

Press release**Financial results – Q2 FY20**

Total income ↑ 47% | Profit after tax ↑ 71%

A meeting of the Board of Directors of Bajaj Finserv Limited was held today i.e. 22 October 2019, to consider and approve the results for Q2 FY20.

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 54.81% 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.

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, for BAGIC and BALIC, standalone numbers reported below are based on non-Ind AS accounting standards (Indian GAAP) as applicable to insurance companies.

In the wake of economic conditions continuing to be sluggish with Q1 FY20 GDP growth coming in at 5% and sales of automobiles showing sharp reductions on a year-on-year basis, the Government and the RBI announced a series of measures to boost the economy. The repo rate was reduced by 0.35% in Q2 FY20 ending the quarter at 5.40%, while the Government announced a sharp reduction in corporate income tax rates from 34.94% to 25.17%. Under these difficult conditions, all the three businesses performed very well and the Company has been able to record significant increases in consolidated revenue and profit after tax. Key highlights of the quarter are:

- **All three companies – BFL, BAGIC and BALIC recorded strong growth in revenues /premiums.**
- **BFL continued its stellar performance, recording its highest ever quarterly consolidated profit boosted by strong growth and solid operating performance. BFL's profit growth was also aided by the lower corporate tax rate.**
- **Despite higher claim ratios including losses from floods in Kerala and Maharashtra affecting the underwriting results for the quarter, BAGIC's profit after tax recorded strong growth, aided by higher profit on sale of investments and lower corporate tax rate.**
- **BALIC too recorded growth in profit after tax mainly due to higher profit on sale of investments and some realignment of provision for impairment consequent to partial recovery against previously impaired investments.**

Bajaj Finserv Limited

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Highlights – Q2 FY20 v/s Q2 FY19

✓ Consolidated total income	– ₹ 14,224 crore	v/s ₹ 9,698 crore	↑ 47%
✓ Consolidated profit after tax	– ₹ 1,204 crore	v/s ₹ 704 crore	↑ 71%
✓ Bajaj Finance, consolidated profit after tax	– ₹ 1,506 crore	v/s ₹ 923 crore	↑ 63%
✓ General insurance, profit after tax	– ₹ 294 crore	v/s ₹ 182 crore	↑ 62%
✓ Life insurance, shareholders' profit after tax	– ₹ 207 crore	v/s ₹ 132 crore	↑ 57%

Highlights – H1 FY20 v/s H1 FY19

✓ Consolidated total income	– ₹ 26,496 crore	v/s ₹ 18,469 crore	↑ 43%
✓ Consolidated profit after tax	– ₹ 2,049 crore	v/s ₹ 1,530 crore	↑ 34%
✓ Bajaj Finance, consolidated profit after tax	– ₹ 2,702 crore	v/s ₹ 1,759 crore	↑ 54%
✓ General insurance, profit after tax	– ₹ 504 crore	v/s ₹ 473 crore	↑ 7%
✓ Life insurance, shareholders' profit after tax	– ₹ 269 crore	v/s ₹ 278 crore	↓ 3%

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

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

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

- Total income for Q2 FY20 **increased by 48%** to ₹ 6,322 crore v/s ₹ 4,273 crore in Q2 FY19.
- During Q2 FY20, BFL recorded its **highest ever quarterly consolidated profit after tax (PAT)** of ₹ 1,506 crore v/s ₹ 923 crore in Q2 FY19 – an **increase of 63%**. This includes the impact of lower corporate tax rate. BFL intends to exercise the option to compute corporate tax at lower rate (25.17%).
- Assets under management (AUM) stood at ₹ 135,533 crore as on 30 September 2019 v/s ₹ 98,013 crore as on 30 September 2018 - an **increase of 38%**. This includes AUM of ₹ 25,714 crore of its housing finance subsidiary, BHFL, which recorded a growth of 141% over the AUM as on 30 September 2018.
- Gross NPA and Net NPA, recognized as per extant RBI prudential norms and provisioned as per Expected Credit Loss (ECL) method prescribed in Ind AS, as on 30 September 2019 stood at 1.61% and 0.65% respectively.
- The capital adequacy ratio of BFL Standalone as at 30 September 2019 (including Tier-II capital) stood at 19.68%. The Tier-I capital stood at 15.86%.
For BHFL, the capital adequacy ratio (including Tier-II capital) stood at 19.95%.
- To support the growth of the business over the next few years, during the quarter, the Board of Directors of BFL approved, subject to shareholders approval, raising of capital through a Qualified Institutional Placement (QIP) for an amount up to ₹ 8,500 crore by issue of equity shares and/or eligible securities in accordance with applicable SEBI regulations and other laws.

vii) During the quarter, BFL has received Economic Times Awards for 'Corporate Excellence - Company of the Year'.

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

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

BAGIC's GWP registered robust growth during the quarter.

i) Gross written premium for Q2 FY20 **increased** by **57%** to **₹ 4,279 crore** v/s ₹ 2,718 crore in Q2 FY19.

Gross written premium from core business (excluding crop) for Q2 FY20 **increased** by **14%** to **₹ 2,550 crore** v/s ₹ 2,243 crore in Q2 FY19.

ii) Net earned premium for Q2 FY20 stood at **₹ 2,131 crore** v/s ₹ 1,679 crore in Q2 FY19 – an **increase** of **27%**.

iii) Claim ratio stood at **75.0%** in Q2 FY20 v/s 68.2% in Q2 FY19. The increase in claim ratio includes losses from claims in Maharashtra and Kerala.

iv) Combined ratio stood at **102.7%** in Q2 FY20 v/s 97.2% in Q2 FY19.

v) Underwriting **loss** for Q2 FY20 was **₹ 91 crore** v/s a loss of ₹ 12 crore in Q2 FY19 . The higher underwriting loss was mainly due to the higher claim ratio.

vi) Investment and other income for Q2 FY20 stood at **₹ 462 crore** v/s ₹ 286 crore in Q2 FY19. Profit on sale of investments were higher by ₹ 113 crore (before tax).

viii) Profit after tax for Q2 FY20 **increased** by **62%** to **₹ 294 crore** v/s ₹ 182 crore in Q2 FY19. This includes the impact of lower corporate tax rate. BAGIC intends to exercise the option to compute corporate tax at lower rate (25.17%).

vii) BAGIC continues to hold provision of ₹ 76 crore representing 60% of the balance outstanding amount in respect of fixed income investments in DHFL, same as previous quarter.

viii) As on 30 September 2019, solvency ratio stood at **243%**, which is well above the minimum regulatory requirement of 150%.

ix) Assets Under Management (AUM), represented by cash and investments as on 30 September 2019 stood at **₹ 18,139 crore** v/s ₹ 14,887 crore as on 30 September 2018 – a healthy **increase** of **22%**.

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

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

i) During the quarter BALIC signed a corporate agency agreement with Axis Bank Limited.

ii) New business premium for Q2 FY20 stood at **₹ 1,235 crore** v/s ₹ 1,213 crore in Q2 FY19.

a) Rated individual new business premium **increased** by **30%** to **₹ 450 crore** in Q2 FY20 v/s ₹ 346 crore in Q2 FY19.

b) Group protection new business premium **increased** by **20%** to **₹ 428 crore** in Q2 FY20 v/s ₹ 356 crore in Q2 FY19.

- iii) Renewal premium for Q2 FY20 **increased** by **15%** to **₹ 1,000 crore** v/s ₹ 870 crore in Q2 FY19.
- iv) Gross written premium **increased** by **7%** to at **₹ 2,235 crore** in Q2 FY20 v/s ₹ 2,083 crore in Q2 FY19.
- v) During the quarter, some of the fixed income investments in DHFL matured and money was received, while some were sold. After these transactions, BALIC continues to hold provision of ₹ 89 crore representing 60% of the balance outstanding amount – reduction of ₹ 37 crore from previous quarter's amount of ₹ 126 crore.
- vi) Shareholders' profit after tax during Q2 FY20 **increased** by **57%** to **₹ 207 crore** v/s ₹ 132 crore in Q2 FY19. Higher profit on sale of investments of ₹ 54 crore (₹ 46 crore after tax) and realignment of provision for impairment of ₹ 37 crore (₹ 32 crore after tax) contributed to this increase.
- vii) Solvency ratio stood at a healthy **770%** as on 30 September 2019 as against the minimum regulatory requirement of 150%.
- viii) Assets Under Management (AUM) represented by total investments stood at **₹ 58,273 crore** as on 30 September 2019 v/s ₹ 53,922 crore as on 30 September 2018 – an **increase** of **8%**.

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

S Sreenivasan
CFO

22 October 2019

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

(₹ In Crore)		Q2 FY20	Q2 FY19	H1 FY20	H1 FY19	FY19
1	Income					
	Interest income	6,145.97	4,465.61	11,886.34	8,636.05	18,776.29
	Dividend income	19.86	18.14	36.88	38.47	61.30
	Rental income	0.91	1.33	2.01	2.59	5.20
	Fees and commission income	628.37	259.36	1,217.38	485.42	1,681.87
	Net gain on fair value change	705.42	193.13	1,588.63	375.54	1,978.10
	Sale of energy generated and Services	66.65	77.93	91.09	113.53	147.25
	Premium and other operating income from insurance business	6,609.34	4,632.81	11,598.75	8,709.73	19,857.32
	Others	45.34	49.83	72.44	107.48	96.67
	Total revenue from operations	14,221.86	9,698.14	26,493.52	18,468.81	42,604.00
	Other income	2.36	0.25	2.96	0.64	1.57
	Total income	14,224.22	9,698.39	26,496.48	18,469.45	42,605.57
2	Expenses					
	Employee benefits expenses	1,201.55	908.80	2,344.07	1,753.84	3,801.77
	Finance costs	2,313.24	1,540.28	4,366.79	2,874.33	6,540.03
	Fees and commission expense	509.28	403.94	975.73	765.23	1,692.77
	Impairment of financial instruments - lending assets	594.23	314.86	1,144.97	641.31	1,501.35
	Impairment of financial instruments - investments	(34.57)	29.11	166.57	29.29	187.32
	Claims paid	2,965.61	2,634.45	5,274.96	5,127.57	10,663.70
	Reinsurance ceded	1,598.65	757.66	2,441.69	1,314.04	3,119.33
	Net change in insurance / investment contract liabilities	1,352.54	507.63	2,807.84	717.31	3,701.96
	Depreciation, amortisation and impairment	116.03	52.07	213.51	95.04	226.09
	Other expenses	980.68	738.99	1,878.09	1,350.78	3,017.87
	Total expenses	11,597.24	7,887.79	21,614.22	14,668.74	34,452.19
3	Share of profits of joint venture	(0.62)	(0.21)	(0.66)	(0.06)	1.36
4	Profit before tax (1-2+3)	2,626.36	1,810.39	4,881.60	3,800.65	8,154.74
5	Tax expense					
	Current tax	382.15	622.62	1,330.04	1,228.78	2,737.84
	Deferred tax	222.98	(2.82)	76.12	52.76	43.05
	Total tax expense	605.13	619.80	1,406.16	1,281.54	2,780.89
6	Profit after tax (4-5)	2,021.23	1,190.59	3,475.44	2,519.11	5,373.85
7	Profit attributable to non-controlling interests	817.51	486.58	1,426.38	989.33	2,154.81
8	Profit for the period (6-7)	1,203.72	704.01	2,049.06	1,529.78	3,219.04
9	Other comprehensive income, net of tax					
	(a) Items that will not be reclassified to profit or loss	0.75	(5.25)	(1.09)	(6.72)	(16.67)
	(b) Items that will be reclassified to profit or loss	91.67	(84.83)	402.70	(576.58)	160.23
	Total other comprehensive income, net of tax	92.42	(90.08)	401.61	(583.30)	143.56
10	Total comprehensive income (6+9)	2,113.65	1,100.51	3,877.05	1,935.81	5,517.41
11	Profit attributable to:					
	Owners of the company	1,203.72	704.01	2,049.06	1,529.78	3,219.04
	Non-controlling interests	817.51	486.58	1,426.38	989.33	2,154.81
12	Total comprehensive income attributable to:					
	Owners of the company	1,270.58	637.46	2,344.05	1,100.20	3,325.07
	Non-controlling interests	843.07	463.05	1,533.00	835.61	2,192.34
13	Paid-up equity share capital (Face value of ₹ 5)	79.57	79.57	79.57	79.57	79.57
14	Other equity					23,686.35
15	Earnings per share (₹) (not annualised)					
	Basic	75.6	44.2	128.8	96.1	202.3
	Diluted	75.6	44.2	128.7	96.1	202.3

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

₹ In Crore	Q2 FY20	Q2 FY19	H1 FY20	H1 FY19	FY19
Total income	6,322	4,273	12,131	8,211	18,502
Interest expenses	2,323	1,565	4,437	2,925	6,624
Net interest income	3,999	2,708	7,694	5,286	11,878
Operating expenses	1,383	958	2,675	1,913	4,198
Loan losses and provisions	594	315	1,145	641	1,501
Profit before tax	2,022	1,435	3,874	2,732	6,179
Profit after tax	1,506	923	2,702	1,759	3,995

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

₹ In Crore	Q2 FY20	Q2 FY19	H1 FY20	H1 FY19	FY19
Gross written premium	4,279	2,718	7,123	5,148	11,097
Net earned premium	2,131	1,679	4,078	3,292	7,010
Underwriting result	(91)	(12)	(82)	116	18
Investment and other income	462	286	772	593	1,134
Profit before tax	371	274	690	709	1,152
Profit after tax	294	182	504	473	780

Key ratios

Claim ratio	75.0%	68.2%	73.9%	67.0%	68.6%
Combined ratio	102.7%	97.2%	102.8%	93.8%	96.7%

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

₹ In Crore	Q2 FY20	Q2 FY19	H1 FY20	H1 FY19	FY19
New business premium	1,235	1,213	2,249	1,934	4,923
Rated individual new business premium*	450	346	782	629	1,742
Group protection new business premium	428	356	826	617	1,450
Renewal premium	1,000	870	1,823	1,510	3,934
Gross written premium	2,235	2,083	4,072	3,444	8,857
Shareholders' profit	208	114	300	239	398
Amount transferred from the policyholders' account to the shareholders' account (net)	(1)	18	(31)	39	104
Total shareholders' profit after tax	207	132	269	278	502

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