

Press release

Financial results – Q2 FY21

A meeting of the Board of Directors of Bajaj Finserv Limited (BFS) was held today i.e. 21 October 2020 to consider and approve the results for Q2 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.

As a result of significant slowdown in economic activity post the complete nation-wide COVID-19 lockdown, India's GDP contracted sharply by 23.9% during Q1 FY21. However, economic growth started picking up pace quite well in Q2 as evidenced by few high frequency indicators. With month-on-month growth being witnessed after the process of unlocking started, we are looking forward to the second half of the year with greater optimism. Under these testing times, our businesses have focussed on managing risk with a calibrated approach to growth.

- New loans booked by BFL during Q2 FY21 were 3.62 Mn as against 6.47 Mn in Q2 FY20 due to elevated risk levels requiring a prudent approach to fresh growth. However, BFL, more than doubled new loans booked as compared to the previous quarter on the back of improved market conditions post unlocking. Localised lockdowns caused difficulty in collections. BFL continued to focus on risk and collections maintaining strong liquidity and preserving capital. BFL remains one of the most adequately capitalised amongst large NBFCs in India with a healthy liquidity position.
- While BAGIC's gross written premium was marginally lower due to the decline in sales of commercial vehicles insurance, travel insurance and tenders for government health business, it was able to deliver strong improvement in its underwriting result, continuing the trend from Q1 FY21.
- Although the life insurance market recorded negative growth in Q2 FY21 due to retail customers conserving liquidity and group business being affected by lower disbursements from banks and NBFCs, BALIC was able to record excellent growth of 19% in individual rated new business premium in Q2 FY21, while delivering solid growth in New Business Value.

1. Highlights – Q2 FY21 v/s Q2 FY20*

✓ Consolidated total income	- ₹ 15,052 crore	v/s	₹ 14,224 crore
✓ Consolidated profit after tax	- ₹ 986 crore	v/s	₹ 1,204 crore
<i>(see note below)</i>			
✓ Bajaj Finance, consolidated profit after tax	- ₹ 965 crore	v/s	₹ 1,506 crore
✓ General insurance, profit after tax	- ₹ 332 crore	v/s	₹ 294 crore
✓ Life insurance, shareholders' profit after tax	- ₹ 98 crore	v/s	₹ 207 crore

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Highlights – H1 FY21 v/s H1 FY20*

- ✓ Consolidated total income – ₹ 29,244 crore v/s ₹ 26,496 crore
- ✓ Consolidated profit after tax – ₹ 2,201 crore v/s ₹ 2,049 crore
(see note below)

- ✓ Bajaj Finance, consolidated profit after tax – ₹ 1,927 crore v/s ₹ 2,702 crore
- ✓ General insurance, profit after tax – ₹ 727 crore v/s ₹ 504 crore
- ✓ Life insurance, shareholders' profit after tax – ₹ 228 crore v/s ₹ 269 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 half year 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 30 September 2020, the Nifty 50 index and BSE 200 index have recovered ~30% from 31 March 2020 levels. The insurance companies had an unrealised mark-to-market (MTM) pre-tax gain of ₹ 306 crore in Q2 FY21 and ₹ 862 crore in H1 FY21, while in Q4 of FY20, there was an MTM loss of ₹ 768 crore.
- ii) Consequent to the ongoing pandemic, BFL has further increased its provisions on stage 1 and 2 assets by ₹ 1,370 crore to ₹ 5,099 as of 30 September 2020.

The combined effect of these adjustments is a reduction in the consolidated profit after tax of the Company of ₹ 359 crore in Q2 FY21 and ₹ 603 crore in H1 FY21.

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 Q2 FY21 stood at ₹ 6,523 crore v/s ₹ 6,323 crore in Q2 FY20.
- ii) Profit after tax for Q2 FY21 contracted by 36% YoY to ₹ 965 crore after taking additional provision on standard assets of ₹ 1,370 crore and interest income reversal of ₹ 142 crore. Pre-provision profitability remained strong and adequate to cover expected credit losses.
- iii) Ratio of operating expenses to net interest income for Q2 FY21 improved to 27.8% v/s 34.6% in Q2 FY20.
- iv) Assets Under Management (AUM) as at 30 September 2020 was ₹ 137,090 crore v/s ₹ 135,533 crore as at 30 September 2019. This includes AUM of ₹ 33,463 crore of its housing finance subsidiary, BHFL, which recorded a growth of 30% over the AUM as on 30 September 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 30 September 2020 stood at 1.03% and 0.37% respectively. Stage 1 and 2 assets provisioning stood at 3.69% including additional provision for COVID-19 as against ~ 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 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, the Company's Gross NPA and Net NPA ratio would have been 1.34% and 0.56% respectively.

- vi) Capital adequacy ratio (including Tier-II capital) as of 30 September 2020 was very strong at **26.64%**. The Tier-I capital stood at 23.01%.

For Bajaj Housing Finance Limited (BHFL), a 100% mortgage subsidiary of BFL, the capital adequacy ratio (including Tier-II capital) stood at **25.97%**.

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

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

- i) Gross written premium for Q2 FY21 stood at **₹ 4,156 crore** v/s ₹ 4,279 crore in Q2 FY20. BAGIC wrote **crop insurance** of **₹ 1,759 crore** in Q2 FY21 v/s ₹ 1,729 crore in Q2 FY20. Gross written premium excluding crop insurance for Q2 FY21 was **₹ 2,397 crore** v/s ₹ 2,550 crore in Q2 FY20.
- ii) Net earned premium for Q2 FY21 was **₹ 1,986 crore** v/s ₹ 2,131 crore in Q2 FY20.
- iii) Claim ratio reduced to **74.2%** in Q2 FY21 v/s 75.0% in Q2 FY20. Claims experience was mixed during the quarter with higher claims in health including COVID-19 claims and property due to heavy rainfall, compensated by lower claims in motor own damage segment.
- iv) Combined ratio improved to **97.4%** in Q2 FY21 v/s 102.7% in Q2 FY20.
- v) Underwriting result improved significantly with a **profit of ₹ 29 crore** for Q2 FY21 v/s a loss of ₹ 91 crore in Q2 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 Q2 FY21 stood at **₹ 414 crore** v/s ₹ 462 crore in Q2 FY20. Profit on sale of investments was lower by ₹ 84 crore (before tax).
- vii) Profit after tax for Q2 FY21 **increased by 13%** to **₹ 332 crore** v/s ₹ 294 crore in Q2 FY20.
- viii) As on 30 September 2020, the solvency ratio was **307%**, which is well above the minimum regulatory requirement of 150%.
- ix) Assets Under Management (AUM), represented by cash and investments as on 30 September 2020 stood at **₹ 20,626 crore** v/s ₹ 18,139 crore as on 30 September 2019 – an **increase of 14%**.

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 Q2 FY21 was **₹ 1,372 crore** v/s ₹ 1,235 crore in Q2 FY20 – an **increase of 11%**.
 - a) **Individual rated new business premium** was **₹ 535 crore** in Q2 FY21 v/s ₹ 450 crore in Q2 FY20 – an **increase of 19%**.
 - b) Group protection new business was ₹ 338 crore in Q2 FY21 v/s ₹ 428 crore in Q2 FY20. The negative growth was due to lower disbursements by banks and NBFCs.
- ii) Renewal premium for Q2 FY21 was **₹ 1,305 crore** v/s ₹ 1,000 crore in Q2 FY20 – a healthy **increase of 31%**.
- iii) Gross written premium increased by **20%** to **₹ 2,677 crore** in Q2 FY21 v/s ₹ 2,235 crore in Q2 FY20.
- iv) Shareholders' profit after tax during Q2 FY21 stood at **₹ 98 crore** v/s ₹ 207 crore in Q2 FY20. Profit on sale of investments was lower by ₹ 55 crore (before tax).

- v) Solvency ratio stood at a healthy **730%** as on 30 September 2020 as against the minimum regulatory requirement of 150%.
- vi) Assets Under Management (AUM), represented by total investments stood at **₹ 64,367 crore** as on 30 September 2020 v/s ₹ 58,273 crore as on 30 September 2019 – an **increase** of **10%**.
- vii) For H1 FY21, the New Business Value was **₹ 61 crore** as against ₹ 30 crore in H1 FY20 - an **increase** of **103%**.

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 continue to manage through this once in a life-time situation.

The Company and its subsidiaries remain focused on profitability over growth. They are conserving cash, focusing on risk, strengthening collections, improving and digitising processes and reducing overheads. As a result, the operating companies have strong solvency, well above the required capital as well as healthy liquidity. With signs of normalcy being evident across sectors, all our businesses will be seeking to grow in H2 of this year and enter FY22 with a positive outlook.

S Sreenivasan

CFO

21 October 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 52.74% 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)		Q2 FY21	Q2 FY20	H1 FY21	H1 FY20	FY 20
1	Income					
	Interest income	6,720.86	6,145.97	13,335.55	11,886.34	26,504.37
	Dividend income	27.84	19.86	40.74	36.88	60.84
	Rental income	1.74	0.91	3.14	2.01	4.17
	Fees and commission income	562.43	628.37	1,128.99	1,217.38	2,476.34
	Net gain on fair value change	735.86	705.42	2,629.73	1,588.63	333.37
	Sale of energy generated and services	28.97	66.65	53.11	91.09	187.69
	Premium and other operating income from insurance business	6,888.82	6,609.34	11,932.80	11,598.75	24,498.56
	Others	83.06	45.34	115.51	72.44	281.35
	Total revenue from operations	15,049.58	14,221.86	29,239.57	26,493.52	54,346.69
	Other income	2.01	2.36	4.03	2.96	4.78
	Total income	15,051.59	14,224.22	29,243.60	26,496.48	54,351.47
2	Expenses					
	Employee benefits expenses	1,013.91	1,201.55	2,007.47	2,344.07	4,755.11
	Finance costs	2,340.20	2,313.24	4,735.43	4,366.79	9,338.53
	Fees and commission expense	613.87	509.28	1,055.11	975.73	2,206.10
	Impairment of financial instruments - lending assets	1,700.41	594.23	3,386.14	1,144.97	3,929.48
	Impairment of financial instruments - investments	(40.34)	(34.57)	(44.26)	166.57	190.89
	Claims paid	2,802.93	2,965.61	4,908.69	5,274.96	12,512.17
	Reinsurance ceded	1,715.21	1,598.65	2,488.17	2,441.69	4,520.67
	Net change in insurance / investment contract liabilities	1,884.74	1,352.54	4,342.17	2,807.84	4,353.87
	Depreciation, amortisation and impairment	114.01	116.03	239.39	213.51	456.79
	Other expenses	749.96	980.68	1,400.27	1,878.09	3,786.86
	Total expenses	12,894.90	11,597.24	24,518.58	21,614.22	46,050.47
3	Share of profits of joint venture	(0.09)	(0.62)	(0.34)	(0.66)	0.66
4	Profit before tax (1-2+3)	2,156.60	2,626.36	4,724.68	4,881.60	8,301.66
5	Tax expense					
	Current tax	737.27	382.15	1,690.10	1,330.04	2,557.12
	Deferred tax	(198.94)	222.98	(505.91)	76.12	(249.06)
	Total tax expense	538.33	605.13	1,184.19	1,406.16	2,308.06
6	Profit after tax (4-5)	1,618.27	2,021.23	3,540.49	3,475.44	5,993.60
7	Profit attributable to non-controlling interests	631.98	817.51	1,339.05	1,426.38	2,624.47
8	Profit for the period (6-7)	986.29	1,203.72	2,201.44	2,049.06	3,369.13
9	Other comprehensive income, net of tax					
	(a) Items that will not be reclassified to profit or loss	(3.47)	0.75	(3.63)	(1.09)	(99.02)
	(b) Items that will be reclassified to profit or loss	(426.66)	91.67	51.41	402.70	760.54
	Total other comprehensive income, net of tax	(430.13)	92.42	47.78	401.61	661.52
10	Total comprehensive income (6+9)	1,188.14	2,113.65	3,588.27	3,877.05	6,655.12
11	Profit attributable to:					
	Owners of the company	986.29	1,203.72	2,201.44	2,049.06	3,369.13
	Non-controlling interests	631.98	817.51	1,339.05	1,426.38	2,624.47
12	Total comprehensive income attributable to:					
	Owners of the company	670.74	1,270.58	2,250.90	2,344.05	3,882.47
	Non-controlling interests	517.40	843.07	1,337.37	1,533.00	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	62.0	75.6	138.3	128.8	211.7
	Diluted	62.0	75.6	138.3	128.7	211.7

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

₹ In Crore	Q2 FY21	Q2 FY20	H1 FY21	H1 FY20	FY20
Total income	6,523	6,323	13,173	12,131	26,386
Interest expenses	2,358	2,323	4,856	4,437	9,473
Net interest income	4,165	4,000	8,317	7,694	16,913
Operating expenses	1,160	1,384	2,316	2,675	5,662
Impairment on financial assets	1,700	594	3,386	1,145	3,929
Profit before tax	1,305	2,022	2,615	3,874	7,322
Profit after tax	965	1,506	1,927	2,702	5,264

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

₹ In Crore	Q2 FY21	Q2 FY20	H1 FY21	H1 FY20	FY20
Gross written premium	4,156	4,279	6,445	7,123	12,833
Net earned premium	1,986	2,131	3,804	4,078	8,206
Underwriting result	29	(91)	204	(82)	(11)
Investment and other income	414	462	766	772	1,387
Profit before tax	443	371	970	690	1,376
Profit after tax	332	294	727	504	999

Key ratios

Claim ratio	74.2%	75.0%	71.3%	73.9%	70.7%
Combined ratio	97.4%	102.7%	97.0%	102.8%	100.8%

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

₹ In Crore	Q2 FY21	Q2 FY20	H1 FY21	H1 FY20	FY20
New business premium	1,372	1,235	2,114	2,249	5,179
Individual rated new business premium*	535	450	866	782	1,927
Group protection new business premium	338	428	427	826	1,872
Renewal premium	1,305	1,000	2,263	1,823	4,574
Gross written premium	2,677	2,235	4,377	4,072	9,753
Shareholders' profit	131	208	313	300	460
Amount transferred from the policyholders' account to the shareholders' account (net)	(33)	(1)	(85)	(31)	(10)
Total shareholders' profit after tax	98	207	228	269	450

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