time, the unrealized gains on equity grew from 298 crores to 595 crores. The profit after tax growth for Q3 FY23 was accordingly impacted by the lower capital gains and the NAT CAT losses as highlighted earlier.

PAT growth for the quarter was 3.3% up from 278 crores in Q3 of FY23 to 287 crores in Q3 of FY24. Excluding the NAT CAT losses of Rs. 79 crores (Pre-tax) during the quarter, the profit after tax would have been higher by 24%. While growth in motor insurance was muted at 5% due to BAGIC's tight focus on writing only preferred categories of business and somewhat slowdown of the business, which was in line with the industry.

BAGIC continues to be conservative in writing large volumes of commercial vehicle insurance purely for reasons of risk. Overall, growth was strong in commercial lines 19%, group health 36% and miscellaneous lines such as extended warranty and rural packages which was up by 145% YoY. This was partially offset by a decline in crop insurance of 17% on account of the seasonality as crop insurance is mainly sold in two quarters of the year.

The loss ratio during the quarter was 72.9% as against 72.1% in the same quarter of the previous year. Excluding the effect of NAT CAT claim the claim ratio would have been lower at 69.5%. The loss ratio has increased during the quarter for health, PA, fire, and engineering partially set off by the decline in the loss ratio for motor business.

As we highlighted earlier, the net earned premium takes time to catch up when growth is very strong. The NEP growth for this quarter was 13% as against a single digit growth in the first two quarters. The higher premium recorded in 9 months should hopefully continue to get earned over the next couple of quarters.

BAGIC's AUM including cash, crossed 30,000 crores during the quarter growing by 17% YoY to 30,296 crores as on 31st December 23 versus 25,977 crores as on 31st December 22. The advance premium from long term policies was 1,778 crores as of 31st December 2023 which is higher by 30% over the same figure a year ago.

As we mentioned before, many of the new initiatives which BAGIC has invested in over the last 18 months to 24 months including focus on smaller tier towns, distribution expansion, doing more with Bancassurance partners and increasing presence in large ticket corporate segment have resulted in this performance. BAGIC was further able to capitalize on a strong presence in smaller towns and rural areas through virtual Banca called as Virtual Satellite Banca Offices.

In a market where asset insurances are intensely price competitive. This operating result we believe displays BAGIC commitment to a balanced and profitable growth on the back of a deep and broad distribution and prudent underwriting while focusing on best-in-class customer service.

In summary:

Strong growth, core underwriting performance excluding NAT CAT claims, strong investment income, and core profitability increasing, but headline numbers lower due to NAT CAT claims and timing difference of capital gains.

Let me move to BALIC:

During the quarter BALIC continued its strong market beating growth trajectory and reported an individual rated new business premium growth of 24% against the industry and private industry growth of 6% and 9% respectively. Almost, four times the industry growth. BALIC IRNB growth of 24% in Q3 is highest among the top 10 private players in the industry. The growth was broad-based and driven by all the key channels with agency, institutional business, and BALIC Direct growing at 22%, 18% and 62% respectively.

BALIC's market share in IRNB increased from 7% in Q3 FY23 to 8% in Q3 FY24 amongst the private players. BALIC continues to maintain its sixth position on IRNB basis, but in terms of number of policies it is in the fourth position. BALIC's group protection new business however showed a decline of 8%, mainly due to lower MFI business where there was lower lending business during this period.

On the back of strong renewal premium growth BALIC'S GWP grew by 21% during the quarter whereas GWP excluding the low margin group fund business grew by 22%. The total number of policies (NOP) for BALIC grew by 20% to 4.92 lakhs in 9 months FY24 registering strong of 16% during the quarter. I'm pleased to say that BALIC ended the 9 months with fourth highest number of new business policies.

During the quarter, the BALIC's new business value grew by 19% from Rs.201 crores to Rs. 251 crores. To some extent, the NBV was affected by lower growth of protection business, but over the next few quarters we hope this should get corrected as well. After a relatively lackluster Q1, as we had mentioned earlier when we focused more on launching low margin products like unit linked, BALIC has reported strong NBV growth for the last two quarters with a strong focus on getting the right product mix.

Overall, the IRNB mix for Q3 FY24 stood at 32% participating, 20% non-participating savings business, 4% of individual term business, 5% of annuity business and 39% of unit linked insurance business.

BALIC has continued to focus on scaling up the agency and direct channel through investing in people, processes and institutionalizing it's variabilization of agency cost through lower cost models. It has led to the BALIC building of one of the largest agency channels in the private life insurance space with over 1.43 lakh agents. BALIC is also building on the data and analytics for direct sales through upsell and cross-sell initiatives apart from new acquisition, it has led to BALIC's presence now in 313 cities with dedicated verticals for different customer segments.

During the 9 months of FY24 BALIC has started activating several of the recently signed corporate agency tie ups, which include Karnataka Bank, Equitas SFB, AU Small Finance Bank, South Indian Bank, the Development Bank of Singapore (DBS), City Union Bank, Tamilnad Mercantile Bank, Punjab & Sind Bank and Jammu & Kashmir Bank.

BALIC now has a reasonably large number of Bancassurance tie-ups and over the next couple of years helped it reduce the concentration risk. For the 9 months ended 31st December 2023, the 13 month and 37 month persistency stood at 83% and 66% and the 61st month persistency has also improved to 51%.

Profit after tax grew 34% from 81 crores to 108 crores supported by higher profit realized from par business, higher charges from unit linked due to increased AUM and better claim experience partially offset by higher new business strain driven by strong growth.

I'm also happy to share that BALIC has crossed Rs. 1,00,000 crores of AUM during the quarter.

To summarize:

Strong market-beating growth, growth across all channels, activation of new tie ups in Banca space, growth in NBV and fourth position in a number of policies issued. Overall, a good balanced quarter for BALIC.

Let me move on lending business BFL and BHFL.

I would broadly touch upon these companies because they already had their call:

It was a good quarter for BFL on all growth metrics customer acquisition, new loans booked and AUM. Profit after tax grew strongly by 22%, although it was affected by higher credit costs and lower NIM due to higher cost of funds. The reasons have already been explained by BFL in his investor call on 29 January. BFL acquired 38.5 lakh new customers in Q3 of FY24 the highest ever till date in any quarter.

Total customer franchise on 31st December stood at 8.04 crores while cross sell franchise stood at 4.93 crores. The total number of new loans booked in Q3 FY24 increased 26% from 78.4 lakh in Q3 FY23 to 98.6 lakh in Q3 FY24. Further in Q3 BFL added 158 new locations and 9,500 distribution points. Geographic presence stood at more than 4,000 locations and achieved over 1.9 lakh distribution points as on 31st December 23 as against 3,714 locations and 1.44 lakh distribution points on 31st December 22. The Bajaj Finserv app now has 4.9 crores net users as against 3.1 crores a year ago.

The companies diversified business model has enabled them to record strong AUM growth as seen from the total AUM growing by 35% to 3,10,968 crores. The gross and net NPA recognized as per external RBI prudential norms and provisioned applying the expected credit loss methodology prescribed in the Indian accounting standards as on 31st December 23 stood at 0.95% and 0.37% respectively as against 1.14% and 0.41% as on 31st December 22.

I must highlight here that NBFCs are under IndAS which require ECL provisioning and deferment of some fees on charges on an effective annualized yield basis. BFL holds the

management and macroeconomic overlay provision of 590 crores as on 31st December 23 it has released 150 crores from the overlay in Q3.

BFL ended the quarter with a consolidated profit after tax of 3,639 crores, which was 22% higher than the same quarter of the previous year. The capital adequacy ratio as of 31st December 23 remains strong at 23.87% as against the required minimum of 15%. The Tier-1 capital stood at 22.8%. The impact of higher risk weight for certain categories of business announced by RBI impacted BFL's capital adequacy by 2.9%, but this has been made-up with the fund raise and profits.

Bajaj Housing Finance, the 100% mortgage subsidiary of BFL, continues to do well. AUM grew 31% to 85,929 crores from 65,581 crores a year ago and the profit after tax grew 31% to 437 crores in Q3 FY24 as against 337 crores in Q3 FY23. Bajaj Housing Finance capital adequacy ratio stood at 21.92% and the GNPA and NNPA stood at 0.25% and 0.10% which is line with the previous year.

To summarize:

Strong growth from both Bajaj Finance and BFHL across all metrics, slightly higher credit costs which is in line with pre COVID levels and lower NIM due to higher cost of funds.

Now to give us some updates on our **platform companies Bajaj Finserv Direct, Bajaj AMC and Bajaj Finserv Health:**

Bajaj Markets or Bajaj Finserv Direct attracted about 84 lakh customers on a digital platform of which 1.9 lakh million customers this is against 1 crores consumer and 2.3 lakh customers in Q2 of FY24.

The numbers are lower in line with the Bajaj finances RBI's order on to temporarily stop the issuance of digital cards. Bajaj Finserv Direct has voluntarily taken up, in the spirit of the order to stop the lending until the deficiencies pointed out by RBI are cleared.

As mentioned by BFL, these deficiencies have mostly been cleared and as soon as RBI allows Bajaj Finance to start disbursing again, BFSD shall also start lending again.

Therefore, it shows 36,603 cards as against 82,828 cards in the last year.

Now coming to the AMC, Bajaj Finserv AMC is just under 6 months since the AMC launched its first fund. It launched new funds, the banking and PSU fund and the balance advantage fund during the current quarter and has attracted an AUM of 882 crores during the quarter.

Both these funds were not available for the full quarter. Overall, AUM stood at 6,375 crores as of 31st December of which about 3,000 crores is in equity or equity-oriented funds like arbitrage and balance advantage funds.

Now coming to Bajaj Finserv Health:

In Q3 FY24 Bajaj Finserv Health or eBH carried out 13.45 lakh health transactions versus 9.13 lakh in the same quarter of previous year an increase of almost 50%, and it has 2.89 lakh plus monthly active users. For the quarter Finserv Health had 18.55 lakh paying users versus 9.74 lakh in the Q3 of FY23 with about 5.5 lakh users having renewable products whereas vis-a-vis 3.11 lakh in Q3 of FY23.

Finserv Health is also expanding the provider network which includes 1,07,324 doctors 5,368 lakh touch points and 2,110 hospitals. Utilizing the network strength, eBH is able to offer and service differentiated product plans for both the retail as well as to corporates for employee health benefits management.

Let me now conclude with the highlights of our consolidated financial results.

Consolidated total income grew by 34% at 29,038 crores, consolidated profit after tax grew by 21% at 2,158 crores. The consolidated profit after tax includes the mark-to-market adjustments on equity investments held by BALIC and BAGIC on the shareholder funds and if we were to exclude the impact of that the profit would still have been higher by 18% in Q3 of FY24.

BFL reported top line growth of 26% in net total income, consolidated profit after tax up 27% for the 9 months and ROE of 21.95% for the 9 months as against 23.98 in the same 9-month period of last year. For the 9 months BAGIC gross return premium was up 34% at 15,668 crores, the profit after tax up 14% at 1,171 crores and the ROE at 11.8% versus 11.6% the same period last year. The combined ratio was 99.3% versus 101.5%.

For 9M FY24, BALIC recorded a gross written premium increase of 14% to 14,860, profit after tax higher by 26% at 457 crores and the NBV increase of 11% at 581 crores versus 535 crores.

Overall, for the 9 months the consolidated total income BFL increased 34% to 78,341 crores and the consolidated profit after tax increased by 30% to 6,029 crores.

Before we open for questions, concerning the paucity of time I would request your audience to kindly keep their questions brief so that we can cover more queries during the call. With this, I invite questions from the audience. Thank you.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sanketh Godha from Avendus Spark. Please go ahead.

Sanketh Godha:

I have questions with respect to general insurance and life insurance. First, general insurance, my question is more on growth. I understand that your growth has been strong in the current year, but if we look at 3rd Quarter growth in motor there is a sharp slowdown in the numbers in OD/TP, wanted to understand the two-wheeler market share gain story which played out first half of the year. Now the base effect getting to kick in and that is leading to a little bit of moderation in the motor growth, or the competition has intensified and therefore you have taken a conscious decision to slowdown to protect your combined ratio in that space.

Secondly, wanted to check from FY25 perspective if I look at your crop business last year you did 2,700 crores, it seems to be difficult to achieve the same in the current year and in FY25 maybe with the UN rules that might be much more competitive. So, how you see that to play out?

Lastly Government health, you did almost 2,500 crores of business in the current year to what extent it is sticky and can be repeated in the next year so there is no significant decline in the top line growth for BAGIC?

Tapan Singhel:

I think the question that you asked is mostly strategic in nature. So, I can give you broad answers not very specific on that basis.

The first one, if you look at our overall retail growth and as mentioned by Sreeni in his opening remarks it's much over the industry even if we remove the bulky business-like crop and government health.

So, if you look at it overall, we are growing at a rate much over the industry in terms of retail growth. Coming to micro segmentations, those will vary overtime. Sometimes when you see an opportunity, we will be aggressive in some segments whereas when we don't see an opportunity we will slow back and that is what we have been doing for 22 years now.

It is something that as a company we always pick up where we see good opportunity, we get aggressive, where we don't see opportunities, we slowdown that that will keep on happening as we see.

If you look at in the quarter before this, we were growing aggressively. If this quarter motor has come down next quarter, it may again pick up depending on how we see the market. So, market is very agile, it is not static to decide to move like this way only.

On crop, if I take you back 6 years - 7 years, most of the questions were that nobody writing crop why you are writing crop and if you look at results, I think we did pretty good in terms of our profit, our growth and now everybody wants to write crop which is fair.

So, again where we see an opportunity, we are there, and I think we still are one of the largest players in crop insurance. Not that we are small, but when more players enter, the market gets

divided in a lot of players, but we will remain as a key player in the crop insurance. We have invested a lot; we understand the business well and we serve the customers well on that perspective.

If you look at government help also, it's not the first time we have done government health, we have done Gujarat, J&K before as well. It is something that we keep on looking at the business strategy and this we shall continue doing as we move forward.

So, as a company our focus is very clear. We are obsessed about customers, innovate, bring in innovation to the market, look at all segments of businesses and ensure that we have healthy growth, and we also take care of our bottom line and solvency because in insurance business it is very critical that you are able to consistently look at your balance sheet so you can serve customers well. I hope it answers your question.

Sanketh Godha:

But my question was more on motor, is the moderation because our market share gain strategy in two-wheeler has incrementally not happened in that manner and that's why it has slowdown, or is it more tactical as you explained right now i.e it's more tactical that you withdrew little in the market in the current quarter?

Tapan Singhel:

As I told you that micro answers we don't give, because on strategic basis as a philosophy is what we keep on doing and when we see an opportunity again, you'll see it growing up.

You'll never see us that there's something that no we would continue doing even it doesn't make sense. We will do what makes sense because insurance is not a quarter-on-quarter business, it's a long-term business you should look at insurance business for 100 years to see how to run a company in insurance because.

I think in the disclosures we see consistently we have had the least grievance ratio in the industry for over a decade now. we look at we have acquired more customers today, we're on the largest in terms of customers, we are one of the top players in the industry, but in the micro level you will see that there would be fluctuations in our line of businesses, sometimes it is aggressive, sometimes closed, but that is our business strategy. That's how we run this company over a long period of time.

Sanketh Godha:

And lastly on general insurance wanted to understand that motor TP and motor OD loss ratios have improved in the current quarter. Are these numbers sustainable because last year in Motor TP last quarter we were at 67 is it's a sharp improvement to 72 and OD is at 62 probably the best in the industry, wanted to understand that are these numbers sustainable and is there a sanity in the pricing with respect to in the market in general?

Tapan Singhel:

So, if you look at the loss ratios OD and TP. OD is a short term and TP is the long term for loss development because TP takes about 4 years to develop, and OD is short term. If you look at

OD loss ratios at 62 it's a short term, it's an immediate result and the provisioning in OD is very less because of being short term in nature.

So, when you look at industry, our Company has best loss ratio as the company rides brilliant business despite having the large voter books and does so well. TP being long term has lot of play on reserves and if you look at our reserves is among the best in industry again.

So, this company not only gives a good bottom line, good customers acquisition as they serve customer well, but also reserving is among the strongest in the industry. So, that should give you a lot of comfort in terms of when you look at the results of the company.

Sanketh Godha:

My question on life insurance, on margin two points. One is the natural impact of the surrender charges on the life insurance, the proposed norms how do you see it and if you can possibly quantify out of the total reported VNB, what is sourced probably from surrender tool in the non ULIP business if possible.

And the current margin pressure if I see from 9 months point of view compared to the last year, should I attribute largely to product mix change or at product level also we are seeing a margin pressure either because of unfavorable market or intense competition on IRR or either in annuity or non-PAR.

Thirdly, on data keeping how much Axis contributes, what's our market share and are you seeing any pressure with the Tata being available on Axis Bank channel inductions?

S. Sreenivasan:

Sanketh before I hand over to Tarun, I'll just take the first question. I think that it is a draft proposal floated by the regulator and is being discussed at different levels. I don't think there is consensus yet as to whether that will happen or when it will happen or if at all it will. The industry is collaborating and there are multiple options being given back to the regulator to handle that situation. As of now we don't see a significant risk that it will happen in the near term, but it will depend on how the regulator views all the different discussions.

Tarun Chugh:

I think you largely answered it Sreeni. I think this is a little speculative if I might say, as the discussions are still on. I think IRDAI had given it more from a discussion perspective because quite rightly the surrender values for customers gets to be an issue, but having said that there are ample products in the market, being long term products and usually are structured a lot more tediously from the surrender value point. We understand with IRDAI the customers issues and we are working together with them. I think IRDAI is also quite receptive. They also understand that it's a long-term product and these discussions are going on quite actively. A lot more to be said in this area and I'm assuming that this is just educative in nature. Results, what you will possibly be seeing is something which will be discussed a lot more before it comes out. So, that's my response to the first one.

Your second question is on NBM product mix and whether the NBM impact is on account of change in product mix or is it squeezing out of margin in individual product segments I think that's exactly what you asked for Sanketh.

Sanketh Godha:

Yes, exactly it's more due to the mix change or product level is also seeing the compression?

Tarun Chugh:

So, I will answer the second one first, I am sure you will value that. So, overall, there has been some squeeze versus last year and I think that's been playing out in terms of what you see for various players. Largely that happens when the rates of fixed deposits and the Gsec tend to narrow and that is what is largely reflected in product mix.

As far as our margins are concerned, I think we had a flattish margin I'd say for Q3 also we've been able to maintain our margins despite that. In fact, on overall basis we've done much better than what we expected to, in terms of product mix. As you know Q1 we had taken a clear decision, as Sreeni had mentioned in his prelude as well, where we wanted to wear out the load of the 5-lakh tax slab and the strategy for this year has worked out perfectly. The margins are on an upswing, and I think we should expect more of that.

Our product mix has also settled somewhere where we would like it to be in the longer term and that's the way I think it's healthy for all segments of customers. We get to see customers who would want more par plans and more non par plans. Also, there is a separate segment for ULIP for the HNI and the mass affluent which is working well. So, that's the answer on the NBM question.

As far as Axis is concerned the overall statement, I've always been making for the last so many calls and this is what I maintain in the board and everywhere is that we intend to not being lopsided in any one relationship. I think that's been a strategic decision that we had taken, which is why we actively go ahead and sought out new bank partners. Our agency channels and direct channels have been growing faster.

In terms of specifics, Axis Bank last year Q3 used to contribute 26% of our business. This year it is 23%, even though we've been the fastest growing as a company. So, what you should understand is that we are achieving a twofold objective. One is of growth. Second our share in Axis remains the same showcasing we are not dependent on one bank partner.

So, the good news there is that for us also Axis Bank has grown in terms of business, and it is growing heavily even this month. We expect as we've retained our share there, so Axis Bank has been able to add more customers and has been able to do better than its peers as a bank in terms of selling third party products.

Sanketh Godha:

Last one just an extension to it is you see new partner that is Tata adding Axis, so any competitive pressure from that side?

- Tarun Chugh:** IRDAI has allowed from 3 to 9 partners now and now it is four in Axis. I dare say there could be more and similarly it's therefore all other banks. There we haven't seen a squeeze because as said, we maintained our market share.
- So, there's no squeezing of market share for us, but I think the overall gainer will be the bank itself and I expect more and more banks to add life insurance companies as partners because overall it helps the competition on ground, the choice to customers, different companies have different strengths and they're able to make the best out of it.
- The fact that we've been able to add a lot more partners and this momentum has only just been healthy for the last 18 months. It just shows that we've been benefiting out of that.
- Moderator:** Thank you. Our next question is from the line of Nishant Shah from MLP. Please go ahead with your question.
- Nishant Shah:** So, just a couple of questions from me. First is on this acquisition of TPAs, could you talk about that a bit, like how you see this acquisition, is it more for like internal consumption, is it a new business line that you're kind of looking at like more favorably and general thoughts around that. So, that's my first question.
- Second question is about you briefly mentioned about Axis Bank and the wallet share kind of like coming down a bit on the life insurance business. Like Axis is becoming more prominent as an investor in Max, do you worry that there is like a further decline in wallet share or do you think it kind of stabilizes the wallet share at 23 odd percent?
- S. Sreenivasan:** I briefly covered the strategic rationale in my opening remarks, but I will let Devang Mody the CEO of Bajaj Finserv Health articulate how he sees the acquisition of Vidal Healthcare and the Vidal Health TPA and thereafter then Tarun can take over the I mean they already mentioned about Axis, but Tarun can just add some flavor to it.
- Devang Mody:** See we built out Bajaj Finserv Health with a purpose that we want to create a health management platform to provide access and financing to Indians. Now in health management platform the largest spending pool is hospitalization, but we set out to first solve the harder problem of solving for OPD because there were very fragmented players on OPD side.
- Having made some progress there that we have best in market network, we have created digital flow it was logical for us to get into hospitalization which is the largest spend pool. With acquisition of Vidal, we get access to healthcare spends in hospitalization as I told it is the largest spend pool in healthcare ecosystem at this point of time in India.
- So, I think it's a strategically logical except with this acquisition what we get access to is very deep domain knowledge of Vidal because they are amongst the first TPAs in market for more than 18 years and a very capable team who has this domain knowledge.

So, that's the strategic rationale that today we are uniquely placed to provide continuum of care. Nobody checks into the hospital without accessing the doctor or doing a diagnostic test. So, having created OPD network as well as transaction capability and now having hospitalization service capability we will be in unique position to service consumer that's what we mean by continuum of care that you go visit your doctor we have capabilities, you have to do diagnostic or radiology test we have the capabilities and now with Vidal acquisition if you need any hospitalization we can service your need. So, that's the strategic rationale, I hope it answers your question.

Nishant Shah:

Just the second question on Axis?

Tarun Chugh:

Currently there is no drop on wallet share as mentioned, but this can be threat. I think the fact that Max has been there for the last 13 years, and they already had clearly indicated their desire to increase equity. I think the bank and bank employees are aware, despite that the bank has added us as a partner four years back and added one more partner recently and could add furthermore.

I think what one should look at is the growth overall, whether the bank is able to achieve its objective, I think it is. One of the reasons the bank is growing is largely because of the further partners like us, that they've added and strategically I think they're going the right way plus the product that is being made available is to the strengths of each of the insurance companies. Hence, they're able to increase the pie and customer penetration.

As far as we're concerned, I repeat that we will not be dependent on one relationship. It is healthy for Axis, it's healthy for us and our other businesses, which is the rest of the Bancassurance relationships have only just been growing. So much that Agency is also growing and BALIC direct channel has been growing significantly as well. And I think that's the way the companies long term vision remains.

S. Sreenivasan:

Let me just add some flavor to what Devang said how we look at it from Bajaj Finserv's perspective. Clearly healthcare is one of the mega trends that we believe is going to play out over the next several years in India, - there is a big gap between supply and demand and there are multiple pieces in this puzzle. There are healthcare providers- we are not part of it. There are also other multiple payers. We have seen Ayushman Bharat which is going to address the needs of the lowest income strata of the country, then you also have the insured population with all kinds of P&C companies and health insurers. There you will also see more and more convergence of the inpatient, OPD and wellness coming together over the next few years.

We're also seeing a significant digital drive kicked off by the National Digital Health Mission. And if I look, say, 5 years, 10 years from now we are looking at a significant expansion of all segments of the healthcare industry.

Now this is one industry where you need to continuously update or expand your knowledge of the domain. It is different from doing auto insurance or life insurance. There are different domains requiring different expertise. These two vehicles that we have in Finserv one is the risk bearing Bajaj Allianz General Insurance who is already a well-established player in all segments of health which is insurance, which is your hospitalization, private insurance for retail, there were government schemes and corporate employer-employee etc and now this vehicle Finserv Health which will create digital capability, domain expertise and servicing capability across the market. As the market expands the insurers will also demand more and more care services because a lot of it is indemnity-based customers will want to go and get treated. They don't want just a bit of cash from the payer.

So, as it grows you need people who can be in the entire ecosystem with sufficient knowledge, with sufficient digital capability and who can deliver seamless experience. When we look at it over the long term, we want to be in all relevant segments of this. Last year I think about 70,000 crores was the insured payment, but the total payment across healthcare industry across government and uninsured is significantly larger. When that converges, this pie will increase and as we participate more and keep building our capability based on the digital analytics capability, we should be able to gain. We think the game is pretty big going forward.

Nishant Shah:

Just one small follow-up on the Axis Bank point and it's probably not related to Axis Bank specifically, more across your Bancassurance partners like any conversation with them because the liquidity is very tight right now in the banking system. So, is there any scope of the banks trying to prioritize deposits over cross selling insurance until like the liquidity issues ease a bit, any conversations around that with any of your Bancassurance partners?

Tarun Chugh:

I think the point is correct. The banks fundamentally have been always prioritizing the bank core products than third party products all throughout. It's not just about Axis, it's a larger Bancassurance industry level question and that does remain and yes because of that there will be pressure on the Bancassurance side and has always been.

So, I think the time has long been there where the products must independently co-exist in the bank ecosystem and it's not like the first time, we are seeing pressure on deposits and liabilities. It's been there for the last significant period; I would say 18 months for sure and maybe even there earlier and then banks remain hungry for that.

It doesn't impact third party maybe slightly, but has it impacted us more. No. I mean you've seen our healthy growth in any case, and I think it's good that banks keep concentrating on increasing their customer base and third party is more like another product where they add to the customer relationship and is only good for us if they're adding more depositors. I hope that answers.

Nishant Shah:

I understand like these cycles have come and gone in the past, but like it seems from the media reports, the RBI is kind of pressuring some of the banks to who have a higher LDR ratio to

cancelling it up. So, I was just wondering whether there's a transitioning phase of a few months where banks just like prioritize deposits over?

Tarun Chugh: Like I said they always do, and particularly every quarter end and more so in the year end the pressure on deposits has always been high.

Moderator: Thank you. Our next question is from the line of Swarnabh Mukherjee from B&K Securities. Please go ahead.

Swarnabh Mukherjee: So, I have one question on BAGIC on the expense side. So, the expense ratio look looks 10 bits higher this quarter. Now, even your growth has been I think largely by the commercial lines this quarter. So, considering factoring in the acquisition costs, how to look at the expense ratio and how should we think about it going ahead?

S. Sreenivasan: Based on the loss ratio and expense ratio on the health business, right?

Swarnabh Mukherjee: Overall on the GI business.

Ramandeep Sahni: So, on the expense side I think if you look at the expense ratios on GWP terms it's moved up slightly even on NWP terms it's moved up by 1%. Largely it's happened because if we compare 9 months versus quarter 3. 9 months had a lot of bulky businesses like crop and Government health sitting in it. Given that in quarter 3 that business was on the lower side. In fact, in crop, we had a degrowth that's why the ratio looks a little skewed compared to 9-month period.

The other reason is al'o, our focus has largely been on driving some profitable motor businesses. So, their commissions are little on the higher side. So, temporarily I think that's also looking a little higher on the acquisition side, but largely I think we are well in control on our expenses. Overall, on 9-month period I think we're running at about 24% on NWP terms and I think close to that range is something which we are comfortable at.

Having said that, we've also mentioned in the past that we will be expanding our sales forces and if you look at the headcount number, we are 11,000 as against 9,500 in the previous year and the number is going up which is why basically out wage cost is going up and is our largest cost driver.

So, on short term basis I think costs might go up a little, but I think we are comfortable at these levels.

Swarnabh Mukherjee: And, one question to Tapan sir, you mentioned about the growth. So, now even if you don't go into a lot of micro segmentation, I think since the commercial lines have been doing quite well this year and has been on the forefront of growth say marine or engineering lines.

Now, if we were to think about next year, I understand that of course there would be a tactical element and you will capture opportunities in micro segment as you go ahead, but since commercial lines may also kind of peak out in terms of the overall capacity in the industry.

Would we be considering that we'll see higher growth number in the retail lines maybe for FY25 to compensate for any such kind of evolution in the commercial line so that we can broadly maintain our run rate of close to industry or above industry growth?

Tapan Singhel:

I think first and foremost to understand GI business should look at the economy of the country because the GI business always follows the economy. So, in the economy of the country what is it that you hear when you look at the speeches by the Prime Minister or by ministers, you would hear a lot of investment in infrastructure, you would hear a lot of talk about creation of make in India, you'll hear a lot about talk of creation of factories.

So, which means the commercial space saturation I don't think is going to happen so soon in terms of the way the country exploding, if it has to become third largest economy, it has to keep on expanding the commercial activities in the country as long as it keeps expanding, it will require companies to ensure that.

To ensure commercial businesses you should have a good strong balance sheet, you should have good RI capacities and you should be among player substantial book to be able to do so. In the GI business, I don't think that we will be like slowing down on commercial or saturating that would not be happening.

Now we don't try to make up for one line by pushing another aggressively. If we can push aggressively today, we'll push aggressive today only. If we feel it is aggression not required, we will not do so. So, we don't try to balance in terms of that if this is going down, we push something else aggressively at the cost of not writing business sensibly.

The way we look at businesses that whatever we think is sensible in which we will serve the customer well, we would push aggressively there we would keep on expanding, but for your commercial lines of business answer I don't think in the Indian context for the next at least a decade, I would see a slowdown in the commercial business in the country.

Swarnabh Mukherjee:

If you could share some of your thoughts on the retail line particularly in motor given that one previous participant also highlighted that there has been a tapering down in terms of growth. Now we have initiatives running like say the Geo initiatives which were kind of focused on giving the market share. So, how is it that happening, and should we see some kind of diversion in terms of growth rates going ahead?

Tapan:

I missed the point which initially did you talk about sorry.

Swarnabh Mukherjee:

So, you had earlier mentioned that there is a Geo initiative running?

Tapan: Those initiatives are still going strong because as I said our country wealth creation in the country is happening and as I mentioned GI business follows the economic growth of the country and the wealth creation as it happens. So, obviously, if you look at the smaller towns, they are getting much better, and we also have this ambition of reaching to every household in India.

Now if you look at the alias in the current context, we would be in at least 1 in maybe 4 household which are already present there. So, in that our strategy of reaching out to the last mile will continue and the Geo will continue and that will have an impact on the retail business as you have rightly thought so and figured out.

Swarnabh Mukherjee: So, just to clarify would we then expect that in some time, maybe not in the coming quarter, but in one, two quarters we'll see some uptake in the motor growth as well because I mean why I am just harping on that is that over the last two or three quarters that has been the bellwether in terms of driving growth in the retail line and since that has tapered down, the marker is looking a little bit weak at this point of time?

Tapan Singhel: It is just this quarter no I don't think it has tapered down and that is why I say when you look at our businesses if you start comparing quarter-to-quarter you will have this kind of fluctuation and thought process. The strategy I don't think we are tapering down any business or any growth and as we expand obviously the motor business in those areas also will start picking up, but we are very cautious of one, two things and as I said for 22 years, we have done that. If the business does not make sense, we don't pick it up.

Now we only pick up business which makes sense, and this making sense fluctuates over time. If you again look at if you again let me, take you back couple of years when you are underwriting commercial vehicle a lot of questions are coming in commercial vehicle that again nobody is writing and we actually made good underwriting profit and we did very well in commercial vehicles and now a lot of people have entered that space again. Then we entered 2 wheelers then we entered 4 Wheelers.

We look at the pattern you will see that wherever we see that it makes sense, and we can serve the customer well we would aggressively push that on. There is no tapering of business, and I don't think that is a right way and this quarter if it has gone down a bit there, I think in the market we didn't find it good enough at that price point, but that market keeps on fluctuating very well.

So, to understand how we operate you should also when you look at these questions, also look at the loss ratio movement in the market, look at reserving in the market and then you will see how our business fluctuates with that and how it picks up. So, when you start seeing those patterns then this will become clear to you.

So, it is not that we are tapering down something or we're going slow on something you will see that it keeps on moving up.

Moderator: Thank you. The next question is from the line of Supratim Datta from Ambit Capital. Please go ahead.

Supratim Datta: My question, I'll start off with the BAGIC business. On the retail health side could you give me a split of the loss ratio between the retail and the group health business you have clubbed it together so that will be the first question.

And secondly on retail health, the growth when I see it in the 3rd Quarter as around 14.5% that is lower than what the parties are doing, or other private multi line players are doing and this is despite BAGIC investing in this business creating a separate vertical for retail health.

So, just wanted to understand how you're looking at growing this business. What are the key investments you're making and when we should see these investments play out that's on the BAGIC side. I have a few questions on the BALIC as well I will get to that later?

Tapan Singhel: First and foremost, I don't think we give individual micro level splits in loss ratios, but if you look at the BAGIC health portfolio overall we are one of the largest health players in Indian market. If you combine the total health business and put a position of where BAGIC stand you will find us among the top health insurance company in India put it together.

Now when you get down to the segmentation and come to retail health segmentation you would notice that our growth is not lower than GI industry growth. We are above industry growth in retail health also. SAHI, yes, obviously they grow faster because they are focused on health as a mono line of business, and this is a business model which helps growing fast .

I think with the awareness created, the more the media always said our country can have many more insurance companies is good. The more they are, the better it is because it creates awareness it pushes the market, and it takes it to the next level.

We are focused on health. I think the bigger issue is not about just looking at growing aggressively. The bigger issues are how do you build a business model which is sustainable in a very long period. I think that is what is very, very critical.

How do you build a business model in which you are able to have customer delight. We look at the NPS scores be it both in motor and health we would be among the top companies in India in terms of the customer delight which is there.

So, you can't build a model in which the customer delight goes down so it has to be built very sustainably in a long term basis as we take that on and retail health again if you look a lot of initiatives we are taking as industry also and you must have heard about the announcement of cashless for all, you're also looking at setting exchange with the government NDHM in which we're putting the companies in and we're also trying to get hospitals on board.

There's a lot of initiatives taking place and somehow the health servicing happens and how does it get done into pictures. So, we have our team, we have our health vertical, we have a health SBU head, we have a very clear focus on health, and I said if you look at overall health, we would be one of the largest players in the health insurance space in India also currently which would be there.

Supratim Datta:

Now moving to the BALIC business over the last two quarters the growth in the direct channel has been strong. I just wanted to understand what has changed in this business that it's delivering 40%, 60% kind of growth now. That's the first one.

And secondly you spoke about product level margins I wanted to understand that whenever we look at the different channels had the commissions in the different channels changed because some of the life insurance companies have indicated that in the multi insurance channels, commissions have increased and given you typically compete mostly in multi insurance channels when it comes to Banca partners just wanted to understand it there has been any shift in commissions segment those are the two question?

Tarun Chugh:

I will answer the first one on BALIC Direct and Bharat can answer the commission part. So, on the BALIC Direct side I think it's a good thing to notice that the growth has been significant, and we are very bullish on this.

The core reason has been really where we run this business, the quality of the team we've put together, the amount we've invested in this business and the significant bit is the data and technology piece that is now finally breaking through.

So, this has been the strength of the Bajaj Finserv group. We ourselves have been writing the core competence. I think it's finally coming up and showing its capability where we're able to upsell and cross-sell to our existing customers and there is usually a learning because ours is not an easy product to sell.

I think we are now getting the learnings in and have been able to verticalize the business into various verticals so that they are able to use the data appropriately.

We should expect that BALIC Direct shall be the fastest growing business. It's not the largest yet but shall remain the fastest growing business for a few more quarters easily. Bharat on commissions.

Bharat Kalsi:

First, specifically there is no increase in any of the cost of acquisition because of the change in the regulations and even if you look at our overall OPEX plus commission ratios, percentage to say GWP or any metric either we have improved marginally, or it is there and thereabout. So, there is net-net is no change because of these regulations.

- Moderator:** Thank you. The last question for today is from the line of Vishesh Jain from IIFL Securities. Please go ahead.
- Vishesh Jain:** I just have one question on the acquisition side. So, with that TPA being the one of the largest TPAs in India and providing the TPA services to many insurers. So, is there any chance of potential conflict of interest and how much of the current revenues of the TPA business do we expect to maintain over a period?
- Devang Mody:** We have our group Bajaj Allianz General, which is doing health insurance business.. While we have same parentage in BFS even before this acquisition we were servicing other health and general insurance companies as well as life insurance companies, which are not our group companies.
- Having said that I think what our customers mainly on Vidal side means insurers or corporates look forward to is how we as service providers to them able to solve their problem or rather service their customers little better that's where we are focused on, and we have a reason to believe there would be no impact.
- Having said that, Bajaj Allianz General also processes their claims on their own. See, this market and the job to be done is so large as Tapan was highlighting on the call earlier that government is taking various initiatives, rapid transformation of healthcare ecosystem led by NDHM blueprint of the Government is happening, and the regulator is driving initiatives like insurance for all and cashless anywhere. There is lot of work to be done by entire industry together and there is a room for everybody to add value.
- So, we feel very confident that we should be able to service all insurers and there should be no impact on that. Hope I have answered your question.
- Moderator:** Thank you. Ladies and gentlemen, that brings us to the end of our question and answer session. I would now like to hand the conference over to Mr. Sameer Bhise from JM Financial for closing comments.
- Sameer Bhise:** Thank you everyone for joining this call today and thanks to the Management Team of Bajaj Finserv for giving us the opportunity to host the call. Thank you so much you may now disconnect.
- Moderator:** Thank you. On behalf of JM Financial, that concludes this conference. Thank you for joining us and you may now disconnect your lines.