# BAJAJ FINSERV LIMITED

## Investor Presentation – Q2 FY20*

* Financial year 2019-20

# Bajaj Finserv – Group

BAJAJ FINSERV

- Bajaj Finance Limited — 54.81%
  - Bajaj Housing Finance Limited# — 100%
- Bajaj Allianz General Insurance # — 74%
- Bajaj Allianz Life Insurance # — 74%

- ❑ Bajaj group has a long track record of building large scale, profitable businesses
- ❑ Bajaj Finserv is a diversified financial services group with a pan-India presence in life insurance, general insurance, and lending.
- ❑ Bajaj Finserv is also a listed opportunity to participate in India’s insurance sector

*BFS shareholding in BFL (Bajaj Finance Ltd.) as at 31 March 2019 was 54.99%.
BHFL became fully operational in Feb 2018
Shareholding is as of 30 Sep 2019. Chart shows only major subsidiaries.
# Not listed

# Bajaj Finserv – A diversified financial services group

## Bajaj Finance Limited

- Diversified across consumer, payments, rural, SME, commercial & mortgage lending
- Credit rating of AAA/Stable by CRISIL, India Ratings, CARE Ratings and ICRA
- Credit rating for short term debt program is A1+ by CRISIL, ICRA & India Ratings
- Investment grade long term issuer credit rating of BBB-/Stable and short term rating of A-3 by S&P Global Ratings
- AUM++ of Rs. 1,355 Bn. as on 30 Sep 19 and Net NPA stood at 0.65% as on 30 Sep 19
- 956 urban locations and 1,041 rural locations with over 1,02,400+ distribution points

## Bajaj Allianz General Insurance Co. Ltd.

- Consistently profitable amongst the private players. ROE of 16.2% in FY19
- 2nd largest private general insurer in India as of FY19 in terms of Gross Premium
- Multi-channel distribution supported by a wide range of products across all retail & corporate segments
- Combined ratio of 96.7% for FY19 and 102.7% for Q2 FY20
- Recognized in the market for claims servicing

## Bajaj Allianz Life Insurance Co. Ltd.

- Among the top 5 private sector Life insurers in India on new business in FY19
- Deep, pan India distribution reach with presence over 590 locations
- Diversified distribution mix – agency, bancassurance, alternate channels, direct etc.
- AUM of Rs.582 Bn. as on 30 Sep 19
- Net-worth of Rs.98 Bn. as on 30 Sep 19
- One of the most profitable private life insurers in India

++ AUM includes Bajaj Housing Finance AUM of Rs.257 Bn.

# Bajaj Finserv performance highlights

All Figures in Rs Million

## Performance Highlights of Q2 FY20 over Q2 FY19 (Ind AS)

| | Total Revenue (Consolidated) | PAT* (Consolidated) | Net Worth (Consolidated) | Net Worth (Standalone) |
|---|---|---|---|---|
| CY | 142,242 | 12,037 | 260,546 | 34,736 |
| Growth | 47% | 71% | 21% | 10% |
| PY | 96,984 | 7,040 | 215,187 | 31,501 |

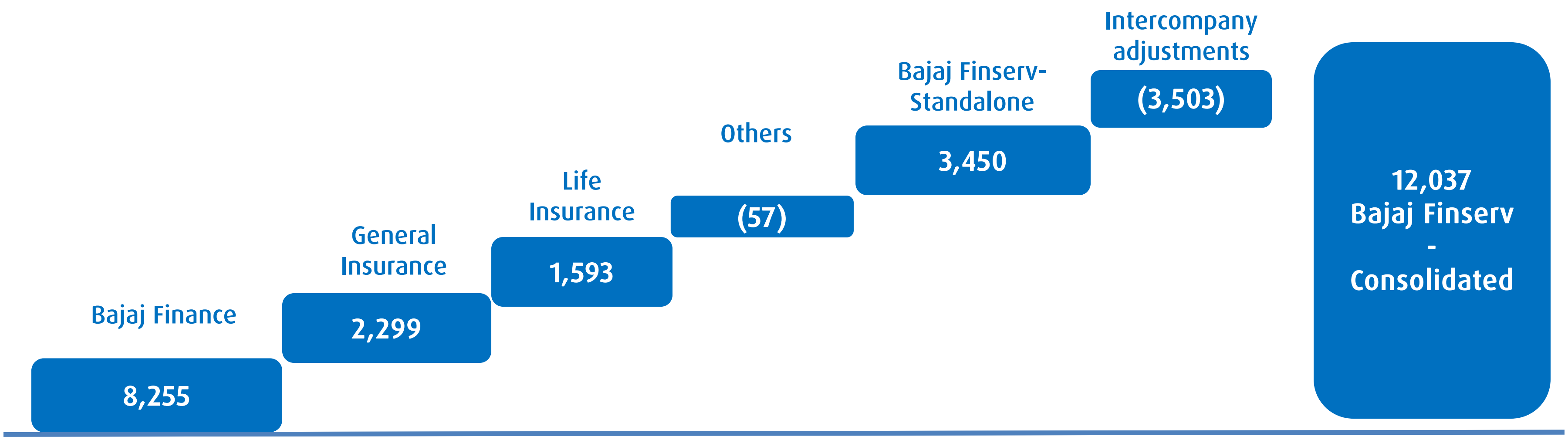
- Bajaj Finserv remains a debt free company. Bajaj Finserv's surplus funds (Excluding Group Investments) stood at Rs. 9.2 Bn as on 30 Sep 2019 (Rs. 8.4 Bn. as on 30 Sep 2018)
- Consolidated Book Value Per Share at Rs. 1,637 as on 30 Sep 2019 ( Rs.1,352 as on 30 Sep 2018)

Note : *PAT attributable to owners of the company

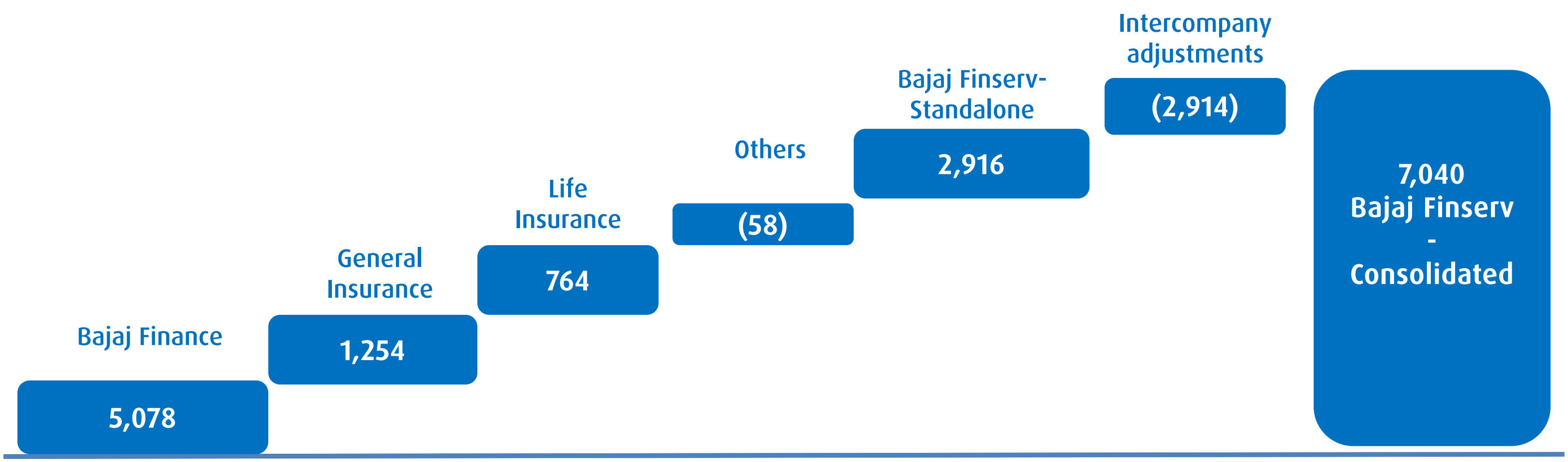
# Consolidated profit components

All Figures in Rs Million

## Consolidated profit components for Q2 FY20 (Ind AS)




## Consolidated profit components for Q2 FY19 (Ind AS)

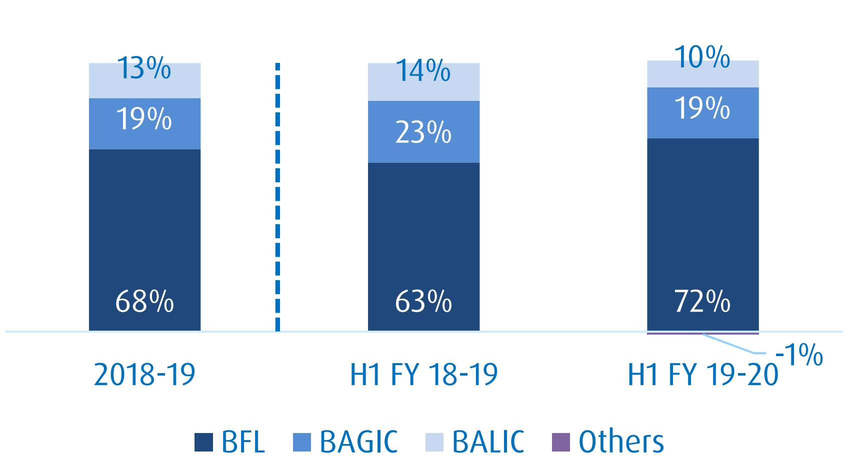


# H1 FY20 Highlights

All Figures in Rs Million

| BAJAJ FINSERV$# | H1 FY20 | H1 FY19 | Growth |
|---|---|---|---|
| Total Revenue | 264,965 | 184,695 | 43% |
| Net worth | 260,546 | 215,324 | 21% |
| PAT | 20,491 | 15,298 | 34% |

#Consolidated | $ Ind AS




## Highlights of Group Companies

| BAJAJ FINANCE$# | H1 FY20 | H1 FY19 | Growth |
|---|---|---|---|
| AUM | 1,355,328 | 980,126 | 38% |
| Total Income | 121,308 | 82,111 | 48% |
| PAT | 27,015 | 17,594 | 54% |

#Consolidated | $ Ind AS

| BAGIC | H1 FY20 | H1 FY19 | Growth |
|---|---|---|---|
| GWP | 71,226 | 51,477 | 38% |
| Investments | 181,387 | 148,869 | 22% |
| PAT | 5,041 | 4,731 | 7% |

| BALIC | H1 FY20 | H1 FY19 | Growth |
|---|---|---|---|
| GWP | 40,723 | 34,440 | 18% |
| Investments | 582,732 | 539,223 | 8% |
| PAT+ | 2,690 | 2,777 | -3% |

- Bajaj Finserv and Bajaj Finance figures are as per Ind AS
- BAGIC and BALIC figures are as per IRDAI Regulations (Indian GAAP) & the Indian Accounting Standard framework
- Q2 PAT for BALIC is higher than Q2 FY 19 by 57%

*Others includes Bajaj Finserv Standalone, and all remaining components.

# Bajaj Finance Limited

# BFL – KEY STRATEGIC DIFFERENTIATORS

## STRATEGY

- Diversified financial services strategy seeking to optimise risk and profit, to deliver a sustainable business model and deliver a superior ROE and ROA
- Focused on continuous innovation to transform customer experience to create growth opportunities.

## DIFFERENTIATORS

| | |
|---|---|
| Focus on mass affluent and above clients | Overall customer franchise of 38.70 Mn. and Cross sell client base of 22.78 Mn. |
| Strong focus on cross selling existing customer | Centre of Excellence for each business vertical to bring efficiencies across businesses and improve cross sell opportunity |
| Highly agile & highly innovative | Continuous improvement in features of products & timely transitions to maintain competitive edge |
| Deep investment in technology and analytics | Has helped establish a highly metricised company and manage risk & controllership effectively |
| Diversified asset mix supported by strong ALM and broad-based sources of borrowings | Consolidated lending AUM mix for Consumer : Rural : SME : Commercial : Mortgage stood at 39%: 8%: 13%: 10%: 30%<br>Consolidated borrowing mix for Banks: Money Markets: Deposits stood at 38%: 47%: 15% |

# BFL : Business Segments

## BAJAJ FINANCE

### Consumer

- Largest consumer electronics, digital products & furniture lender in India
- Presence in 956 locations with 83,200+ active points of sale
- Amongst the largest personal loan lenders
- EMI Card franchise of over 20.0 Mn. cards in force
- Among the largest new loans acquirers in India 6.47 Mn in Q2 FY20
- Bajaj Finserv – Mobikwik active wallet users stood at 11.8 Mn as on 30 Sep 2019 who have linked EMI card to wallet

### SME

- Focused on affluent SMEs with an average annual sales of around Rs. 15-17 Crores with established financials & demonstrated borrowing track records
- Offer a range of working capital & growth capital products to SME & self employed professionals
- Dedicated SME Relationship management approach to cross sell

### Commercial

- Wholesale Lending products covering short, medium and long term financing needs of selected sectors viz.
  - ✓ Auto component and ancillary manufacturers
  - ✓ Light engineering
  - ✓ Financial institutions
- Structured products collateralized by marketable securities or mortgage

### Rural

- Unique hub-and-spoke model in 1,041 locations and retail presence across 16,400+ points of sale
- Diversified rural lending model with 10 product lines across consumer and professional business categories

# BFL – Key Highlights

## FY 2019-20

- **Strong AUM growth YoY** across all lines of businesses in the company (YoY growth for Consumer B2B 35%, Consumer B2C 46%, Rural 55%, SME 34%, Mortgages 43%, Commercial 14%).
- **New customer acquisition** for the quarter remained robust at 1.92 MM. Overall franchise stood at 38.70 MM, a growth of 29% YoY.
- **Q2 FY20 Profit growth of 63% YoY** supported by strong operating performance and risk management.
- **Overall cost of funds at consolidated level has sequentially improved** by 11 bps to 8.38% in Q2 FY20 from 8.49% in Q1 FY20. Reduction in cost of funds is majorly due to good ALM management, solid liquidity position and incremental borrowings being sourced at lower cost
- During the quarter, the company has entered into a facility agreement with various banks to avail ECB loans of USD 575 Mn in one or more tranches. The Company has drawn down first tranche of USD 276 Mn (equivalent to ₹ 1,959 crore) from this facility on 17 October 2019

# BFL – Q2 FY20 highlights

All Figures in Rs Million

## Performance Highlights of Q2 FY20 over Q2 FY19 (Ind AS)

| | Book Size | Total Income | Profit After Tax |
|---|---|---|---|
| CY | 1,307,903 | 63,226 | 15,063 |
| | 38% | 48% | 63% |
| PY | 944,779 | 42,733 | 9,235 |

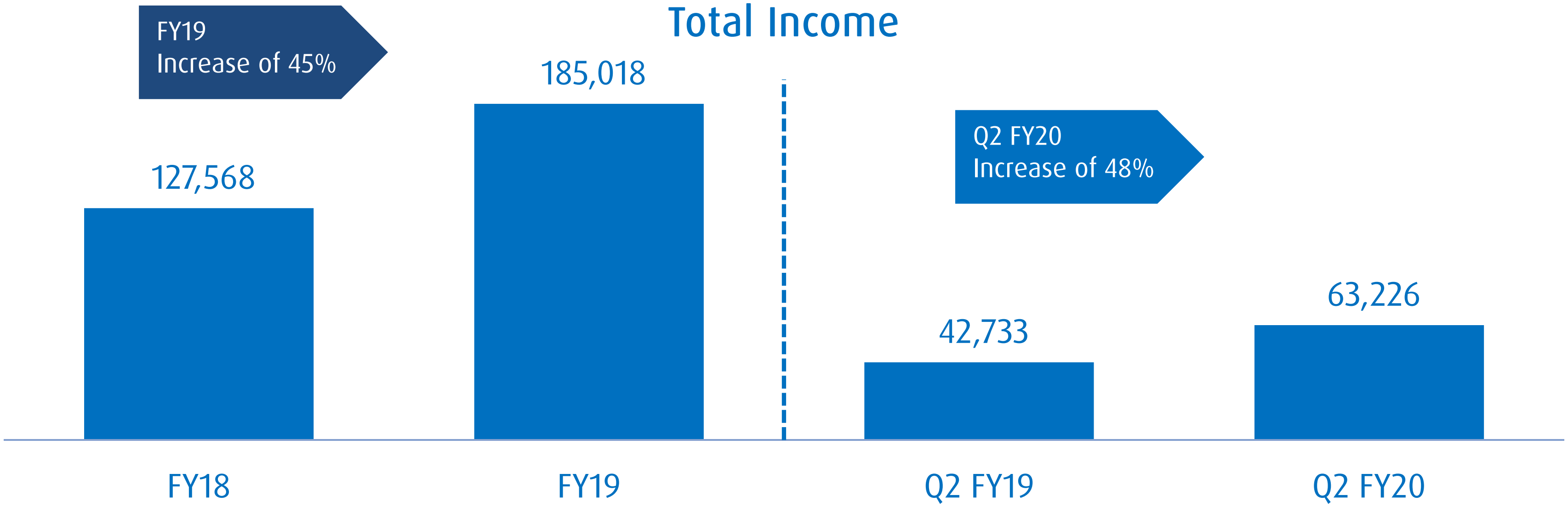
| | Return on Assets (Non-annualized) | ROE (Non-annualized) |
|---|---|---|
| CY | 1.2% | 7.0% |
| PY | 1.0% | 5.4% |

- Borrowing mix is not excessively dependent on banks. (Mix of 38 : 47 : 10 : 5 between banks, money markets, retail deposits and others as of 30 Sep 2019)
- Capital Adequacy stands at 19.68% as of 30 Sep 2019

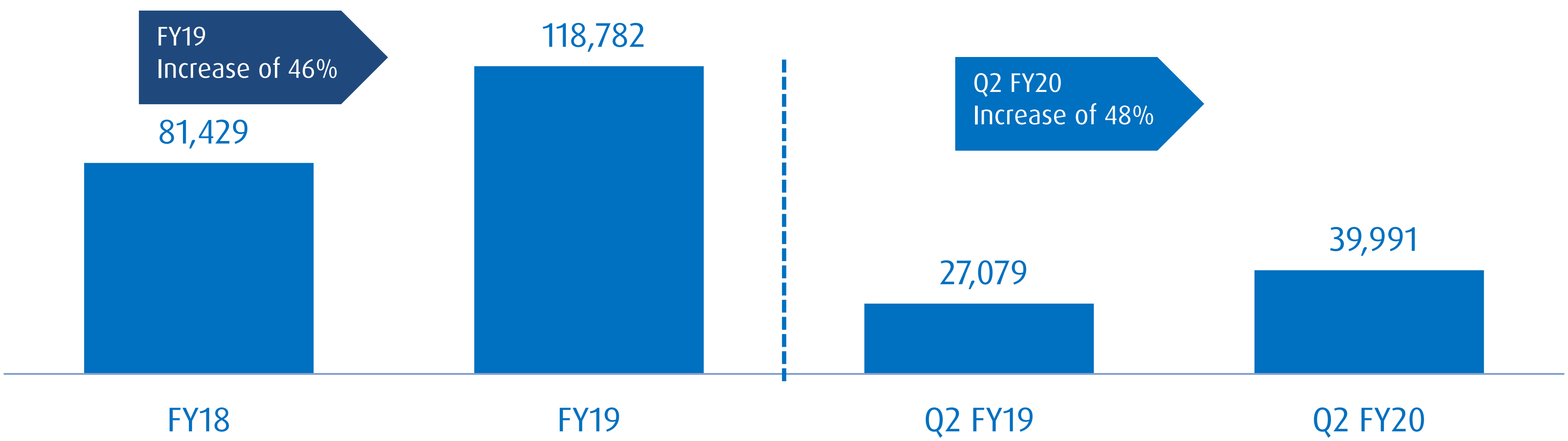
# BFL : growth momentum continues

All Figures in Rs Million

## Total Income



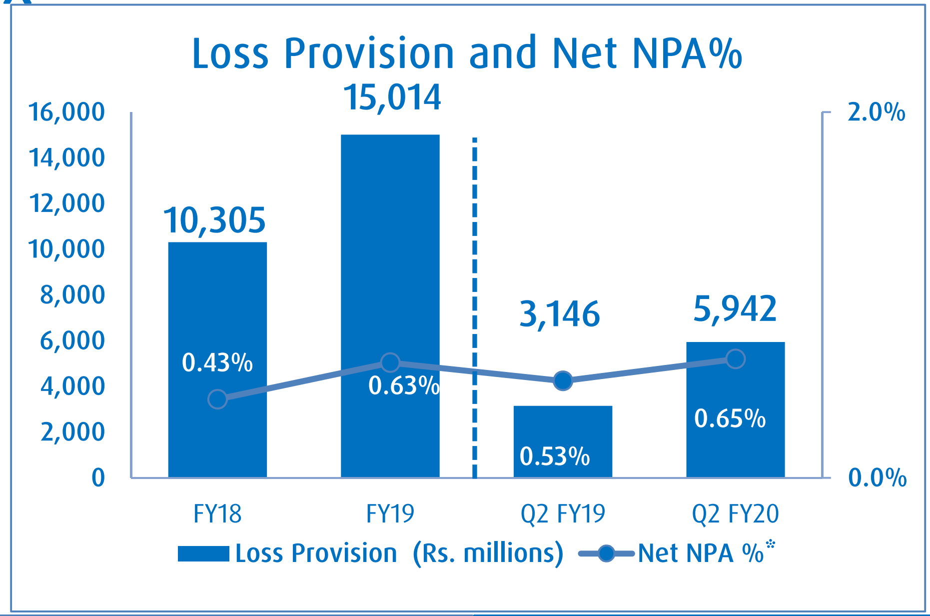

## Net Interest Income

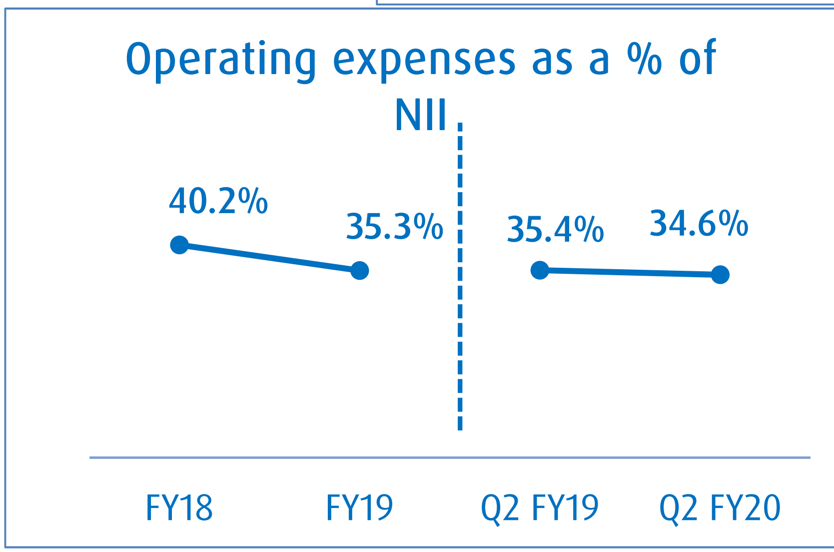


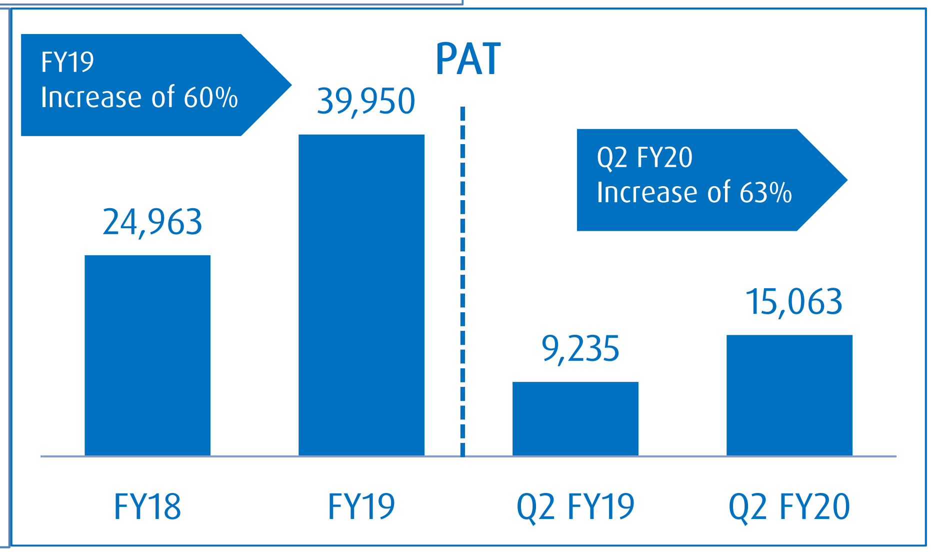

Bajaj Finance Consolidated results are as per Ind AS, previous years figures have been re-casted for comparability

# BFL : Strong profit growth aided by low NPA and control on Opex

All Figures in Rs Million




*Net NPA, recognized as per extant RBI prudential norms and provisioned as per Expected Credit Loss (ECL) method prescribed in Ind AS.

# Bajaj Allianz General Insurance

# BAGIC – KEY STRATEGIC DIFFERENTIATORS

## STRATEGY

Strive for market share growth in chosen segments through a well-diversified product portfolio and multi-channel distribution supported by prudent underwriting

## DIFFERENTIATORS

| | |
| --- | --- |
| Strong selection of Risk & prudent underwriting | ▪ Industry leading combined ratios consistently over time - BAGIC's Combined Ratio stood at 96.7% FY19<br>▪ Business construct is to deliver superior ROE |
| Disruptive innovation | •Geographical Expansion through Virtual Points of Sale<br>•On-the-spot claims settlement for small Motor claims |
| Balanced distribution mix | Multi channel distribution network encompassing broking, direct, multi-line agents, bancassurance network serving retail and corporate segments |
| Retail orientation | Focused on retail segments – mass, mass affluent and HNI while maintaining strong position in institutional business |

# BAGIC – Key Highlights

## FY 2019-20

- **Industry beating YoY GDPI growth of 57%** in Q2 FY20 vs Industry growth of 22% and 38% growth in H1 FY20 vs industry growth of 16%. BAGIC's Ex-Crop growth was 14% during Q2 FY20 and 13% during H1 FY20
- **Combined ratio** stood at 102.7% in Q2 FY20 v/s 97.2% in Q2 FY19 – includes impact of flood claims in Maharashtra and Kerala
- **Profit after tax for Q2 FY20 increased by 62% YoY** to Rs.2,937 Mn vs Rs. 1,821 Mn in Q2 FY19, supported by higher profit on sale of investments and the impact of lower corporate tax rate

*Industry growth excluding specialised insurers. Source : GI Council for Industry figures
GDPI : Gross Direct Premium Income

# BAGIC : Q2 FY20 highlights

All Figures in Rs Million

## Performance Highlights of Q2 FY20 over Q2 FY19

| | Gross Written Premium | Net Written Premium | Net Earned Premium | Profit After Tax |
|---|---|---|---|---|
| CY | 42,793 | 22,497 | 21,312 | 2,937 |
| | 57% | 19% | 27% | 62% |
| PY | 27,184 | 18,851 | 16,794 | 1,821 |

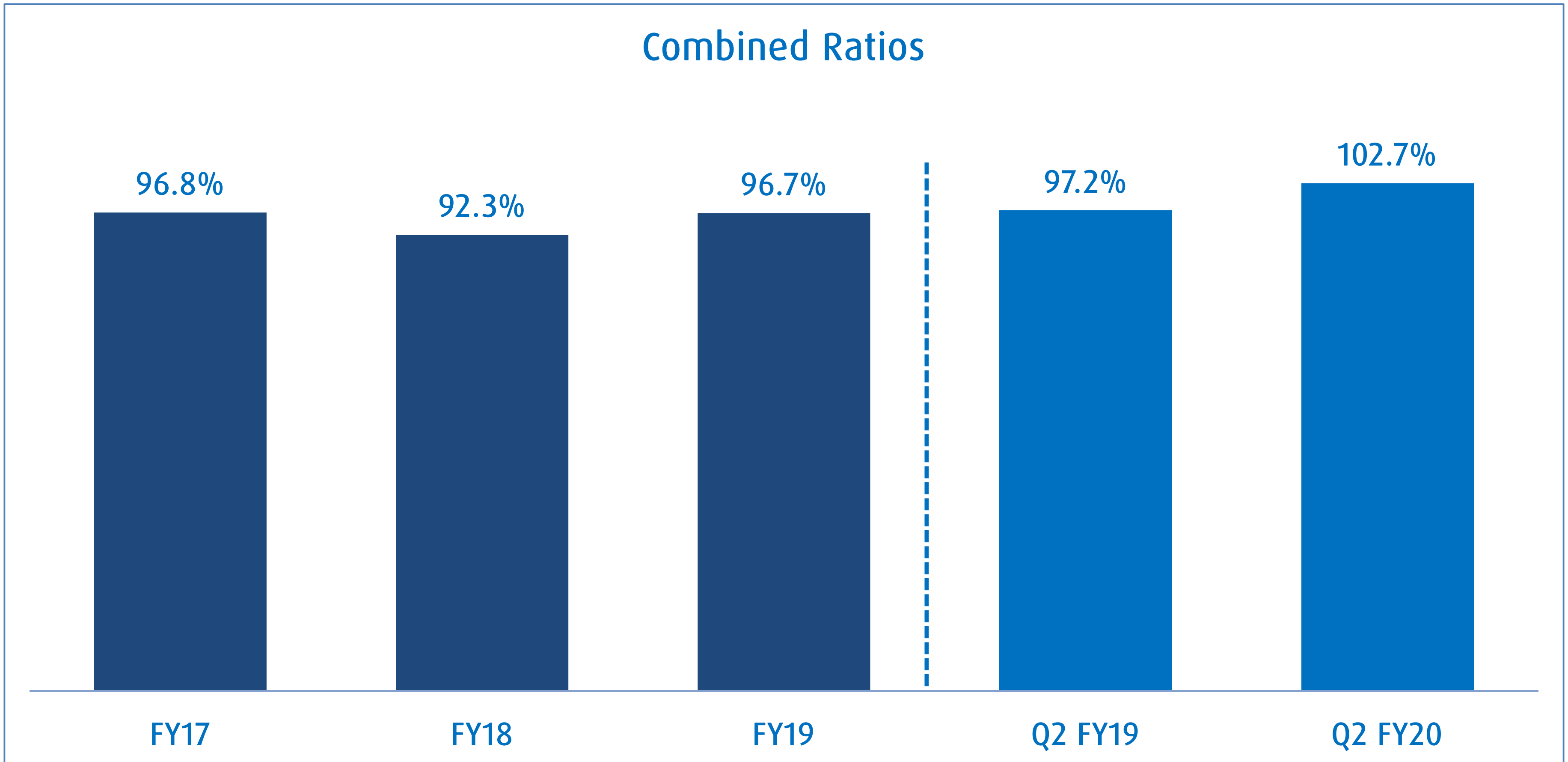
5.4%

3.8%

ROE
(Not Annualized)

- Ex Crop GWP was Rs. 25,499 Mn in Q2 FY20 (Rs.22,430 Mn Q2 FY19) a growth of 14%
- Solvency Ratio was 243% as against regulatory requirement of 150% as of 30 Sep 2019

# BAGIC : Combined Ratio trend

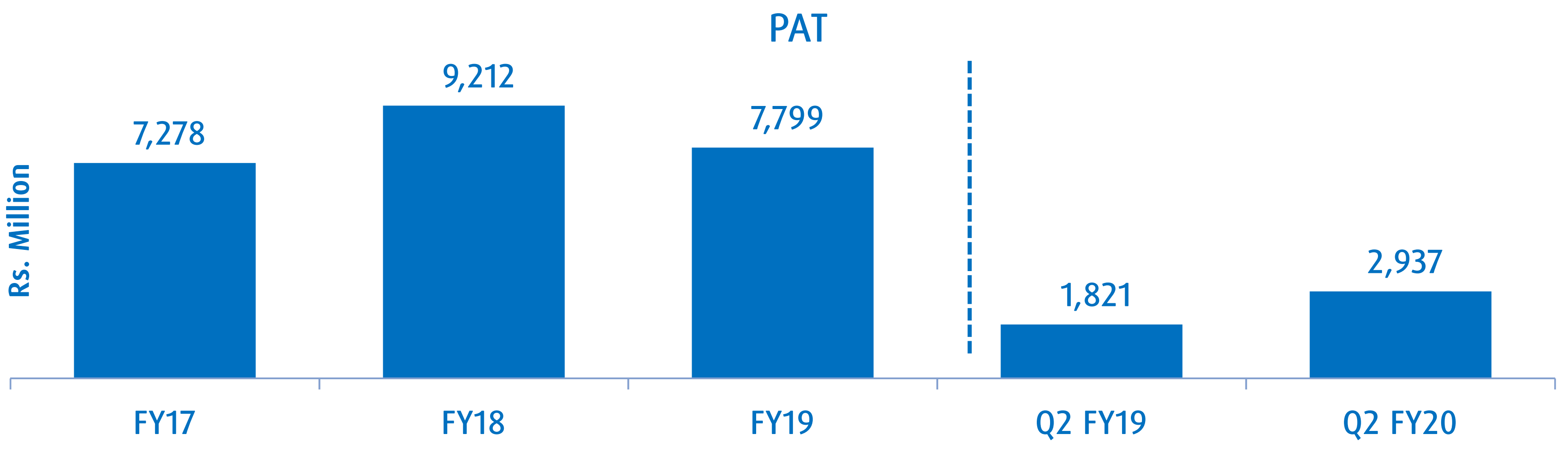



- Impact due to higher number of flood claims amounted to Rs.760 Mn. on underwriting result during Q2 FY20
- Excluding the Impact of flood claims, the CoR is at 99.1% for Q2 FY20

1. Combined Ratios are in accordance with the Master Circular on 'Preparation of Financial statements of General Insurance Business' issued by IRDA effective from 1st April, 2013. (Net claims incurred divided by Net Earned Premium) + ( Expenses of management including net Commission divided by Net Written Premium).

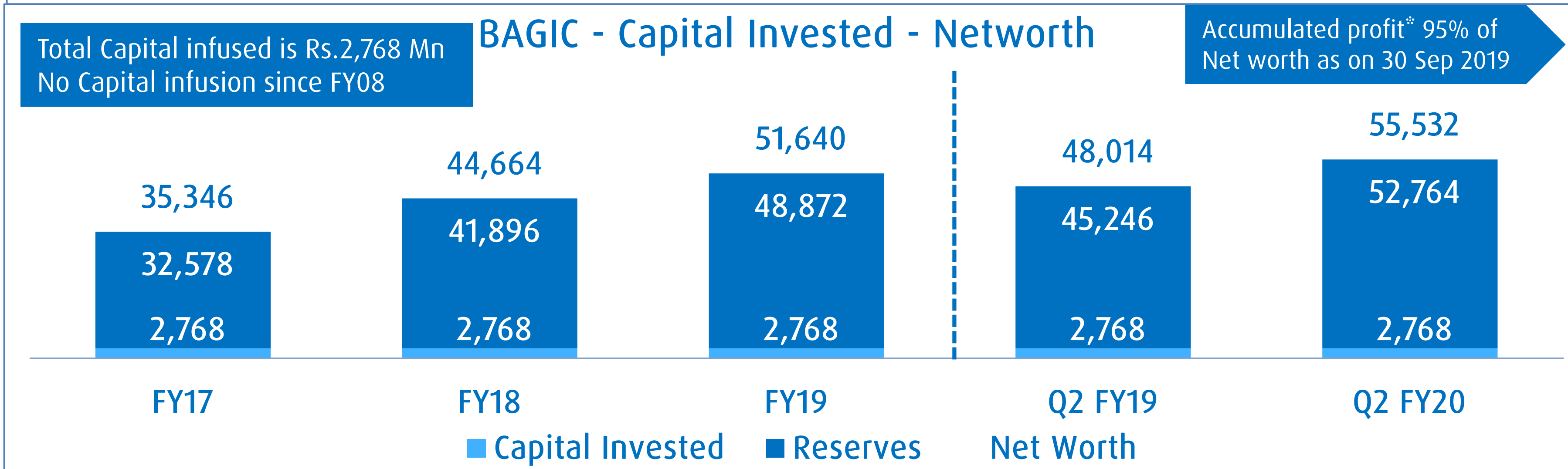
# BAGIC : Profit after tax and capital efficiency

All Figures in Rs Million



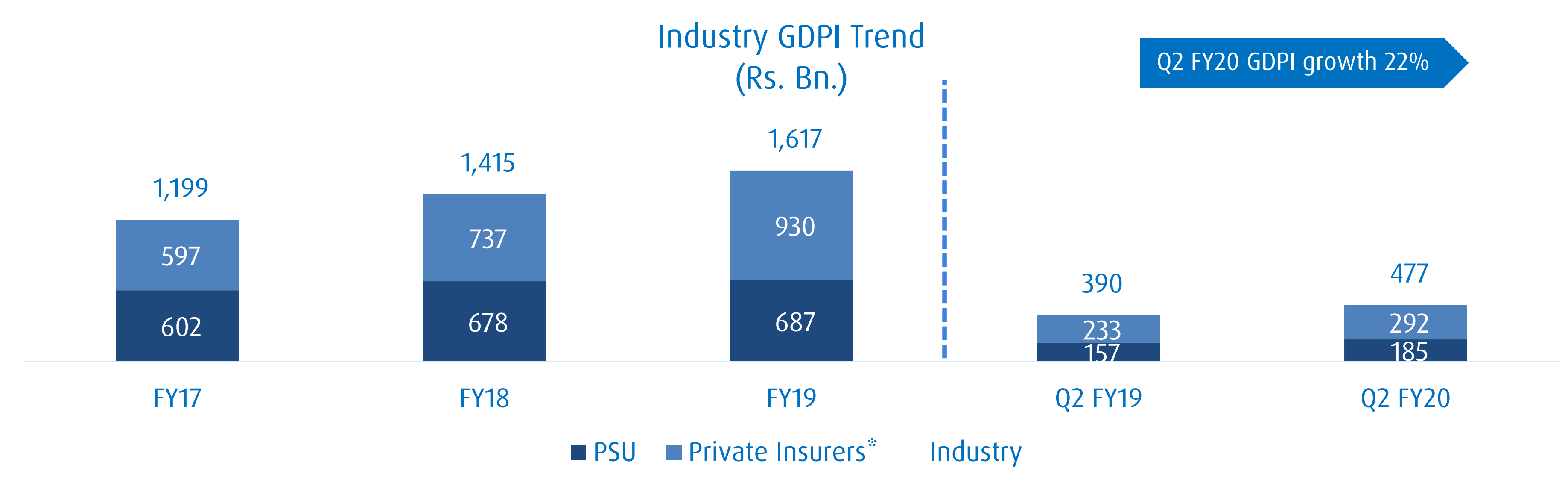

Total Capital infused is Rs.2,768 Mn
No Capital infusion since FY08

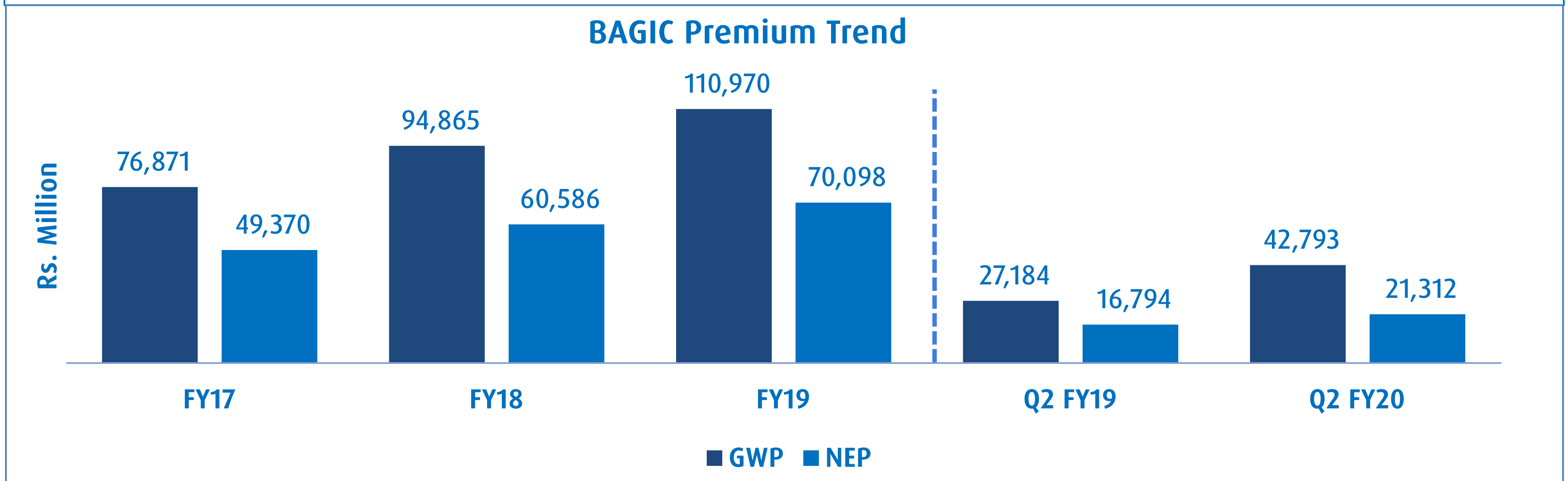
Accumulated profit* 95% of Net worth as on 30 Sep 2019




*Accumulated profit includes reserves

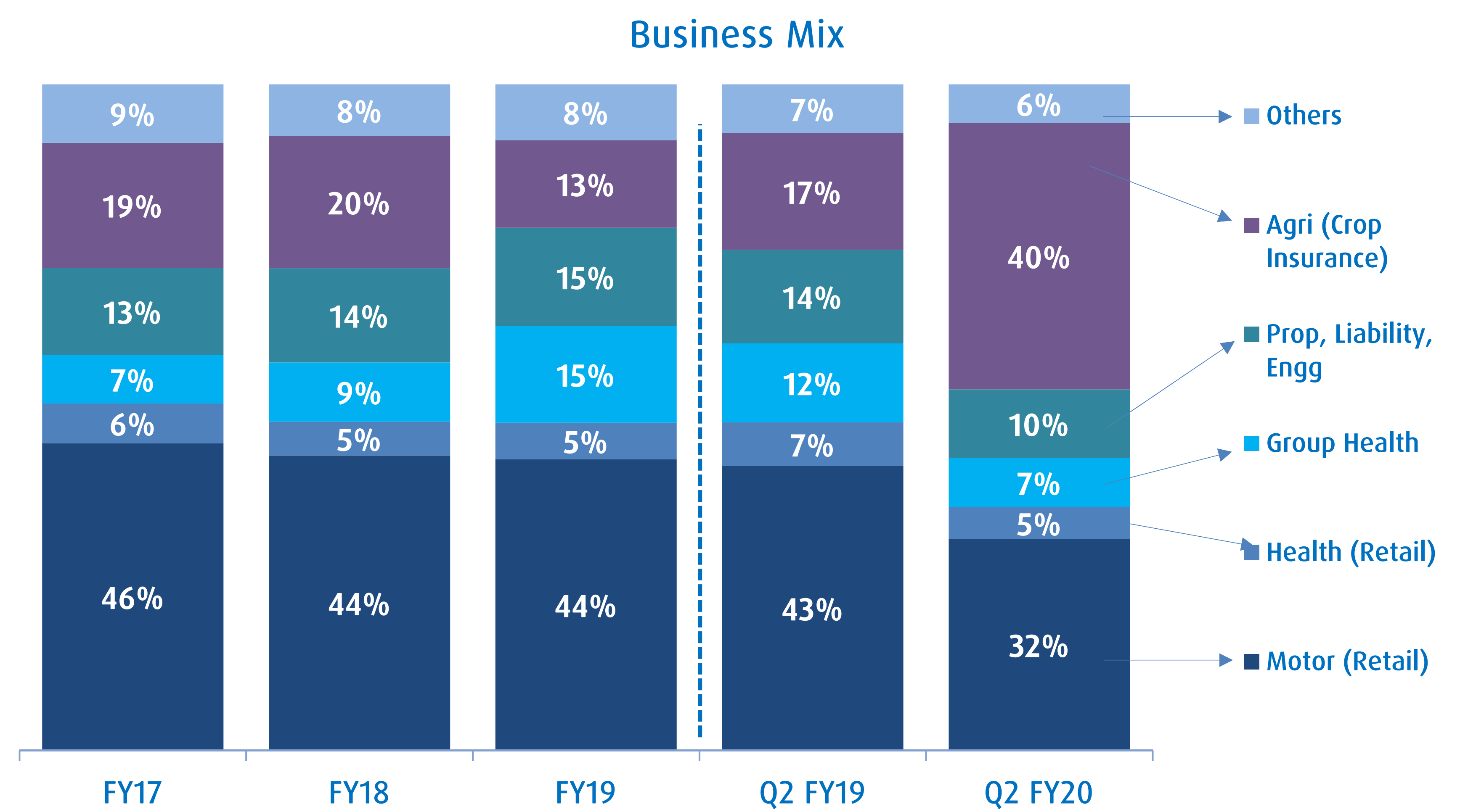
# BAGIC : Consistently amongst top 2 private insurers in terms of Gross Premium



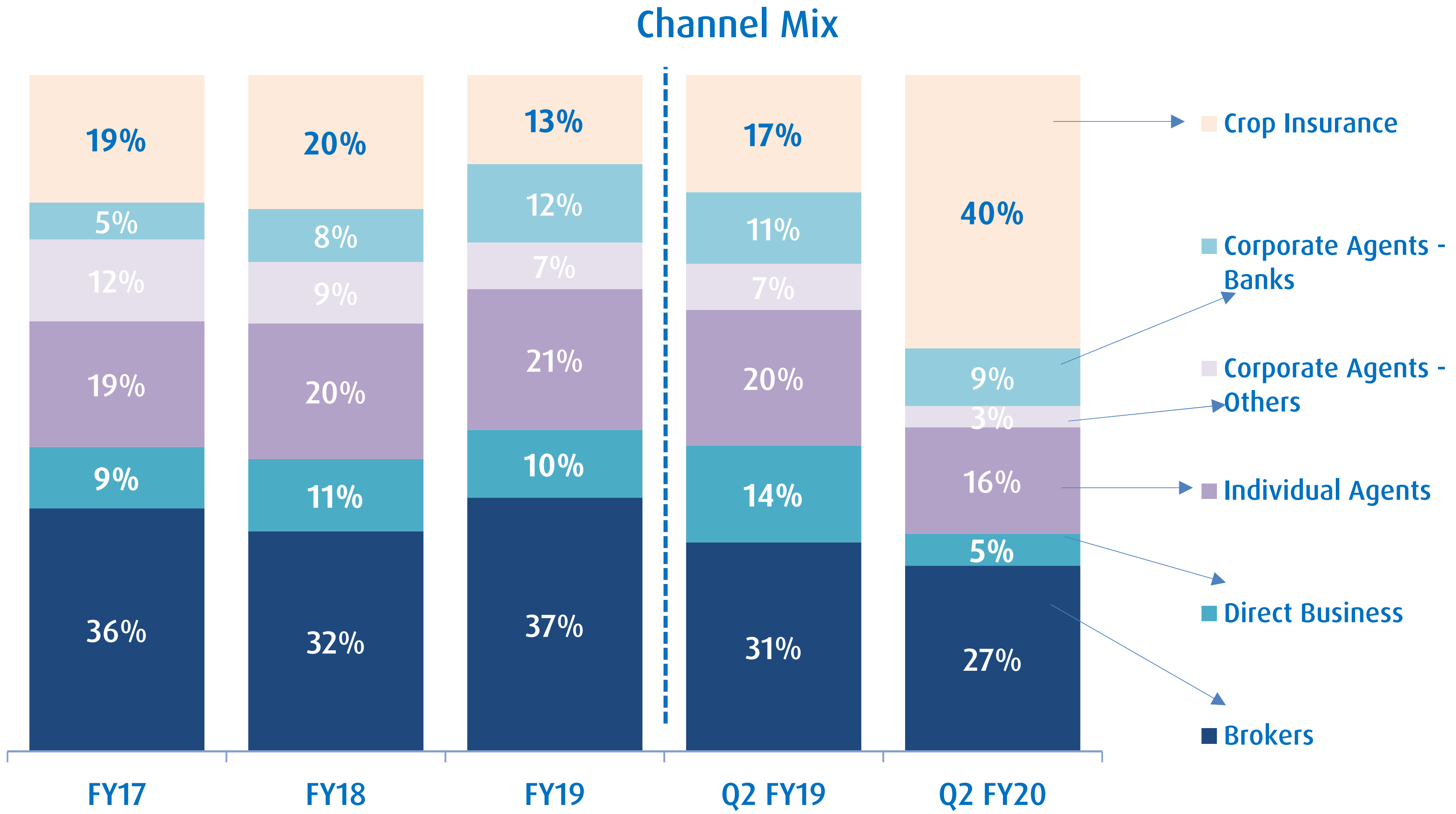

Source : IRDAI, GDPI : Gross Direct Premium Income | *Private Insurers : Includes Standalone Health Insurers, PSU excludes AIC of India, GIC and ECGC

# BAGIC : Balanced product mix



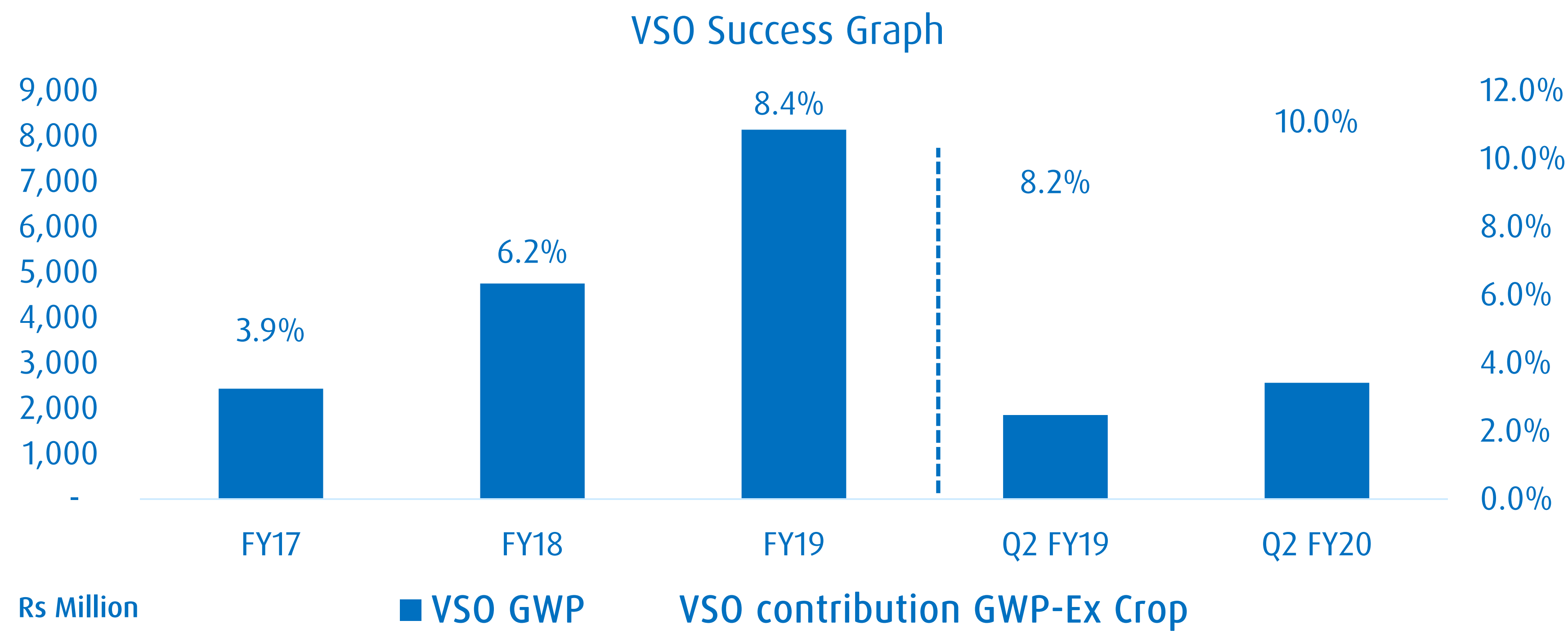

- Ex Crop GWP Growth for Q2 FY20 was 14% and for H1 FY20 was 13%

# BAGIC: Diversified Channel Mix



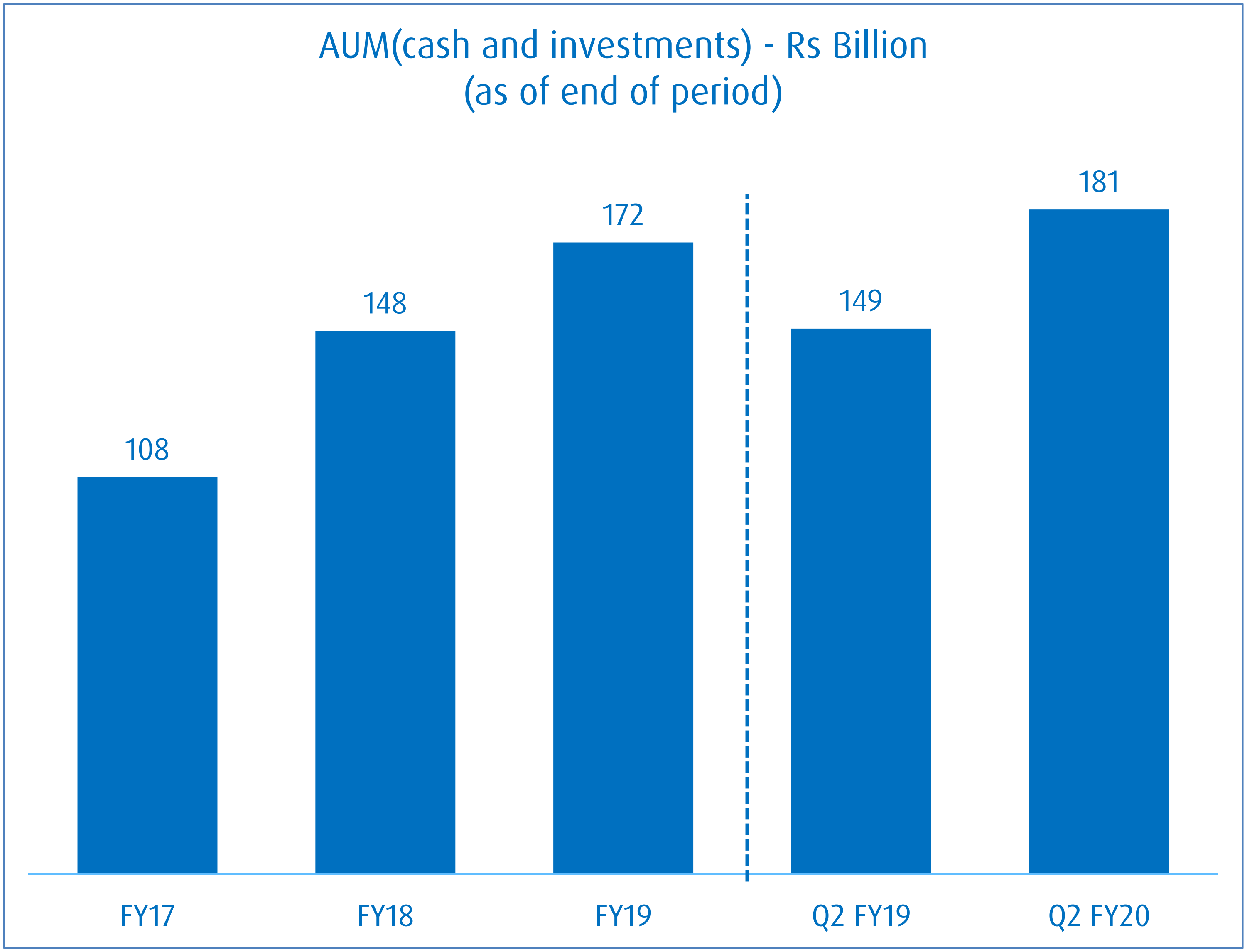

- With over 75 corporate agent bancassurance tie-ups, this channel has recoded superior growth of 25% in Q2 FY20 (FY19 growth of 75%);
- Some of the major relationships are : Citi Bank, HDFC Bank, Bajaj Finance Ltd., Canara Bank, J&K Bank, IDBI Bank, United Bank of India, KVB, RBL, Union Bank, Karnataka Bank, Bandhan Bank & PNB

# BAGIC - VIRTUAL POINTS OF PRESENCE




- Initiated in August 2014 and has grown exponentially to 1,700+ locations as at Q2 FY20
- Q2 FY20 GWP growth of 38%
- Ensures a virtual point of presence with minimum sunk costs
- Over 0.7 Mn policies issued in Q2 FY20 (Over 2.4 Mn policies in FY19)

# BAGIC : Assets Under Management continue to grow




BAGIC continues to grow its AUM strongly

Investments are largely in fixed income securities

Investment Leverage of 3.2x as on 30 Sep 2019

Investment Leverage : AUM as of date / Net worth as of date

# Bajaj Allianz Life Insurance

# BALIC - KEY STRATEGIC DIFFERENTIATORS

## STRATEGY

- Balance growth with balanced product mix, seeking steady increase in market share of individual business
- Business construct is to balance customer benefit with shareholder returns, focusing on New Business Value

## DIFFERENTIATORS

| | |
|---|---|
| **Diversified Distribution** | • Focus on all retail segments – mass and mass affluent customers<br>• Diverse channels – Agency, Banca, Proprietary sales<br>• Strong Online Presence |
| **Strong proprietary channels** | • Large pan-India agency force : 3rd highest agency premium amongst private players in FY19.<br>• Dedicated proprietary sales channel |
| **Innovative products and Sustainable product mix** | • Balanced product mix between Unit Linked and Traditional Plans<br>• Differentiated product propositions like ROMC*, 36 critical illness and Pension |
| **Efficient Operations** | • Lean support structure<br>• Leverage technology to drive efficiencies |

*ROMC : Return of Mortality Charge

# BALIC – Key Highlights

## 2019-20

- **Industry beating Individual Rated Premium growth for H1 FY20 at 24%** vs Industry growth of 11% (Ex-LIC Industry growth of 16%)
- During the quarter BALIC has signed a **Corporate Agency agreement with Axis Bank** Ltd as their third Life insurance partner
- Profit after tax for Q2 FY20 increased by 57% to Rs.2,073 Mn vs Rs. 1,315 Mn in Q2 FY19, due to higher profit on sale of investments and realignment of provision for impairment

Source : Life Council Statistics

# BALIC – Q2 FY20 highlights

All Figures in Rs. Million

## Performance Highlights of Q2 FY20 over Q2 FY19

| | Individual Rated NB | Group NB | Renewal Premium | Gross Written Premium |
|---|---|---|---|---|
| CY | 4,502 | 7,720 | 10,005 | 22,356 |
| | 30% | -9% | 15% | 7% |
| PY | 3,459 | 8,521 | 8,693 | 20,825 |

| | PAT |
|---|---|
| CY | 2,073 |
| | 58% |
| PY | 1,315 |

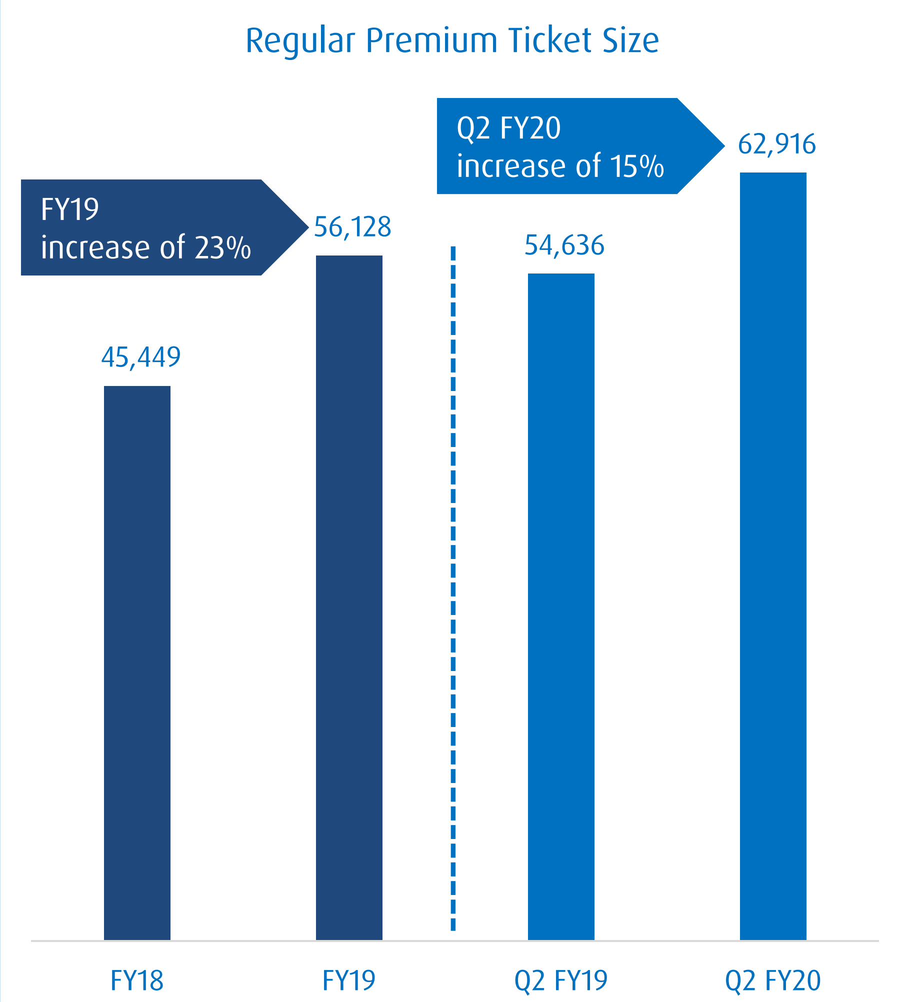
770%

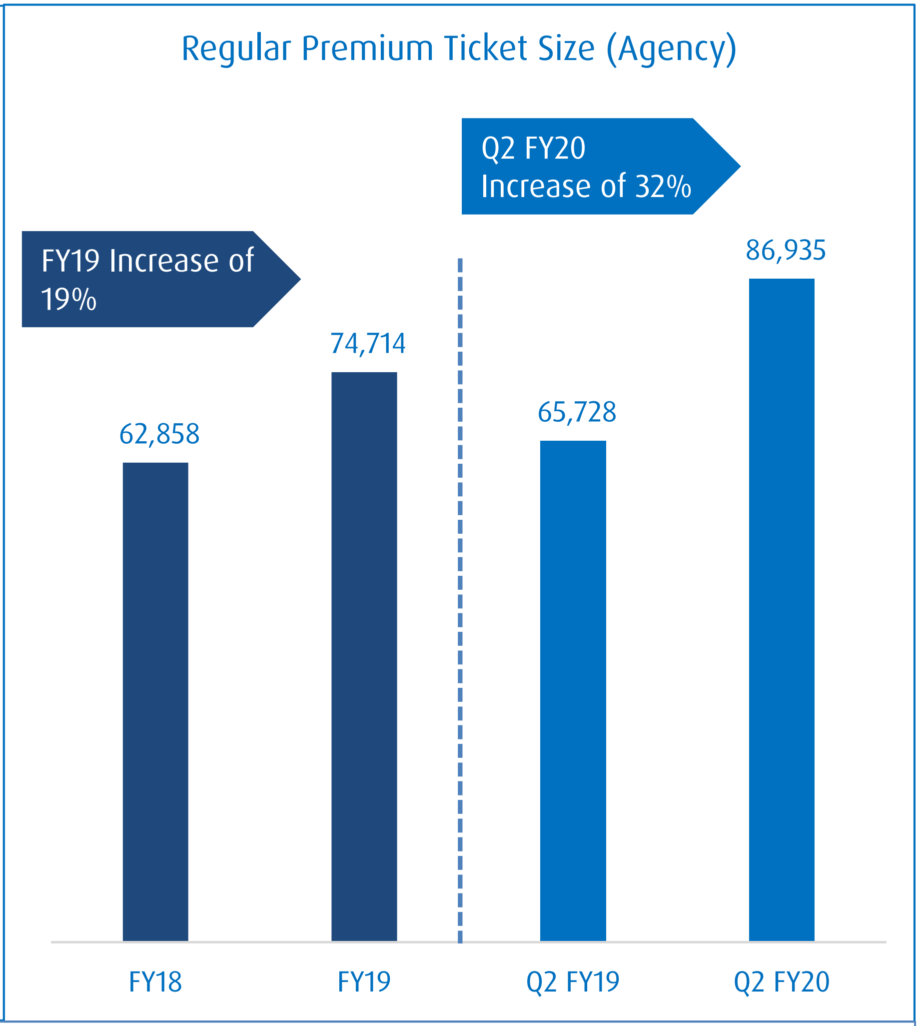
Solvency Ratio as on 30 Sep 2019

Individual Rated NB = (100% of first year premium & 10% of single premium excluding group products)

# BALIC : Strong ticket size

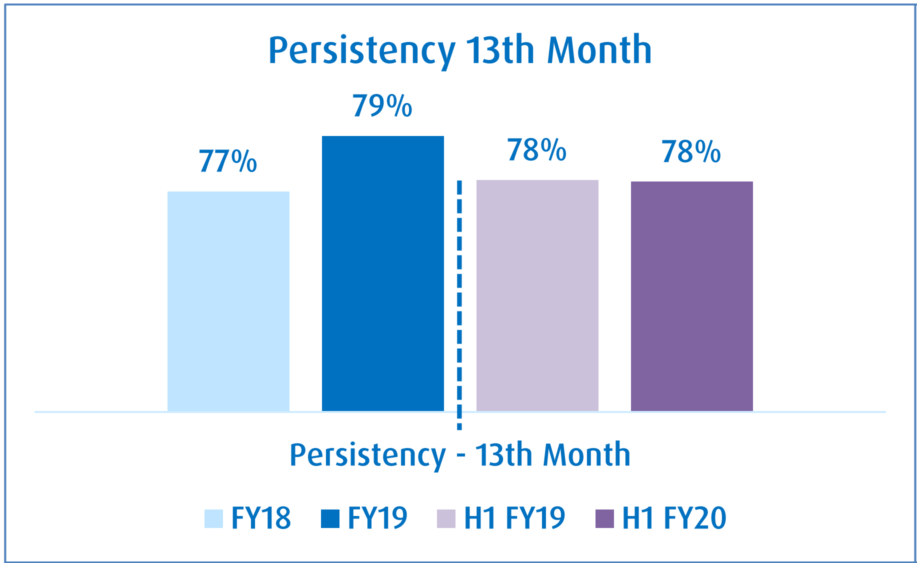
All Figures in Rs.

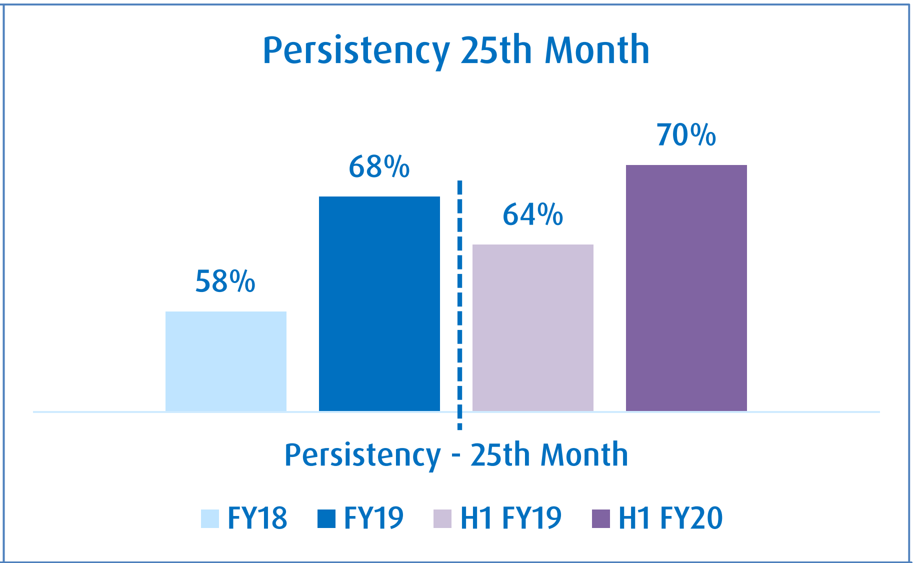


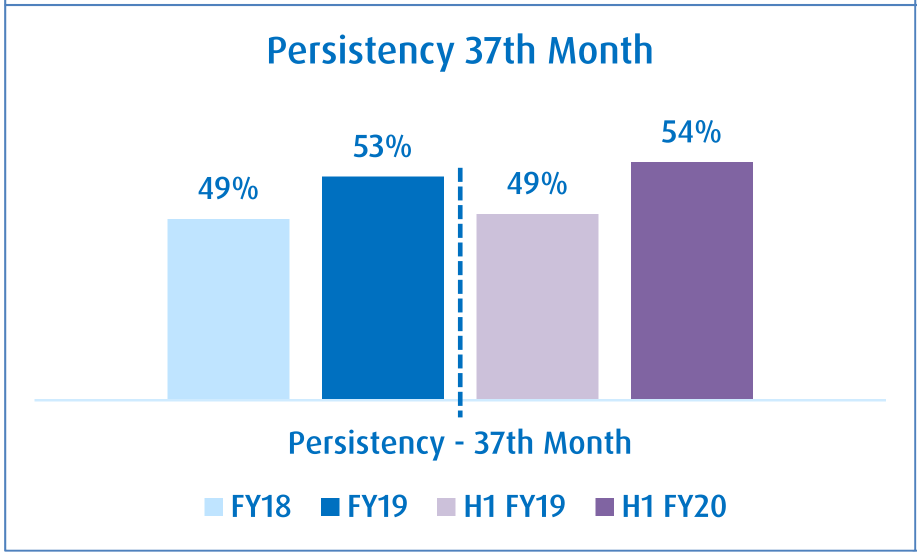



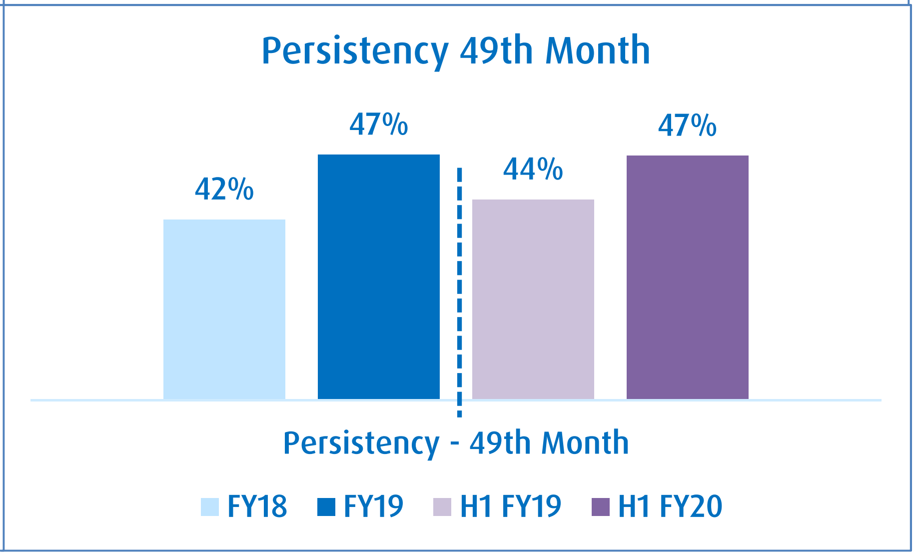

Focus on balancing various customer segments for sustainability

# BALIC : Persistency trend



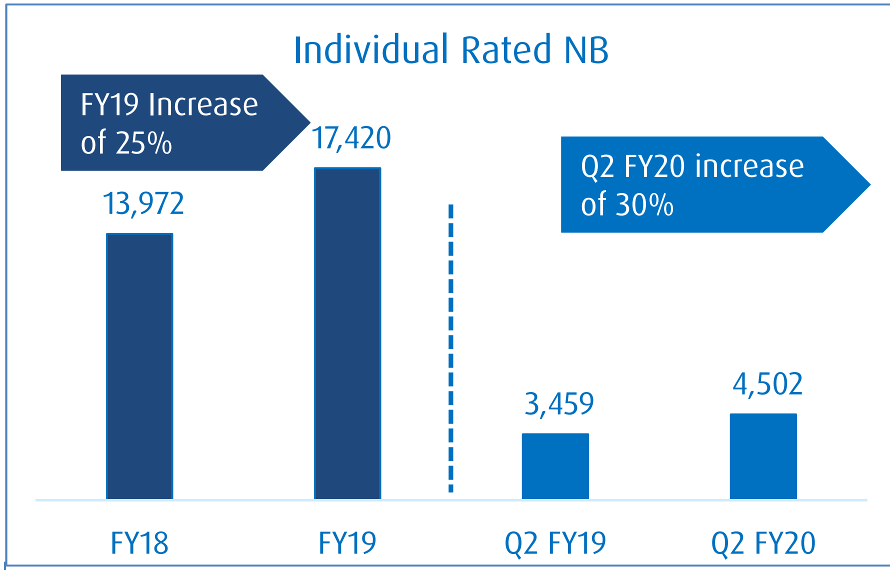



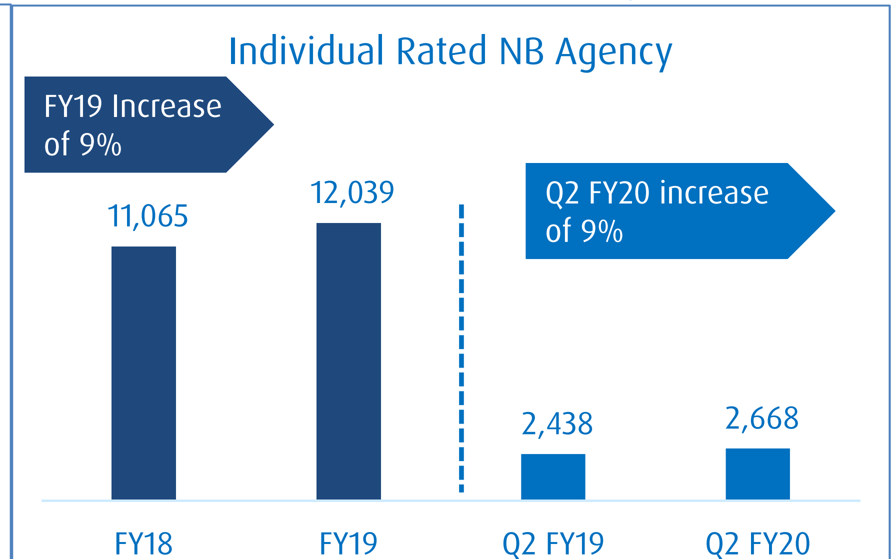



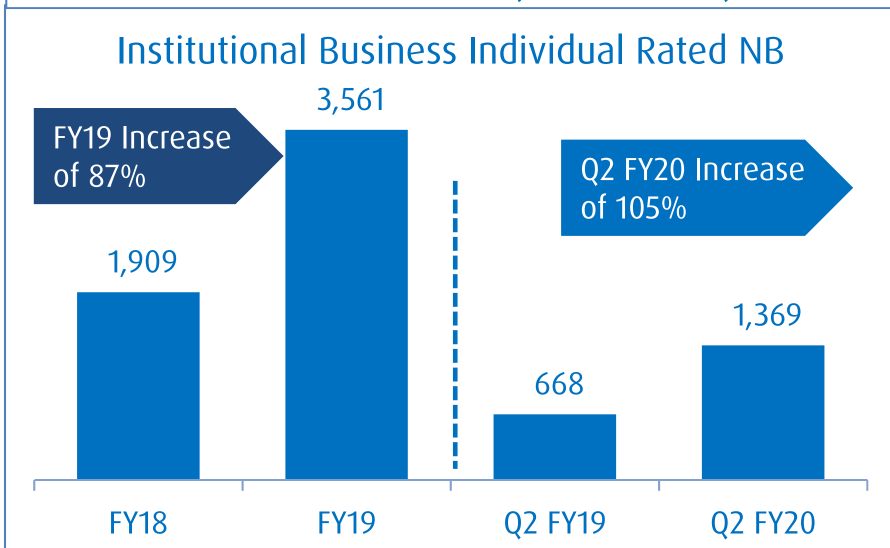

Note : Persistency as per IRDAI framework | Persistency for the period ended 31 Aug 2019, measured on 30 Sep 2019

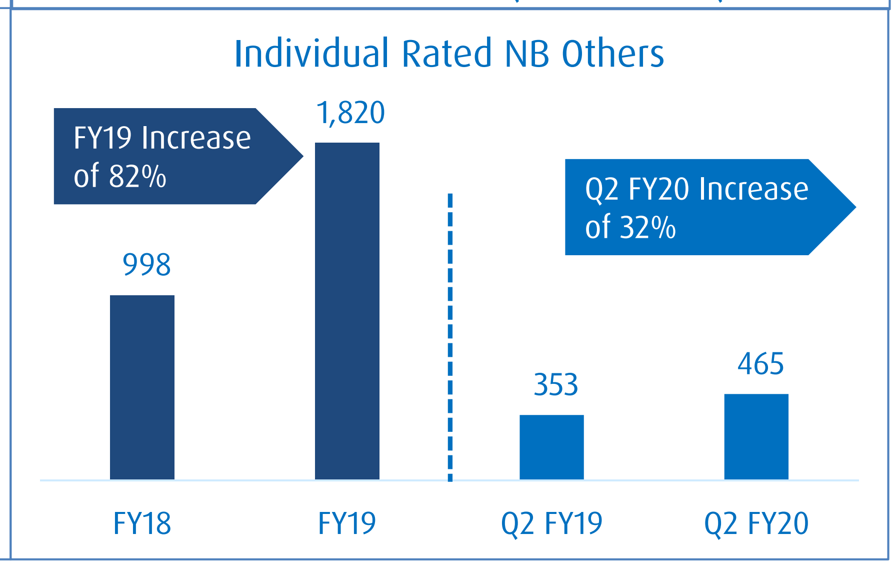
# BALIC : Individual Rated premiums

All Figures in Rs Million



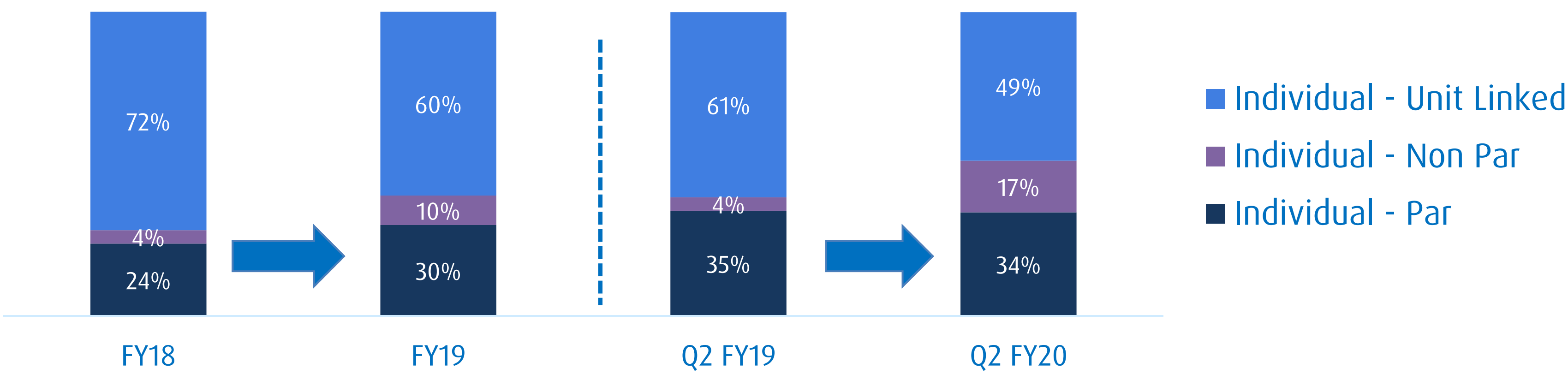




Individual Rated NB = (100% of first year premium & 10% of single premium excluding group products)

# BALIC : Balanced product mix

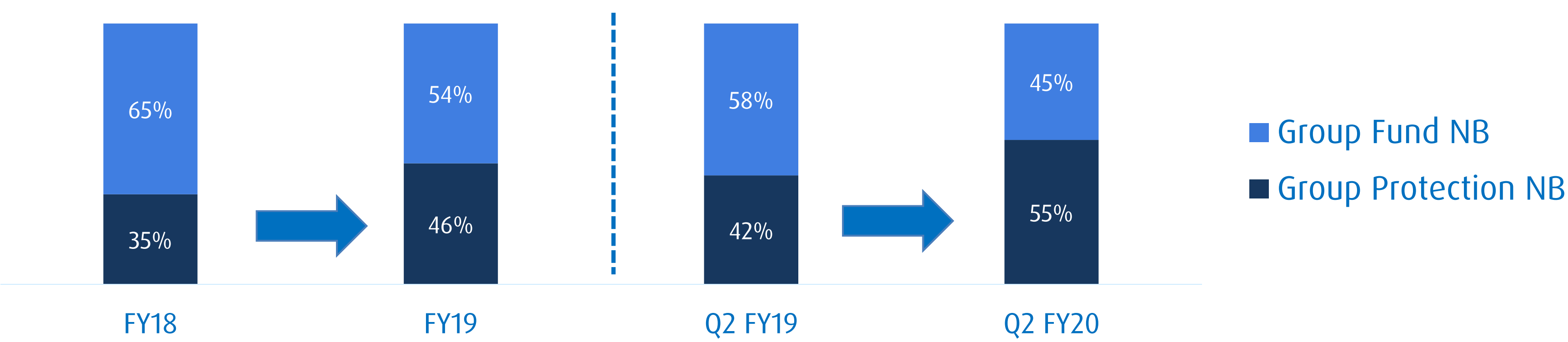
Individual Rated Mix

Share of Non-ULIP business in individual business increasing



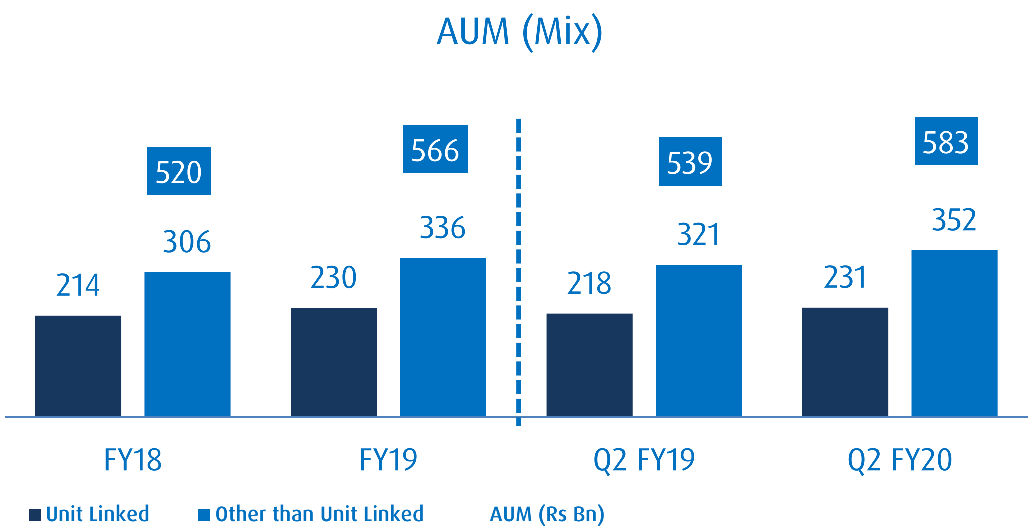

Group NB Mix

Share of protection business in group increasing



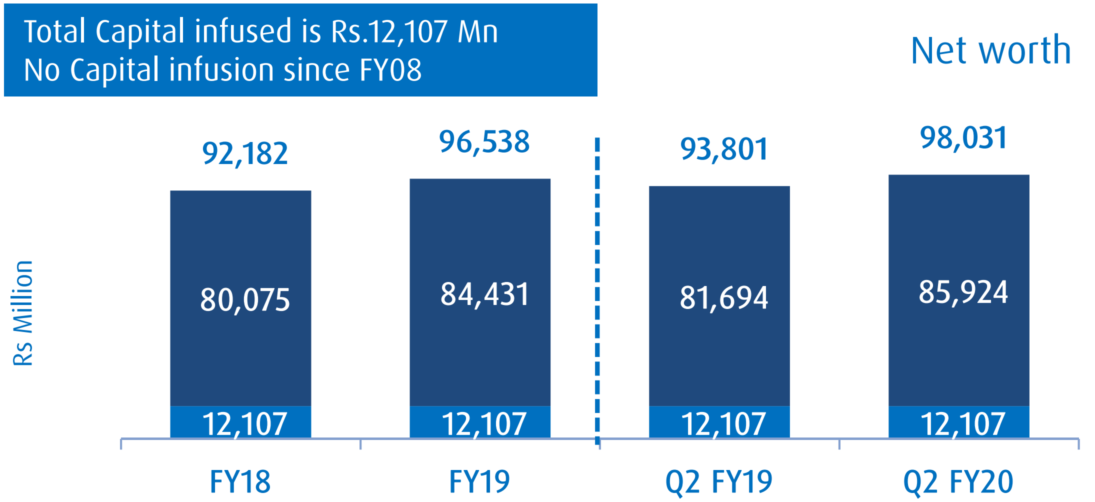

Protection Business (Group) new business in Q2 FY20 Rs.4,275 Mn (Q2 FY19 Rs.3,565 Mn) a growth of 20%.

# BALIC : Assets Under Management




- AUM growth of 8.1% for Q2 FY20 over Q2 FY19
- Of the UL Funds of Rs.231 Bn., 59% is equity funds as on 30 Sep 2019 (60% as on 31 Mar 2019 out of the UL Funds of Rs.230 Bn.)

Total Capital infused is Rs.12,107 Mn
No Capital infusion since FY08




- BALIC's accumulated profits are 87% of the Net worth as at 30 Sep 2019

*Accumulated profit includes reserves

# Annexure

# BAGIC : LOB wise Net Claim ratio

| Line of Business | Net Claim Ratio | | | | |
|---|---|---|---|---|---|
| | Q2 FY20 | Q2 FY19 | H1 FY20 | H1 FY19 | FY19 |
| Fire | 115.8% | 305.0% | 105.7% | 116.6% | 74.4% |
| Marine Cargo | 94.2% | 94.6% | 86.9% | 105.1% | 94.0% |
| Motor OD | 64.5% | 56.3% | 65.7% | 57.8% | 60.0% |
| Motor TP | 65.5% | 65.9% | 65.8% | 69.9% | 64.5% |
| Motor Total | 65.1% | 61.3% | 65.8% | 64.0% | 62.4% |
| Engineering | 91.0% | 74.0% | 63.2% | 75.1% | 43.5% |
| PA | 48.6% | 48.9% | 50.2% | 54.1% | 50.2% |
| Health | 88.7% | 91.2% | 86.8% | 86.4% | 89.5% |
| Crop | 105.2% | -14.3% | 108.8% | -19.1% | 74.9% |
| Total | 75.0% | 68.2% | 73.9% | 67.0% | 68.6% |
| Total (Ex Crop) | 71.7% | 71.0% | 71.4% | 70.1% | 68.4% |

*Health includes Retail , Group and Overseas | PA includes retail and group business | Net Claim Ratio = Net claims incurred divided by Net Earned Premium | LOB trend for major LOB

# Exposure to Downgraded Investments (Debt) : BALIC & BAGIC

| Sr. No. | Type of Fund (BALIC) (Amt in Rs. Mn) | Total exposure as of 30 Sep 2019 | Of which performing | Of which (non performing) | Impairment Provided for |
|---|---|---|---|---|---|
| 1 | PAR | 3,917 | 3,327 | 590 | 349 |
| 2 | N-PAR | 1,662 | 1,515 | 147 | 88 |
| 3 | ULIP | 4,014 | 2,832 | 1,182 | 903 |
| 4 | SH | 4,780 | 2,124 | 2,656 | 2,094 |
| | Total | 14,373 | 9,798 | 4,575 | 3,434 |

| Sr. No. | Type of Fund (BAGIC) (Amt in Rs. Mn) | Total exposure as of 30 Sep 2019 | Of which performing | Of which (non performing) | Impairment Provided for |
|---|---|---|---|---|---|
| 1 | Total | 5,605 | 3,887 | 1,718 | 1,231 |

*Performing : Interest and / principal payment of the security is regular as per term sheet | All exposure is shown at face value & accrued interest.

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