

Press release

Financial results – Q1 FY21

Total income ↑ 16% | Profit after tax ↑ 44%

A meeting of the Board of Directors of Bajaj Finserv Limited was held today to consider and approve the results for Q1 FY21.

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

On 22 June 2020, BFS was included in the benchmark BSE Sensex of the top 30 stocks in India. BFL is already part of BSE Sensex since December 2018.

The national lockdown announced from 25 March 2020 was eased partially from 17 May 2020. However, many large cities continued to be under lockdown for the entire quarter and economic activity was muted. Consequently, all the three businesses were impacted for the whole of Q1 FY21.

- For BFL, this resulted in significantly lower disbursements in the current quarter as well as constraints on recovery of dues from the customers due to the lockdown restrictions and moratoriums announced by the Reserve Bank of India. The Company remains one of the most adequately capitalised amongst large NBFCs in India with a healthy liquidity position.
- While BAGIC's gross written premium was lower due to decline in sales of vehicles, travel insurance and tenders for government health business, its underwriting result improved significantly.
- BALIC maintained its topline in terms of individual rated new business premium at the same level as the previous year as compared to industry's de-growth of 18%.

1. Highlights - Q1 FY21 v/s Q1 FY20 (under Indian Accounting Standard except general and life insurance)

✓ Consolidated total income	– ₹ 14,192 crore	v/s ₹ 12,272 crore	↑ 16%
✓ Consolidated profit after tax	– ₹ 1,215 crore	v/s ₹ 845 crore	↑ 44%
✓ Consolidated profit after tax, excluding unusual items (explained below)	– ₹ 1,459 crore	v/s ₹ 845 crore	↑ 73%
✓ Bajaj Finance, consolidated profit after tax	– ₹ 962 crore	v/s ₹ 1,195 crore	↓ 19%
✓ General insurance, profit after tax	– ₹ 395 crore	v/s ₹ 210 crore	↑ 88%
✓ Life insurance, shareholders' profit after tax	– ₹ 130 crore	v/s ₹ 62 crore	↑ 110%

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

Bajaj Finserv Limited

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2. Impact of unusual items on consolidated results of Q1 FY21

The spread of the COVID-19 pandemic resulted in a sudden and steep fall in the value of shares traded on the stock exchanges in Q4 FY20. As on 30 June 2020, the Nifty 50 index and BSE 200 index have recovered 20% from 31 March 2020 level. Under Ind AS, the insurance subsidiaries have chosen to hold equity securities as Fair Value Through Profit and Loss Account and therefore, the insurance companies had an unrealised mark-to-market (MTM) pre-tax gain of ₹ 556 crore in Q1 FY21, while in Q4 of FY20, there was a MTM loss of ₹ 768 crore.

Additionally, BFL made a pre-tax provision of ₹ 1,450 crore in the form of contingency provision during Q1 of FY 21, on account of the impact of COVID-19. The same is over and above the provision considered of ₹ 900 crore in FY20 and other usual and necessary provisions for NPAs.

The MTM adjustments of the insurance businesses and the contingency provision of BFL, together considered as unusual items, after adjusting for tax and the Company's interest in those subsidiaries have negatively impacted consolidated profit after tax of BFS for Q1 FY21 by ₹ 244 crore as explained below.

₹ In Crore	Pre-tax	BFS share, post-tax	
Consolidated profit after tax			1,215
Unusual items:			
Less: Unrealised MTM gain	556	330	
Add: Contingency provision	1,450	574	
subtotal			244
Consolidated profit after tax, excluding unusual items			1,459

3. Performance

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

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

- Total income for Q1 FY21 **increased by 14%** to **₹ 6,650 crore** v/s ₹ 5,808 crore in Q1 FY20.
- After considering the ₹ 1,450 crore contingency provision for COVID-19 and additional provisions on assets under standstill classification due to moratorium** (after tax ₹ 1,084 crore), **profit after tax (PAT)** for Q1 FY21 **stood at ₹ 962 crore** v/s ₹ 1,195 crore in Q1 FY20. **Excluding this contingency provision, which is of unusual nature, profit would have increased by 71%.**
- Ratio of operating expenses to net interest income for Q1 FY21 improved to **27.9%** v/s 35% in Q1 FY20.
- Assets Under Management (AUM) as at 30 June 2020 was ₹ 138,055 crore v/s ₹ 128,898 crore as at 30 June 2019 - an **increase of 7%**. This includes AUM of ₹ 32,982 crore of its housing finance subsidiary, BHFL, which recorded a growth of 52% over the AUM as on 30 June 2019.
- 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 30 June 2020 stood at 1.40% and 0.50% respectively. Standard assets provisioning (ECL stage 1 and 2) stood at 2.73% including contingency provision for COVID-19 and 1.01% excluding contingency provision.
- Capital adequacy ratio (including Tier-II capital) as of 30 June 2020 stood at **26.40%**. The Tier-I capital stood at 22.56%.

For Bajaj Housing Finance Limited (BHFL), a 100% mortgage subsidiary of BFL, the capital adequacy ratio (including Tier-II capital) stood at **25.94%**.

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

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

- i) Gross written premium for Q1 FY21 **stood at ₹ 2,289 crore** v/s ₹ 2,843 crore in Q1 FY20.
BAGIC wrote **crop insurance** of ₹ 18 crore in Q1 FY21 v/s ₹ 119 crore in Q1 FY20.
Gross written premium from core business (excluding crop) for Q1 FY21 was ₹ **2,271 crore** v/s ₹ 2,724 crore in Q1 FY20.
- ii) Net earned premium for Q1 FY21 was ₹ **1,818 crore** v/s ₹ 1,946 crore in Q1 FY20.
- iii) Claim ratio reduced to **68.1%** in Q1 FY21 v/s 72.8% in Q1 FY20. Claims experience was mixed during the quarter with higher claims in property, marine etc. which were affected by cyclone Amphan and Nisarga, and Motor third party, while some other lines like health and motor own damage had lower claims. The Company strengthened Incurred But Not Reported (IBNR) reserves to cover higher uncertainty and delays due to the lockdowns.
- iv) Combined ratio improved to **97.6%** in Q1 FY21 v/s 103.1% in Q1 FY20.
- v) Underwriting profit increased to ₹ **175 crore** for Q1 FY21 v/s ₹ 9 crore in Q1 FY20. The higher underwriting profit was due to the lower claim ratio and expense control measures introduced by the company.
- vi) Investment and other income for Q1 FY21 stood at ₹ **352 crore** v/s ₹ 310 crore in Q1 FY20.
- vii) Profit after tax for Q1 FY21 **increased by 88%** to ₹ **395 crore** v/s ₹ 210 crore in Q1 FY20.
- viii) As on 30 June 2020, the solvency ratio was **280%**, which is well above the minimum regulatory requirement of 150%.
- ix) Assets Under Management (AUM), represented by cash and investments as on 30 June 2020 stood at ₹ **19,611 crore** v/s ₹ 17,466 crore as on 30 June 2019 – an **increase of 12%**.

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 Q1 FY21 was ₹ **742 crore** v/s ₹ 1,014 crore in Q1 FY20.
 - a) Individual rated new business premium was ₹ **331 crore** in Q1 FY21 v/s ₹ 332 crore in Q1 FY20.
 - b) Group protection new business was ₹ 89 crore in Q1 FY21 v/s ₹ 399 crore in Q1 FY20. De-growth was due to lower disbursements by banks and NBFCs.
- ii) Renewal premium for Q1 FY21 was ₹ **958 crore** v/s ₹ 823 crore in Q1 FY20 – an **increase of 16%**.
- iii) Gross written premium stood at ₹ **1,700 crore** in Q1 FY21 v/s ₹ 1,837 crore in Q1 FY20.
- iv) Shareholders' profit after tax during Q1 FY21 stood at ₹ **130 crore** v/s ₹ 62 crore in Q1 FY20. Last year shareholders' profit after tax was adversely affected by a provision for impairment of ₹ 126 crore (₹ 108 crore after tax).
- v) Operating expenses de-grew in line with lower new business and also on account of various cost saving initiatives.
- vi) Solvency ratio stood at a healthy **760%** as on 30 June 2020 as against the minimum regulatory requirement of 150%.
- vii) Assets Under Management (AUM), represented by total investments stood at ₹ **60,968 crore** as on 30 June 2020 v/s ₹ 57,860 crore as on 30 June 2019 – an **increase of 5%**.

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

4. The Board has at its meeting held today given its approval for the Company to enter the Asset Management business under the applicable Mutual Fund Regulations.

5. BFS approach on COVID-19

As earlier mentioned, faced with COVID-19 and the subsequent lockdowns, the Company and its subsidiaries took immediate steps to handle this extreme situation.

The Company and its subsidiaries are navigating through this challenge, with focus on profitability over growth. They are conserving cash, borrowing long-term, strengthening collections and reducing overheads. As a result, the operating companies have strong solvency, well above the required capital.

S Sreenivasan

CFO

21 July 2020

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 52.82% 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)		Q1 FY21	Q1 FY20	FY20
1	Income			
	Interest income	6,614.69	5,740.37	26,504.37
	Dividend income	12.90	17.02	60.84
	Rental income	1.40	1.10	4.17
	Fees and commission income	566.56	589.01	2,476.34
	Net gain/(loss) on fair value change	1,893.87	883.21	333.37
	Sale of energy generated and services	24.14	24.44	187.69
	Premium and other operating income from insurance business	5,043.98	4,989.41	24,498.56
	Others	32.45	27.10	281.35
	Total revenue from operations	14,189.99	12,271.66	54,346.69
	Other income	2.02	0.60	4.78
	Total income	14,192.01	12,272.26	54,351.47
2	Expenses			
	Employee benefits expenses	993.56	1,142.52	4,755.11
	Finance costs	2,395.23	2,053.55	9,338.53
	Fees and commission expense	441.24	466.45	2,206.10
	Impairment of financial instruments - lending assets	1,685.73	550.74	3,929.48
	Impairment of financial instruments - investments	(3.92)	201.14	190.89
	Claims paid	2,105.76	2,309.35	12,512.17
	Reinsurance ceded	772.96	843.04	4,520.67
	Net change in insurance / investment contract liabilities	2,457.43	1,455.30	4,353.87
	Depreciation, amortisation and impairment	125.38	97.48	456.79
	Other expenses	650.31	897.41	3,786.86
	Total expenses	11,623.68	10,016.98	46,050.47
3	Share of profits of joint venture	(0.25)	(0.04)	0.66
4	Profit before tax (1-2+3)	2,568.08	2,255.24	8,301.66
5	Tax expense			
	Current tax	952.83	947.89	2,557.12
	Deferred tax	(306.97)	(146.86)	(249.06)
	Total tax expense	645.86	801.03	2,308.06
6	Profit after tax (4-5)	1,922.22	1,454.21	5,993.60
7	Profit attributable to non-controlling interests	707.07	608.87	2,624.47
8	Profit for the period (6-7)	1,215.15	845.34	3,369.13
9	Other comprehensive income, net of tax			
	(a) Items that will not be reclassified to profit or loss	(0.16)	(1.84)	(99.02)
	(b) Items that will be reclassified to profit or loss	478.07	311.03	760.54
	Total other comprehensive income, net of tax	477.91	309.19	661.52
10	Total comprehensive income (6+9)	2,400.13	1,763.40	6,655.12
11	Profit attributable to:			
	Owners of the company	1,215.15	845.34	3,369.13
	Non-controlling interests	707.07	608.87	2,624.47
12	Total comprehensive income attributable to:			
	Owners of the company	1,580.16	1,073.47	3,882.47
	Non-controlling interests	819.97	689.93	2,772.65
13	Paid-up equity share capital (Face value of ₹ 5)	79.57	79.57	79.57
14	Other equity			31,221.68
15	Earnings per share (₹) (not annualised)			
	Basic	76.4	53.1	211.7
	Diluted	76.4	53.1	211.7

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

₹ In Crore	Q1 FY21	Q1 FY20	FY20
Total income	6,650	5,808	26,386
Interest expenses	2,498	2,113	9,473
Net interest income	4,152	3,695	16,913
Operating expenses	1,156	1,293	5,662
Impairment on financial assets	1,686	551	3,929
Profit before tax	1,310	1,851	7,322
Profit after tax	962	1,195	5,264

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

₹ In Crore	Q1 FY21	Q1 FY20	FY20
Gross written premium	2,289	2,843	12,833
Net earned premium	1,818	1,946	8,206
Underwriting result	175	9	(11)
Investment and other income	352	310	1,387
Profit before tax	527	319	1,376
Profit after tax	395	210	999

Key ratios

Claim ratio	68.1%	72.8%	70.7%
Combined ratio	97.6%	103.1%	100.8%

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

₹ In Crore	Q1 FY21	Q1 FY20	FY20
New business premium	742	1,014	5,179
Individual rated new business premium*	331	332	1,927
Group protection new business premium	89	399	1,872
Renewal premium	958	823	4,574
Gross written premium	1,700	1,837	9,753
Shareholders' profit	182	92	460
Amount transferred from the policyholders' account to the shareholders' account (net)	(52)	(30)	(10)
Total shareholders' profit after tax	130	62	450

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