

Press release

Financial results – Q3 FY21

A meeting of the Board of Directors of Bajaj Finserv Limited (BFS) was held today i.e. 20 January 2021 to consider and approve the results for Q3 FY21.

Details about BFS, the businesses carried by its subsidiaries, its group structure and GAAP followed, are indicated separately at the end of this release.

After extremely difficult conditions in H1 FY21, on the back of negative GDP growth in Q1 of 23.9%, narrowing to negative 7.5% in Q2, business conditions and mobility improved significantly in Q3 although still below pre-COVID levels. Under these challenging times, our businesses have shifted focus to regaining growth while continuing to tightly manage risk.

- New loans booked by BFL during Q3 FY21 were 6.04 Mn as against 3.62 Mn in Q2 FY21 – a significant increase of 67% sequentially, though lower compared to 7.67 Mn loans booked in Q3 FY20. BFL moved to balance growth vis a vis risk and collections, while maintaining strong liquidity and capital adequacy.
- BAGIC recorded growth in GWP and continued to deliver robust improvement in its underwriting result and profit after tax.
- BALIC recorded market beating growth of 14% in individual rated new business premium in Q3 FY21. BALIC's Assets Under Management reached an all-time high level of ₹ 70,295 crore as at quarter end.

1. Highlights – Q3 FY21 v/s Q3 FY20*

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|--|------------------|-----|----------------|
| ✓ Consolidated total income | – ₹ 15,961 crore | v/s | ₹ 14,561 crore |
| ✓ Consolidated profit after tax | – ₹ 1,290 crore | v/s | ₹ 1,126 crore |
| <i>(see note below)</i> | | | |
| ✓ Bajaj Finance, consolidated profit after tax | – ₹ 1,146 crore | v/s | ₹ 1,614 crore |
| ✓ General insurance, profit after tax | – ₹ 330 crore | v/s | ₹ 191 crore |
| ✓ Life insurance, shareholders' profit after tax | – ₹ 118 crore | v/s | ₹ 143 crore |

Bajaj Finserv Limited

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Highlights – 9M FY21 v/s 9M FY20 *

- ✓ Consolidated total income – ₹ 45,204 crore v/s ₹ 41,057 crore
- ✓ Consolidated profit after tax – ₹ 3,491 crore v/s ₹ 3,175 crore
(see note below)

- ✓ Bajaj Finance, consolidated profit after tax – ₹ 3,073 crore v/s ₹ 4,316 crore
- ✓ General insurance, profit after tax – ₹ 1,057 crore v/s ₹ 695 crore
- ✓ Life insurance, shareholders' profit after tax – ₹ 346 crore v/s ₹ 412 crore

** All figures under Ind AS except for general and life insurance which are as per Indian GAAP*

Summary of consolidated results is given in **Annexure A**.

Note on consolidated profit after tax:

The consolidated profit figures for the current quarter and nine months ended may not be directly comparable with those of the corresponding previous periods for the reasons mentioned below.

- i) Under Ind AS, the insurance subsidiaries have chosen to hold equity securities 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 FY20. As on 31 December 2020, the Nifty 50 index and BSE 200 index have rebounded by over 60% from 31 March 2020 levels, resulting in higher than normal mark-to-market gain on investments of insurance subsidiaries during the current quarter and nine months ended. This has resulted in an increase of ₹ 384 crore and ₹ 896 crore in consolidated profit after tax for Q3 FY21 and 9M FY21, respectively.
- ii) Consequent to the ongoing pandemic, BFL has as a matter of prudence, written off/provided for principal and interest of potentially unrecoverable loans, which were under moratorium, by also utilising the available expected credit loss provision. BFL continues to hold a management overlay of ₹ 800 crore in provisions, given the dynamic and evolving nature of the pandemic along with other variables. Overall credit costs for BFL were higher by ₹ 521 crore and ₹ 2,762 crore for Q3 FY21 and 9M FY21, respectively.

2. Performance of material subsidiaries

A synopsis of the **quarterly performance** of the individual companies is given below:

A. Bajaj Finance Limited (BFL) – Consolidated – Ind AS

- i) Total income for Q3 FY21 stood at ₹ 6,659 crore v/s ₹ 7,024 crore in Q3 FY20.
- ii) Profit after tax for Q3 FY21 contracted by 29% YoY to ₹ 1,146 crore after taking pre-tax provision on standard assets of ₹ 1,352 crore and interest income reversal of ₹ 450 crore. Pre-provision profitability remained strong and adequate to cover expected credit losses.
- iii) Ratio of operating expenses to net interest income for Q3 FY21 improved to 32.3% v/s 33.8% in Q3 FY20.
- iv) Assets Under Management (AUM) as at 31 December 2020 was ₹ 143,550 crore v/s ₹ 145,092 crore as at 31 December 2019. This includes AUM of ₹ 35,492 crore of its housing finance subsidiary, BHFL, which recorded a growth of 18% over the AUM as on 31 December 2019.
- v) Gross NPA and Net NPA (ECL Stage 3), recognized as per extant RBI prudential norms and provisioned applying the expected credit loss (ECL) method prescribed in Ind AS, as of 31 December 2020 stood at 0.55% and 0.19% respectively. Stage 1 and 2 assets provisioning stood at 1.90% including additional provision for COVID-19 as against approximately 1% during pre-pandemic condition.

Hon'ble Supreme Court, in a public interest litigation (Gajendra Sharma Vs. Union of India & Anr), vide an interim order dated 3 September 2020, has directed that accounts which were not declared NPA till 31 August 2020 shall not be declared as NPA till further orders. Accordingly, BFL has not classified any of the accounts which were not NPA as of 31 August 2020, as per RBI norms, as NPA after 31 August 2020. However, if BFL had classified borrower accounts NPA after 31 August 2020 as per RBI's prudential norms, the Company's Gross NPA and Net NPA ratio would have been 2.86% and 1.22% respectively.

- vi) Capital adequacy ratio (including Tier-II capital) as of 31 December 2020 was very strong at **28.18%**. The Tier-I capital stood at 24.73%.

For Bajaj Housing Finance Limited (BHFL), a 100% mortgage subsidiary of BFL, the capital adequacy ratio (including Tier-II capital) stood at **24.94%**.

Summary of financial results is given in **Annexure B**.

B. Bajaj Allianz General Insurance Company Limited (BAGIC) – Indian GAAP

- i) Gross written premium for Q3 FY21 increased by 11% to **₹ 3,392 crore** v/s ₹ 3,055 crore in Q3 FY20. BAGIC wrote **crop insurance** of **₹ 655 crore** in Q3 FY21 v/s ₹ 392 crore in Q3 FY20. Gross written premium excluding crop insurance for Q3 FY21 was **₹ 2,737 crore** v/s ₹ 2,663 crore in Q3 FY20.
- ii) Net earned premium for Q3 FY21 was **₹ 1,838 crore** v/s ₹ 2,156 crore in Q3 FY20.
- iii) Claim ratio reduced to **66.6%** in Q3 FY21 v/s 72.6% in Q3 FY20, despite higher claims in health segment from COVID.
- iv) Combined ratio improved to **96.1%** in Q3 FY21 v/s 103.6% in Q3 FY20.
- v) Underwriting result improved significantly with a **profit of ₹ 27 crore** for Q3 FY21 v/s a loss of ₹ 87 crore in Q3 FY20. The higher underwriting profit was due to the lower claim and expense ratios.
- vi) Investment and other income (net) for Q3 FY21 increased by 15% to **₹ 413 crore** v/s ₹ 359 crore in Q3 FY20. Profit on sale of investments was higher by ₹ 29 crore (before tax).
- vii) Profit after tax for Q3 FY21 increased by 73% to **₹ 330 crore** v/s ₹ 191 crore in Q3 FY20.
- viii) As on 31 December 2020, the solvency ratio was **330%**, which is well above the minimum regulatory requirement of 150%.
- ix) Assets Under Management (AUM), represented by cash and investments as on 31 December 2020 stood at **₹ 21,873 crore** v/s ₹ 18,604 crore as on 31 December 2019 – an increase of 18%.

Summary of financial results and key ratios is given in **Annexure C**.

C. Bajaj Allianz Life Insurance Company Limited (BALIC) – Indian GAAP

- i) New business premium for Q3 FY21 was **₹ 1,706 crore** v/s ₹ 1,411 crore in Q3 FY20 – an increase of 21%.
 - a) Individual rated new business premium was **₹ 613 crore** in Q3 FY21 v/s ₹ 539 crore in Q3 FY20 – an increase of 14%.
 - b) Group protection new business was ₹ 431 crore in Q3 FY21 v/s ₹ 492 crore in Q3 FY20. The fall in growth was due to lower disbursements by banks and NBFCs.
- ii) Renewal premium for Q3 FY21 was **₹ 1,441 crore** v/s ₹ 1,141 crore in Q3 FY20 – a healthy increase of 26%.

- iii) Gross written premium increased by 23% to ₹ 3,147 crore in Q3 FY21 v/s ₹ 2,552 crore in Q3 FY20.
- iv) Shareholders' profit after tax during Q3 FY21 stood at ₹ 118 crore v/s ₹ 143 crore in Q3 FY20, impacted mainly due to higher new business strain.
- v) Solvency ratio stood at a healthy 708% as on 31 December 2020 as against the minimum regulatory requirement of 150%.
- vi) Assets Under Management (AUM), represented by total investments stood at ₹ 70,295 crore as on 31 December 2020 v/s ₹ 60,789 crore as on 31 December 2019 – an increase of 16%.

Summary of financial results is given in **Annexure D**.

3. BFS approach on COVID-19

As earlier mentioned, faced with COVID-19 and its impact on economic activity, the Company and its subsidiaries have well managed through this once in a life-time situation.

The Company and its subsidiaries remain focused on balancing growth with profitability. With strong solvency, well above the required capital as well as healthy liquidity, continued focus on risk and collections, digitised processes, improved cost structures, all our businesses have strong foundation to grow from hereon. With normalcy restored, all our businesses are seeking to grow with a more confident outlook while maintaining a disciplined approach to risk.

S Sreenivasan

CFO

20 January 2021

About BFS:

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

BFS participates in the financing business through its 52.74% holding in Bajaj Finance Limited (BFL) and in the protection business through its 74% holding in two unlisted subsidiaries, Bajaj Allianz General Insurance Company Limited (BAGIC) and Bajaj Allianz Life Insurance Company Limited (BALIC). Bajaj Housing Finance Limited (BHFL), which does mortgage business, is a wholly-owned subsidiary of Bajaj Finance Limited.

Both BFS and BFL are included in the benchmark BSE Sensex and Nifty 50 index of large cap stocks.

The results of these subsidiaries are reflected in the consolidated results of the Company.

As required by regulation, BFS has adopted Indian Accounting Standards (Ind AS) from FY19 and the previous period figures are comparable.

The insurance companies are not covered under Ind AS. They have prepared Ind AS financials only for the purpose of consolidation. Accordingly, standalone numbers relating to BAGIC and BALIC reported below are based on non-Ind AS accounting standards (Indian GAAP) as applicable to insurance companies.

Annexure A - Consolidated results of BFS - (Ind AS)

(₹ In Crore)		Q3 FY21	Q3 FY20	9M FY21	9M FY20	FY20
1	Income					
	Interest income	6,598.53	6,698.72	19,934.08	18,585.06	26,504.37
	Dividend income	25.91	7.51	66.65	44.39	60.84
	Rental income	0.99	1.11	4.13	3.12	4.17
	Fees and commission income	666.30	594.42	1,795.29	1,811.80	2,476.34
	Net gain on fair value change	2,060.60	818.24	4,690.33	2,406.87	333.37
	Sale of energy generated and Services	118.58	51.61	171.69	142.70	187.69
	Premium and other operating income from insurance business	6,394.22	6,248.82	18,327.02	17,847.57	24,498.56
	Others	93.40	138.49	208.91	210.93	281.35
	Total revenue from operations	15,958.53	14,558.92	45,198.10	41,052.44	54,346.69
	Other income	2.19	1.82	6.22	4.78	4.78
	Total income	15,960.72	14,560.74	45,204.32	41,057.22	54,351.47
2	Expenses					
	Employee benefits expenses	1,230.38	1,293.28	3,237.85	3,637.35	4,755.11
	Finance costs	2,258.42	2,419.41	6,993.85	6,786.20	9,338.53
	Fees and commission expense	719.36	557.29	1,774.47	1,533.02	2,206.10
	Impairment of financial instruments - lending assets	1,351.67	830.73	4,737.81	1,975.70	3,929.48
	Impairment of financial instruments - investments	24.67	(1.84)	(19.59)	164.73	190.89
	Claims paid	3,094.50	3,198.44	8,003.19	8,473.40	12,512.17
	Reinsurance ceded	1,274.25	1,163.51	3,762.42	3,605.20	4,520.67
	Net change in insurance / investment contract liabilities	2,306.95	1,378.32	6,649.12	4,186.16	4,353.87
	Depreciation, amortisation and impairment	123.84	116.19	363.23	329.70	456.79
	Other expenses	797.50	978.44	2,197.77	2,856.53	3,786.86
	Total expenses	13,181.54	11,933.77	37,700.12	33,547.99	46,050.47
3	Share of profits of joint venture	(0.02)	0.19	(0.36)	(0.47)	0.66
4	Profit before tax (1-2+3)	2,779.16	2,627.16	7,503.84	7,508.76	8,301.66
5	Tax expense					
	Current tax	222.50	615.15	1,912.60	1,945.19	2,557.12
	Deferred tax	474.81	33.96	(31.10)	110.08	(249.06)
	Total tax expense	697.31	649.11	1,881.50	2,055.27	2,308.06
6	Profit after tax (4-5)	2,081.85	1,978.05	5,622.34	5,453.49	5,993.60
7	Profit attributable to non-controlling interests	791.89	852.41	2,130.94	2,278.79	2,624.47
8	Profit for the period (6-7)	1,289.96	1,125.64	3,491.40	3,174.70	3,369.13
9	Other comprehensive income, net of tax					
	(a) Items that will not be reclassified to profit or loss	26.97	1.79	23.34	0.70	(99.02)
	(b) Items that will be reclassified to profit or loss	427.74	42.88	479.15	445.58	760.54
	Total other comprehensive income, net of tax	454.71	44.67	502.49	446.28	661.52
10	Total comprehensive income (6+9)	2,536.56	2,022.72	6,124.83	5,899.77	6,655.12
11	Profit attributable to:					
	Owners of the company	1,289.96	1,125.64	3,491.40	3,174.70	3,369.13
	Non-controlling interests	791.89	852.41	2,130.94	2,278.79	2,624.47
12	Total comprehensive income attributable to:					
	Owners of the company	1,617.28	1,157.89	3,868.18	3,501.94	3,882.47
	Non-controlling interests	919.28	864.83	2,256.65	2,397.83	2,772.65
13	Paid-up equity share capital (Face value of ₹ 5)	79.57	79.57	79.57	79.57	79.57
14	Other equity					31,221.68
15	Earnings per share (₹) (not annualised)					
	Basic	81.1	70.7	219.4	199.5	211.7
	Diluted	81.0	70.7	219.3	199.5	211.7

Annexure B - Summary financial results of BFL(consolidated) – (Ind-AS)

₹ In Crore	Q3 FY21	Q3 FY20	9M FY21	9M FY20	FY20
Total income	6,659	7,024	19,828	19,155	26,386
Interest expenses	2,363	2,489	7,218	6,926	9,473
Net interest income	4,296	4,535	12,610	12,229	16,913
Operating expenses	1,389	1,534	3,702	4,209	5,662
Loan losses and provisions	1,352	831	4,738	1,976	3,929
Profit before tax	1,555	2,170	4,170	6,044	7,322
Profit after tax	1,146	1,614	3,073	4,316	5,264

Annexure C - Summary financial results of BAGIC – (Indian GAAP)

₹ In Crore	Q3 FY21	Q3 FY20	9M FY21	9M FY20	FY20
Gross written premium	3,392	3,055	9,837	10,178	12,833
Net earned premium	1,838	2,156	5,642	6,234	8,206
Underwriting result	27	(87)	230	(169)	(11)
Investment and other income (net)	413	359	1,180	1,131	1,387
Profit before tax	440	272	1,410	962	1,376
Profit after tax	330	191	1,057	695	999

Key ratios

Claim ratio	66.6%	72.6%	69.8%	73.5%	70.7%
Combined ratio	96.1%	103.6%	96.8%	103.1%	100.8%

Annexure D - Summary financial results of BALIC – (Indian GAAP)

₹ In Crore	Q3 FY21	Q3 FY20	9M FY21	9M FY20	FY20
New business premium	1,706	1,411	3,820	3,660	5,179
Individual rated new business premium*	613	539	1,479	1,321	1,927
Group protection new business premium	431	492	858	1,318	1,872
Renewal premium	1,441	1,141	3,704	2,964	4,574
Gross written premium	3,147	2,552	7,524	6,624	9,753
Shareholders' profit	148	133	460	433	460
Amount transferred from the policyholders' account to the shareholders' account (net)	(30)	10	(114)	(21)	(10)
Total shareholders' profit after tax	118	143	346	412	450

* Individual rated new business premium = 100% of Regular premium + 10% of Single premium policies sold.