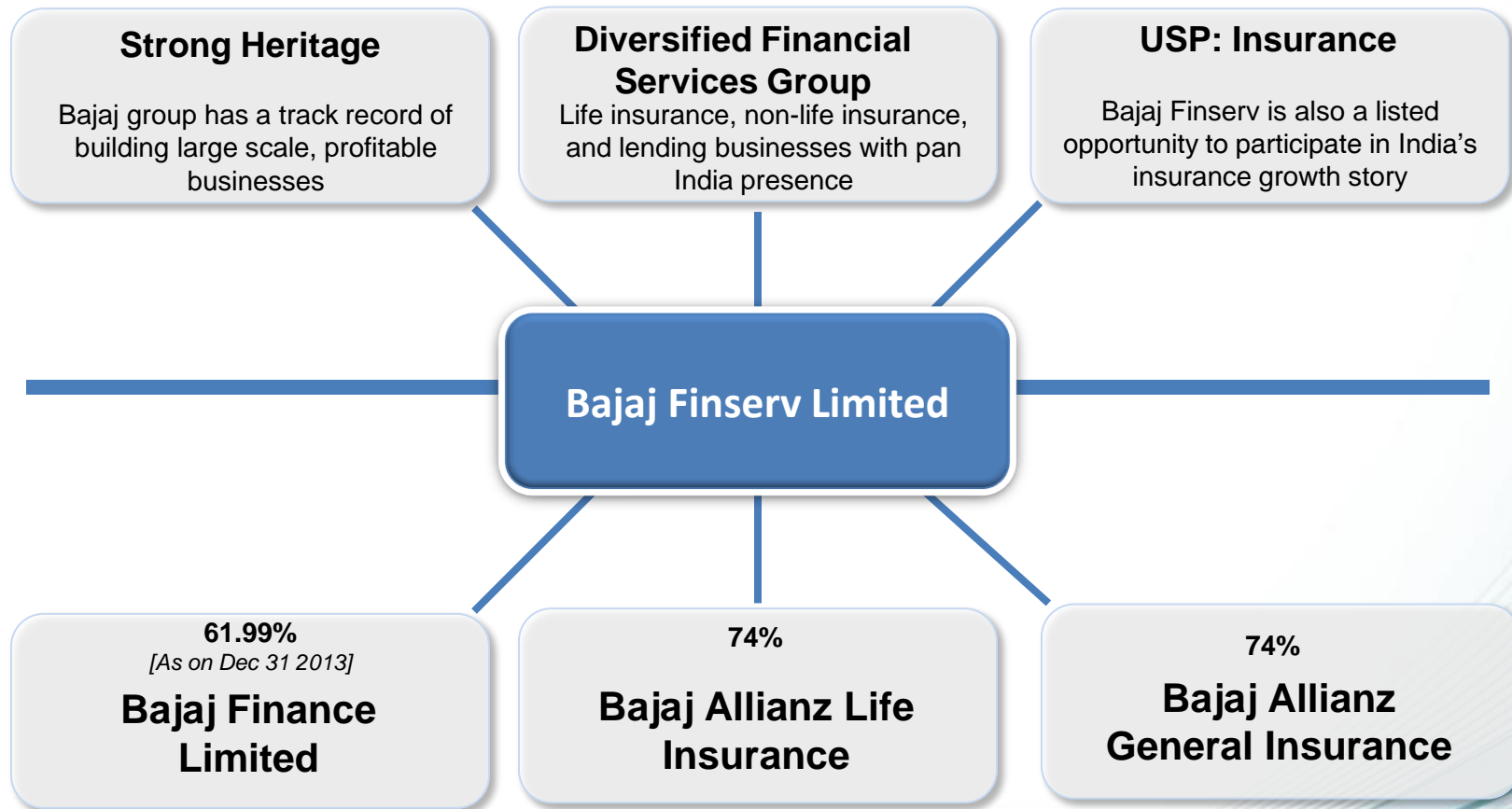




# **Bajaj Finserv Limited**

**Investor Presentation Q3FY14**

January 2014



- Bajaj Finserv Limited has submitted its application to RBI in June 2013 for a license to commence banking business. It proposes to do this by converting its subsidiary Bajaj Finance Limited into a bank

Note: Chart only shows major subsidiary companies

## **Bajaj Finance Limited**

- Diversified NBFC present in consumer finance, SME, & commercial lending. Deployments over Rs 193 Bn as of FY13.
- Market leader in consumer durables financing and motorcycle financing.

## **Bajaj Allianz General Insurance**

- Number 2 private non-life insurer in India.
- One of the most profitable private non life insurers as of FY13, consistently having one of the best combined ratios.
- Investment book stood at over Rs 58 Bn as of FY13. Net-worth at Rs 12,553 Mn

## **Bajaj Allianz Life Insurance**

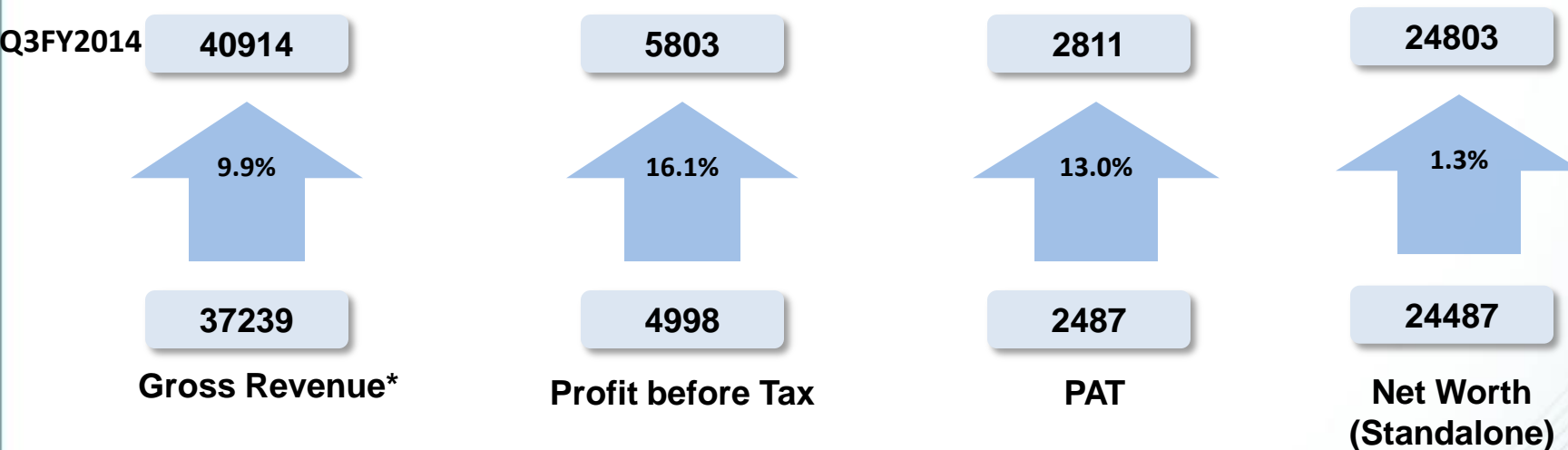
- One of the most profitable life insurers in India.
- A top 5 player. Live policy base of over 7 Mn, and AUM of Rs 380 Bn in FY13.
- Net-worth of Rs 48,441 Mn & MCEV of Rs 76,529 Mn as of FY13

# Bajaj Finserv performance highlights for Q3FY 2014 over Q3FY 2013



All Figures in Rs Million

## Performance Highlights of Q3FY 2014 over Q3 FY2013



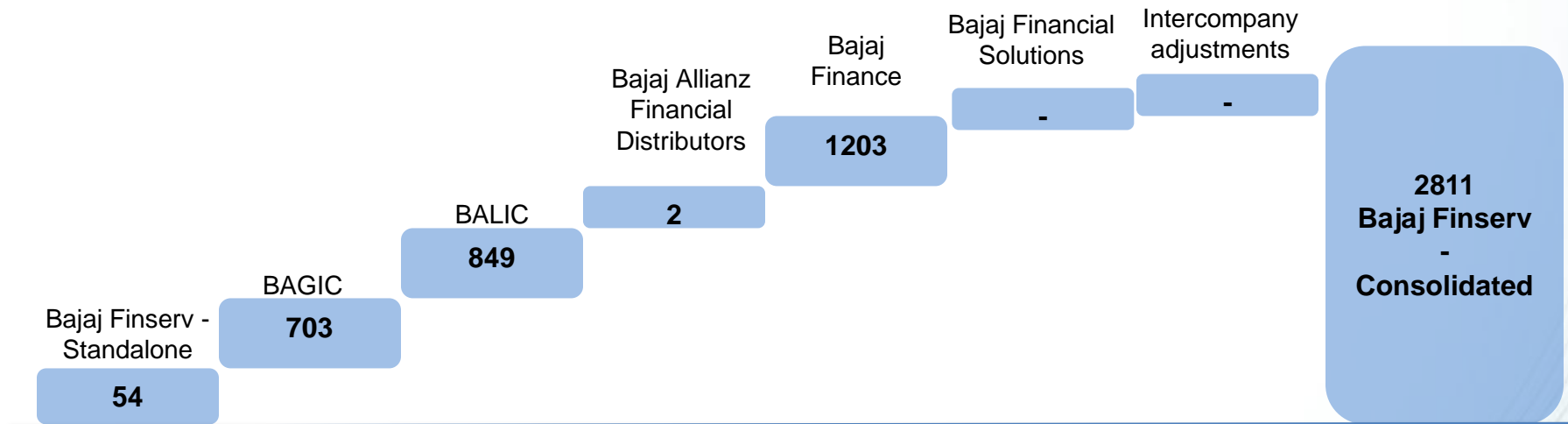
- Bajaj Finserv remains a debt free company
- Bajaj Finserv's surplus funds stood at Rs. 6973 million as on Dec 31, 2013



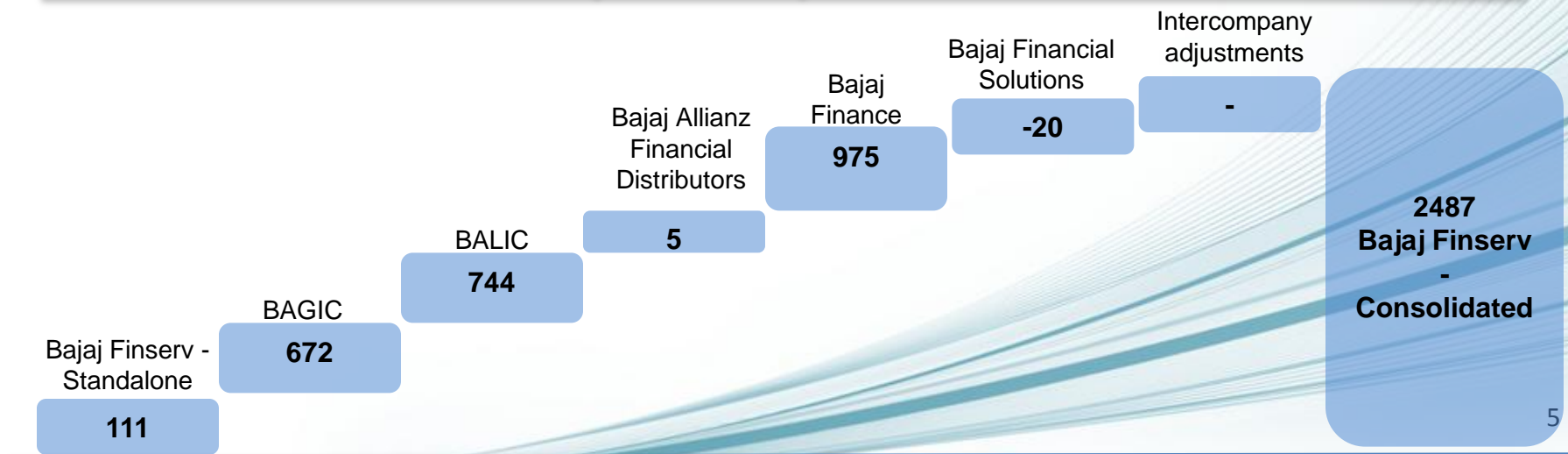
# Profit contribution is well diversified

All Figures in Rs Million

## Consolidated profit components for Q3 FY2014



## Consolidated profit components for Q3 FY2013



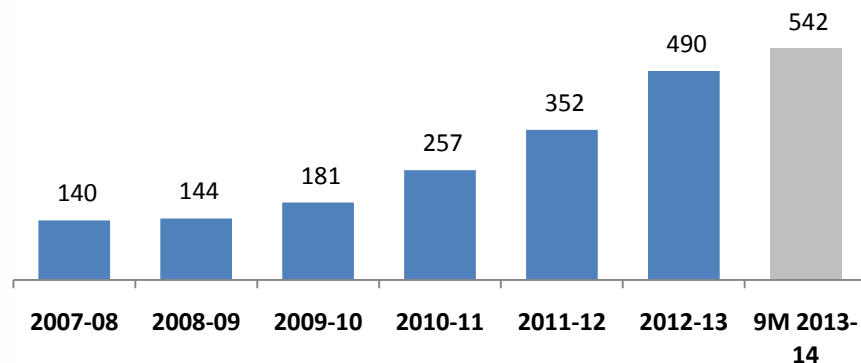
# 9M Highlights



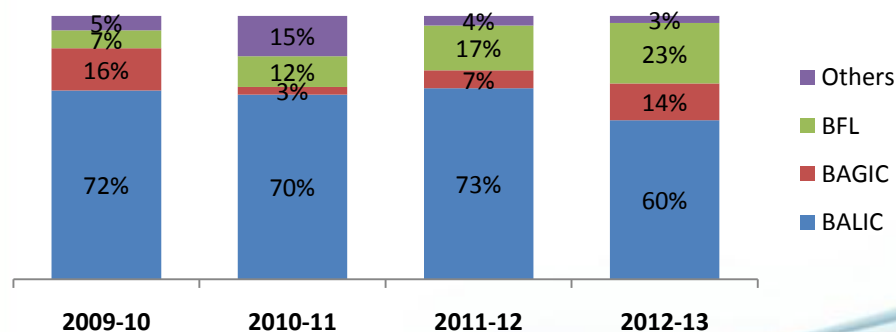
All Figures in Rs Million

BAJAJ FINSERV	9MFY14	9MFY13	Growth
Gross Revenue	116,127	106,967	9%
Net worth (Cons)	86,317	67,017	29%
PAT	8,364	6,607	27%

## Consolidated Book Value Per Share (Rs)



## Consolidated Profit Components\*



## Group Company Highlights

BALIC	9MFY14	9MFY13	Growth
GWP	37,029	43,116	-14%
Total Investments	383,138	402,481	-5%
PAT	3,366	2,640	28%

BAGIC	9MFY14	9MFY13	Growth
GWP (ex Pool)	33,145	28,657	16%
Investments	64,998	55,517	17%
PAT	3,078	2,329	32%

BAJAJ FINANCE	9MFY14	9MFY13	Growth
Deployment	189,814	142,613	33%
Book Size	215,258	162,832	32%
PAT	5,369	4,275	26%



**Bajaj Allianz Life Insurance**

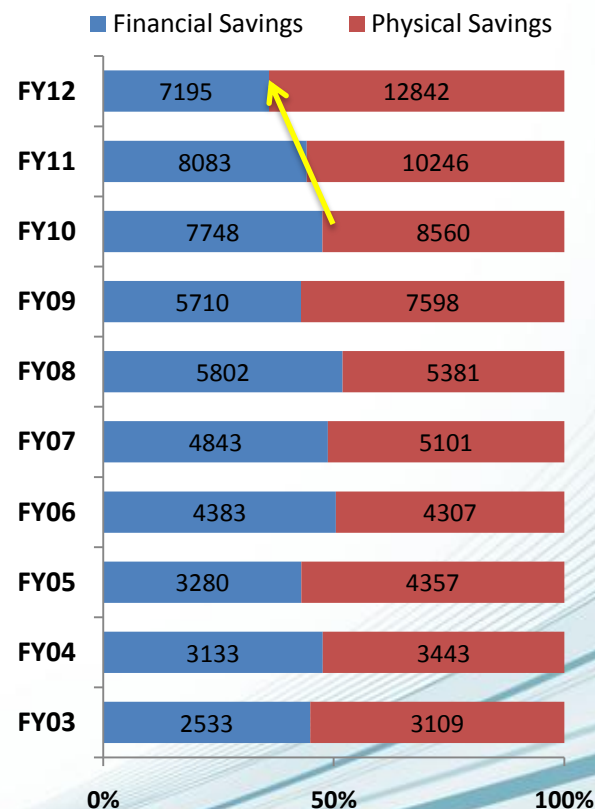
## Industry Growth Trend

- New Business grew at a CAGR of 5% from FY09 to FY13 to Rs 1070 Bn. Private players de-grew at -3% in the same period to Rs 308 Bn. Industry de-grew 6% in FY13 versus FY12
- Total Premium stood at Rs 2,872 Bn in FY13
- Growth rates since 2008 have been muted due to
  - Indian household preference for physical assets like gold and real estate over financial assets in recent years
  - Lackluster equity market performance following the financial crisis
  - Cap on ULIP charges in 2010

## Regulatory Perspective

- New product guidelines announced around linked and non-linked products in late FY13
- Guidelines around group products have become applicable on 1<sup>st</sup> Aug 2013, while those on Individual products will be applicable from 1<sup>st</sup> Jan 2014

## Households have preferred physical assets in recent years (Household Sector Savings (Rs Bn) )



Source: Sector wise domestic savings (at current prices), RBI handbook of statistics on Indian Economy



## Strategy

The strategy is to build on the strong brand equity by focusing on quality of business, profitability and market share growth.

This is sought to be achieved through a more efficient operating cost model, diversified distribution with focus on productivity, and a balanced product mix

## Key Focus Areas

**Return to sustained growth in new business premiums** as financial savings once again find favour amongst Indian households (versus recent preference for physical assets)

**Build a balanced portfolio** with higher contribution from non-Par

**Improve agency productivity**

**Improve persistency**

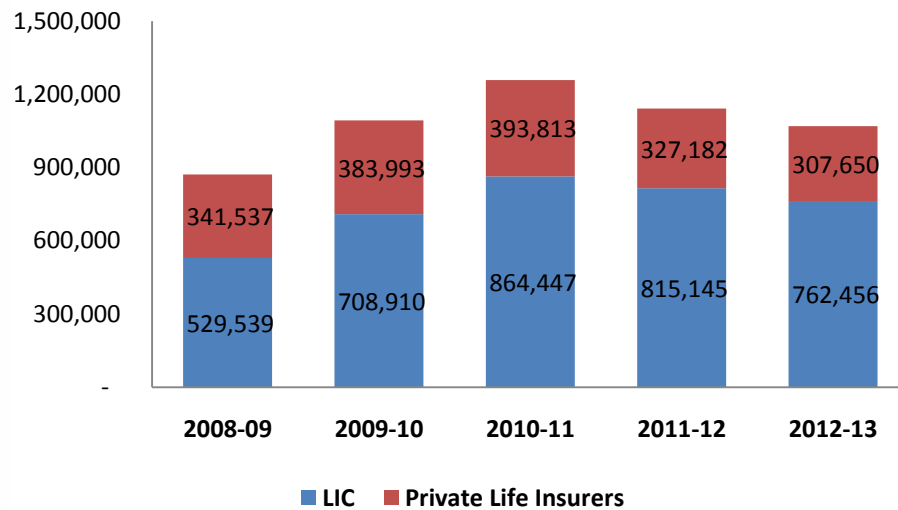
**Manage operating costs** – acquisition and management

**Focus on investment performance** in UL as well as traditional funds

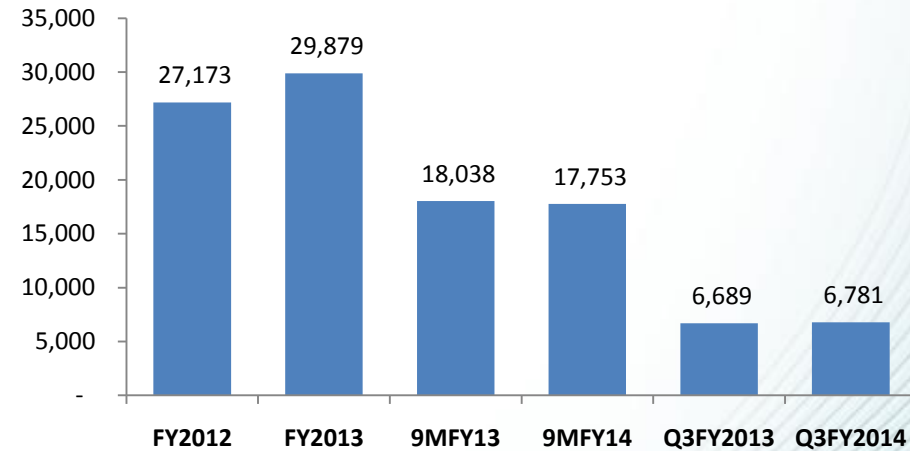
# During 2012-13 , the life insurance industry de-grew, while BALIC grew moderately

All Figures in Rs Million

## Industry New Business Premium



## New Business - BALIC

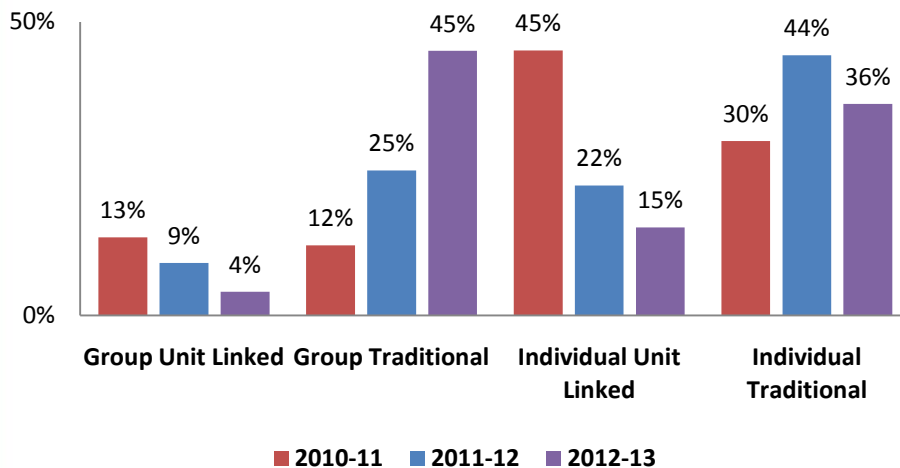


- BALIC has grown new business by 10% in FY13 to Rs 29,879 Mn, while private players and overall industry declined 6% each compared to FY12
- BALIC's agency market share of private players was at 14% in FY13 compared to 12% in FY12\*
- Q3FY14 new business is up 1% over same period last year

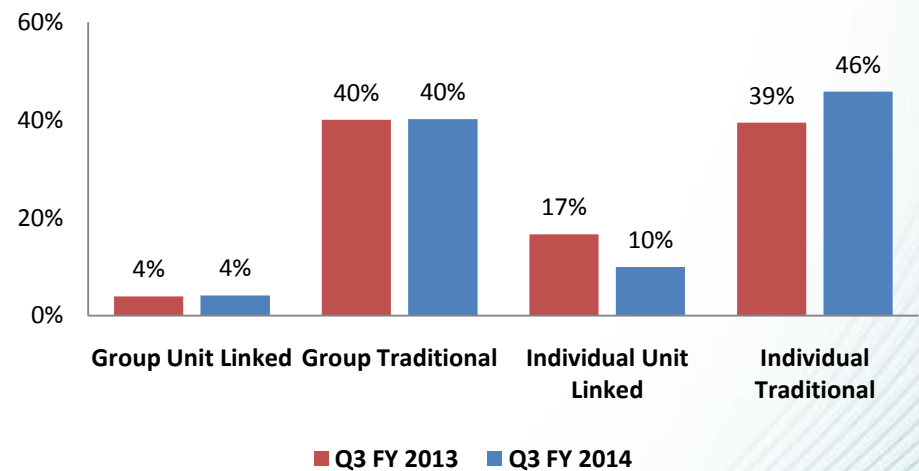
# Currently, the product mix is predominantly traditional

All Figures in Rs Million

**New Business Premium - Product Mix**



**New Business Premium - Product Mix**

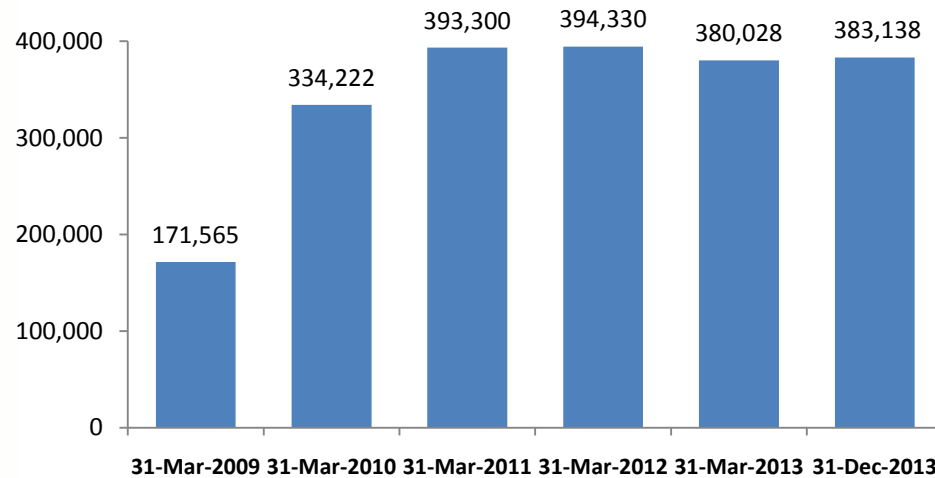


- Unit linked business was at 14% in Q3FY14 versus 21% in Q3FY13. 9MFY14 unit linked share was 16% compared to 17% in 9MFY13
- In Q3FY14, non fund based group business represented 81% of total group new business (72% in 9MFY14)

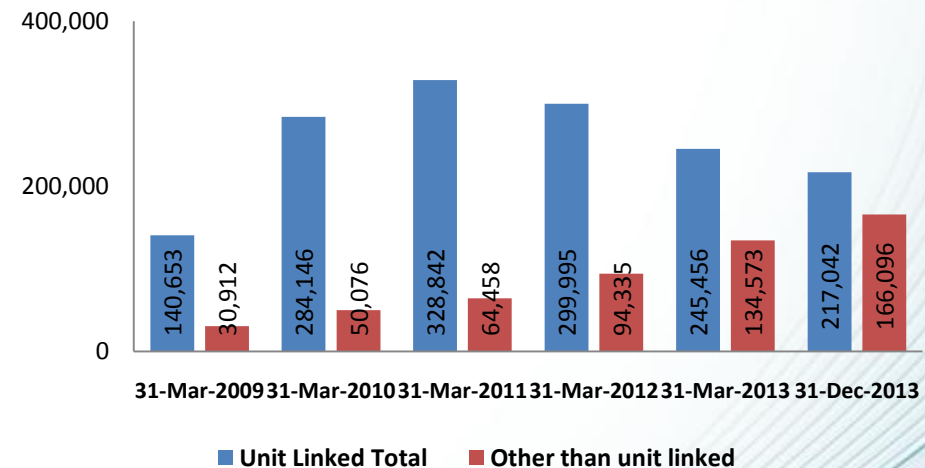
# Assets under management are significant

All Figures in Rs Million

### Investments Growth



### Assets Under Management



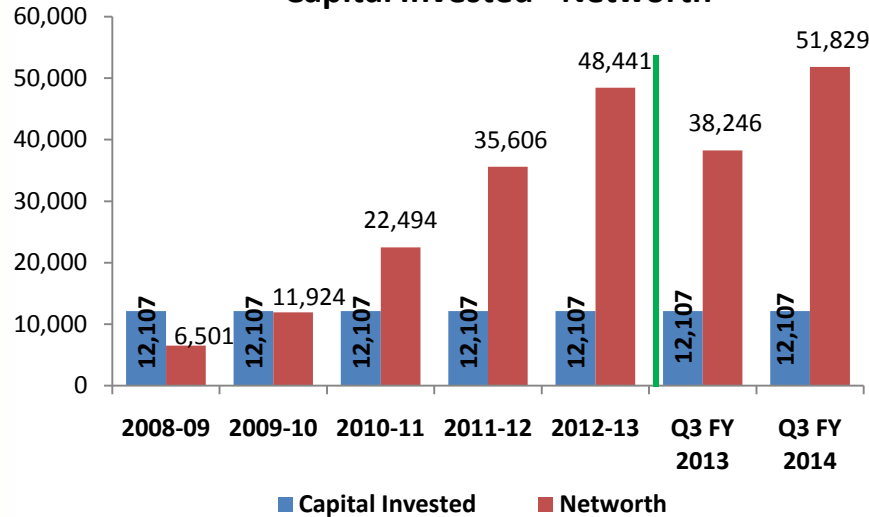
- Assets under management remain resilient
- Assets are a mix of linked and non-linked funds. Of the linked funds, Rs 154,498 Mn were in equity funds



# Bajaj Allianz Life is one of the most profitable life insurers in the private sector

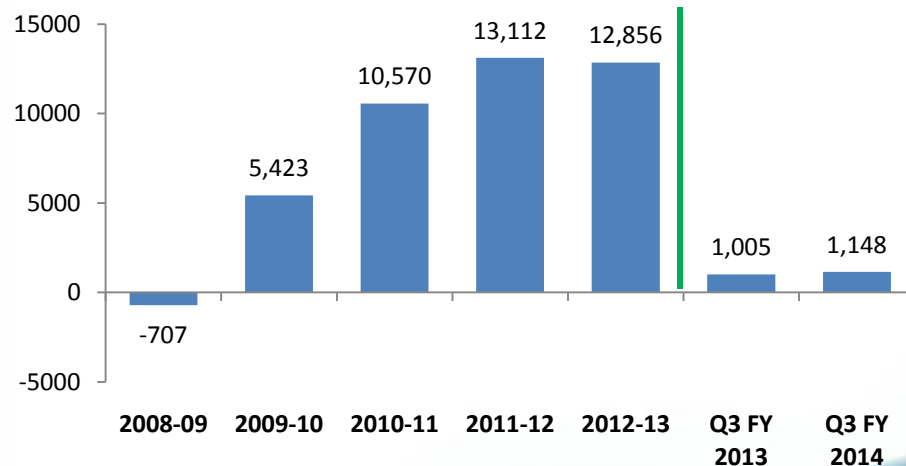
All Figures in Rs Million

### Capital Invested - Networth



Net Worth currently stands at Rs. 51,829 Mn

### Shareholders' profits



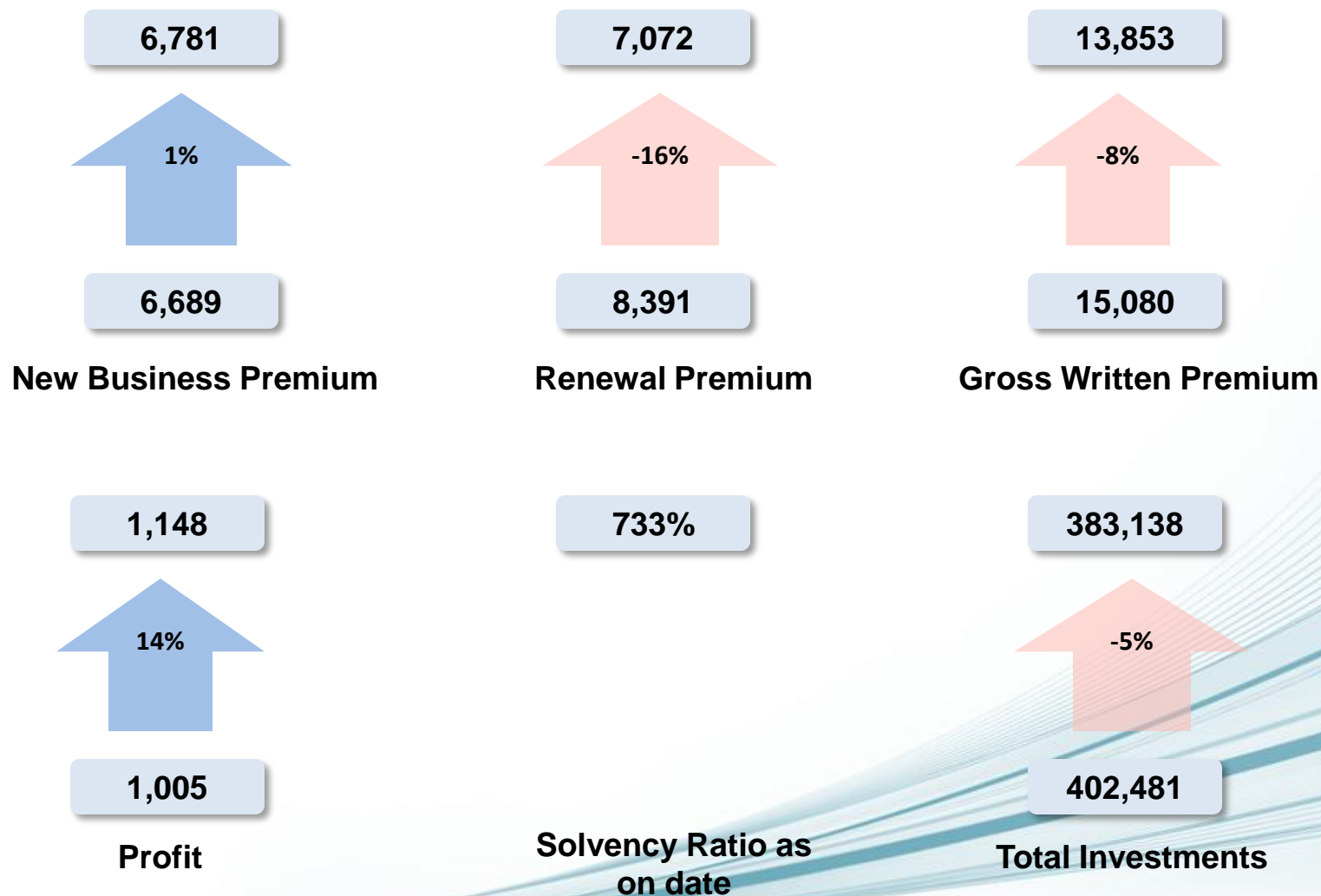
Shareholders' profit grew 14% to Rs 1,148 Mn in Q3FY14 versus Q3FY13

Policyholders surplus as of 9MFY14 stood at Rs 5,092 Mn, compared to Rs 6,650 Mn in 9MFY13

*Note: Shareholders' share of policyholders' surplus are transferred at the end of the year, consistent with past practice.*

All Figures in Rs Million

## Performance Highlights of Q3 FY2014 over Q3 FY2013



\* Total investments includes assets held to cover discontinued funds



**Bajaj Allianz General Insurance**

## Industry Growth Trend

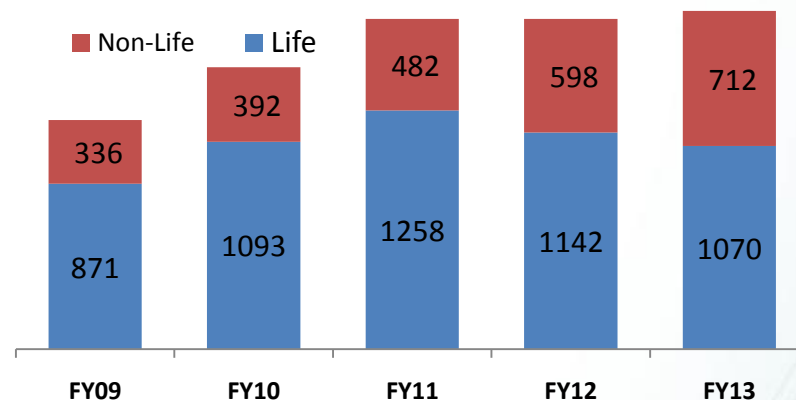
- Industry has grown at a CAGR of 20% from FY09 to FY13 to Rs 629 Bn, with private players growing at 22%\*
- In FY13, industry grew 19%, while private players grew 25%\*

## Regulatory Perspective

- Old Motor Pool disbanded with effect from 01 April 2012. Bajaj Allianz's share of total pre-tax pool losses are to be written off over FY 12,13 and 14.
- On a pre-tax basis, Rs 1,200 Mn remains to be written off in FY14, of which Rs 300 Mn each was written off in Q1, Q2 and Q3 of FY14.
- New Declined Pool of much smaller size has come into effect from FY 13.

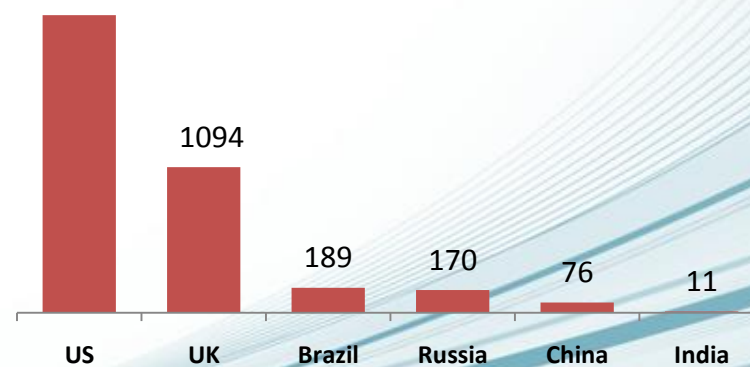
## New Business Trend - Non-life contribution to the insurance industry is rising\*\*

(Including Specialized Players, Rs Bn)



## Non-life insurance Per Capita remains low

(USD, 2012, Source: 'World Insurance in 2012', by Swiss Re )  
2239





## Strategy

The strategy is to build on the strong brand equity, using a differentiated retail focused model based on strong underwriting capability, efficient operating cost model, diversified distribution channels, and excellence in customer service, with a focus on profitability.

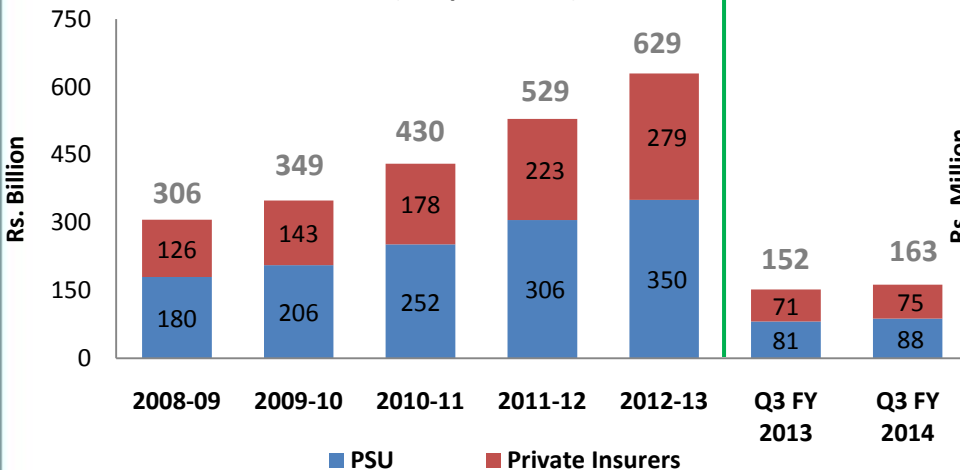
## Key Focus Areas

- **Prudent Underwriting:** BAGIC has industry leading combined ratios\* (99.5% including pool, and 89.4% ex pool in FY13, and Loss Ratio of 62% ex-Pool in FY13)
- **Continue to grow profitable segments:** Grow retail, particularly health.
- **Develop Marine Cargo Business**
- **Strengthen Direct channels**

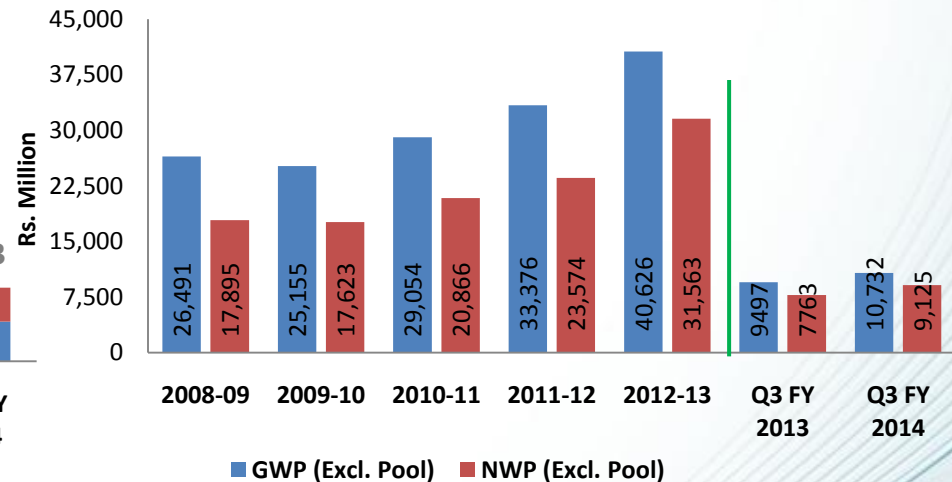
*\* Claim Ratios and Combined Ratios for FY 13 are re-stated in accordance with the Master Circular on 'Preparation of Financial statements of General Insurance Business' issued by IRDA effective from 1<sup>st</sup> April, 2013.*

# BAGIC has retained its second position amongst private sector general insurers

**Industry Premium Trends  
(Ex Specialized)**



**BAGIC Premium Trend**

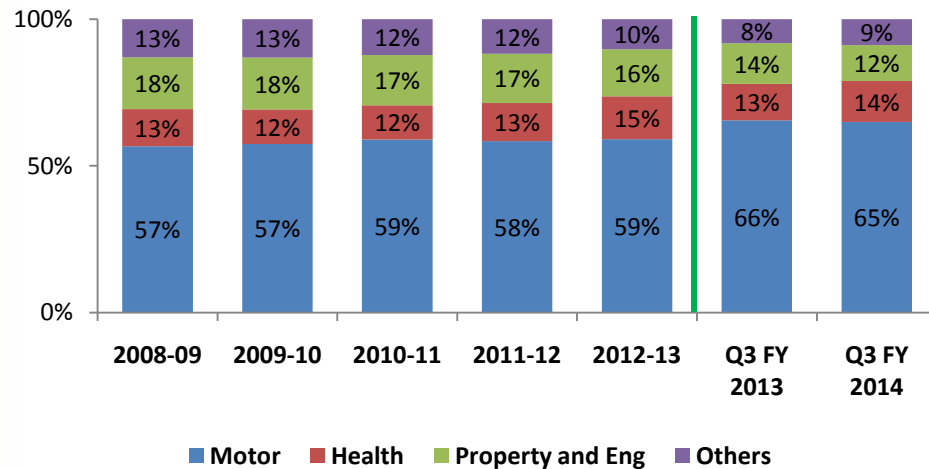


BAGIC grew GWP (ex Pool) in Q3 by 13% to Rs 10,732 Mn compared to the corresponding period last year

# A healthy and profitable business mix - leading to a steady growth in investments – has added stability to revenues

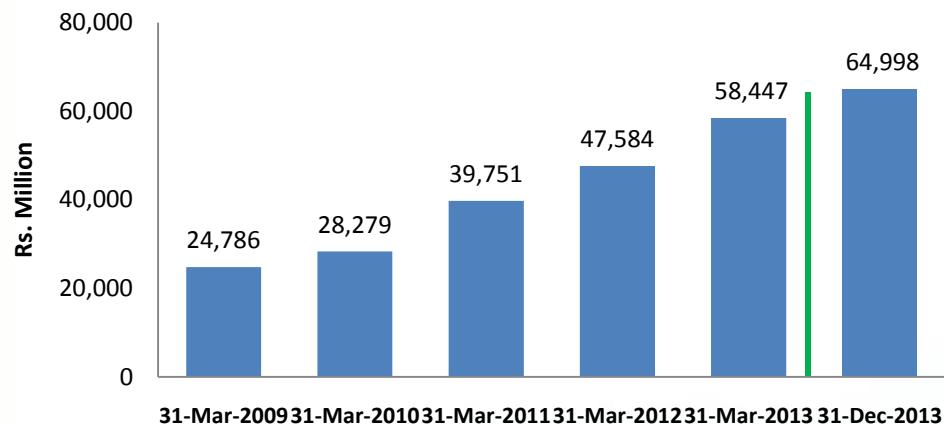
All Figures in Rs Million

**Business Mix**



Business mix is retail focused. Motor continues to lead the business mix followed by health and property

**Investment Growth**



Strong cash generation has helped grow the investment book

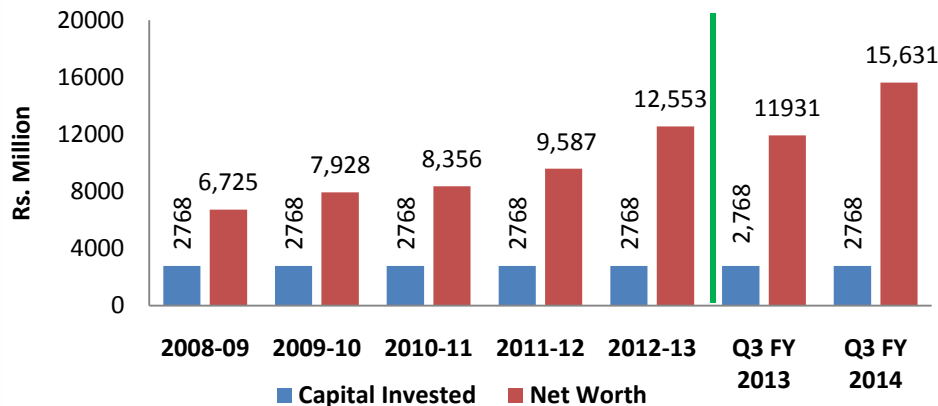
Investments largely in fixed income securities

Investment book is 4.2 times Shareholders' funds at 31 Dec 2013

# BAGIC has a high capital efficiency coupled with a very good combined ratio (excluding motor pool losses)

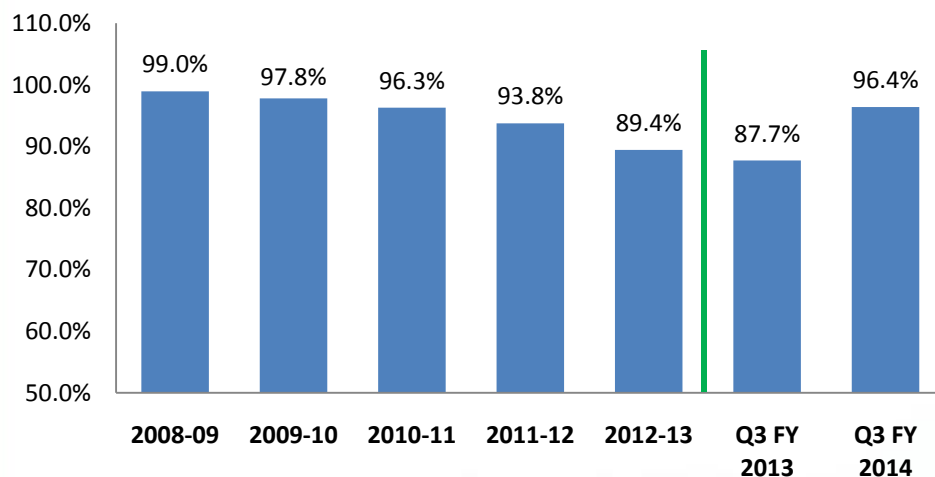
All Figures in Rs Million

**BAGIC - Capital Invested - Networth**



BAGIC's net worth now stands at Rs 15,631 Mn

**Combined Ratios (Excluding Motor Pool)\***



Combined ratio stood at 96.4% ex pool, and 100.9% including pool in Q3FY14\*

In 9MFY14 Combined ratio stood at 94.1% ex pool and 98.1% including pool

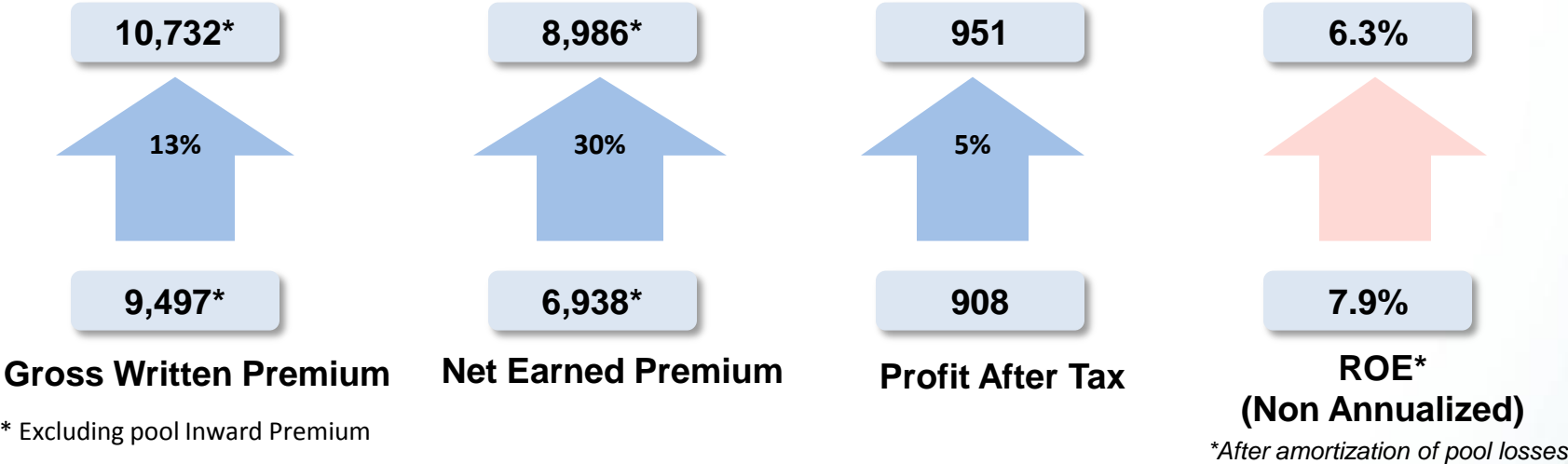
**\* Note on Combined Ratio:** Combined Ratios are re-stated in accordance with the Master Circular on 'Preparation of Financial statements of General Insurance Business' issued by IRDA effective from 1<sup>st</sup> April, 2013. (Net claims incurred divided by Net Earned Premium) + ( Expenses of management including net Commission divided by Net Written Premium). Pool losses include the impact of the erstwhile IMTPIP and Declined Risk Pool.



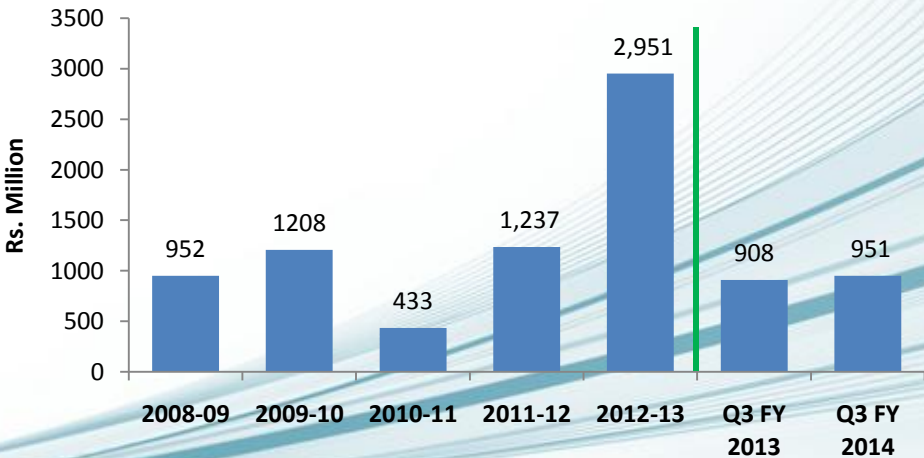
# Bajaj Allianz General remains one of the most profitable non-life insurers

All Figures in Rs Million

## Performance Highlights of Q3 FY2014 over Q3 FY2013



PAT Trend



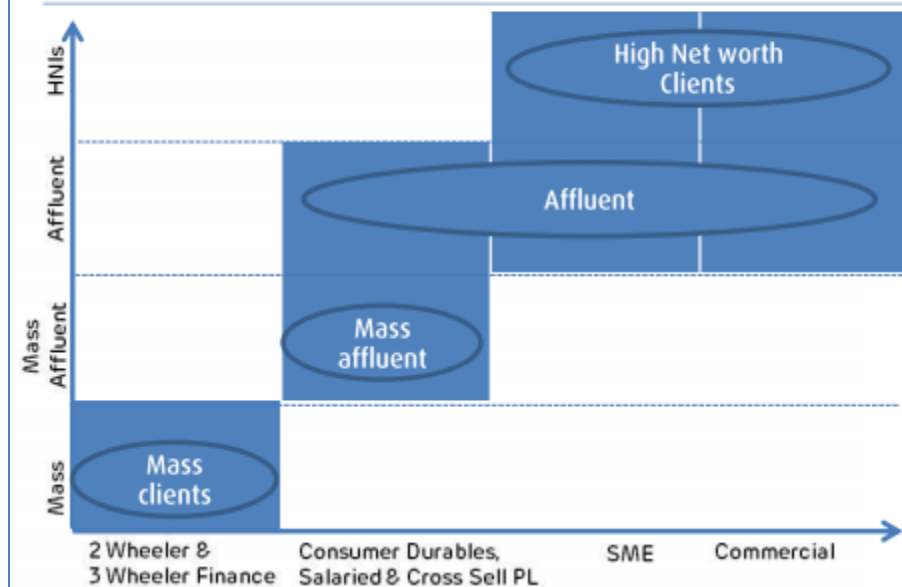
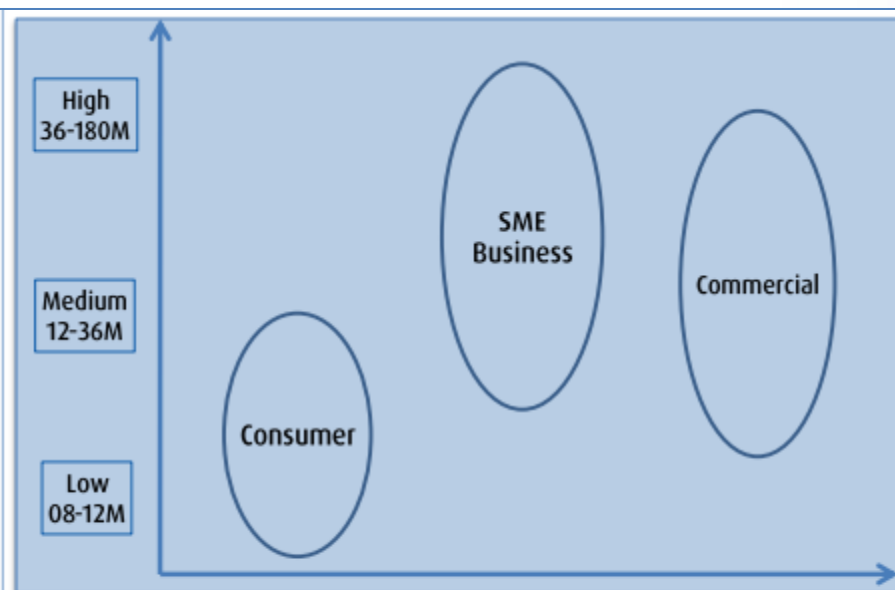
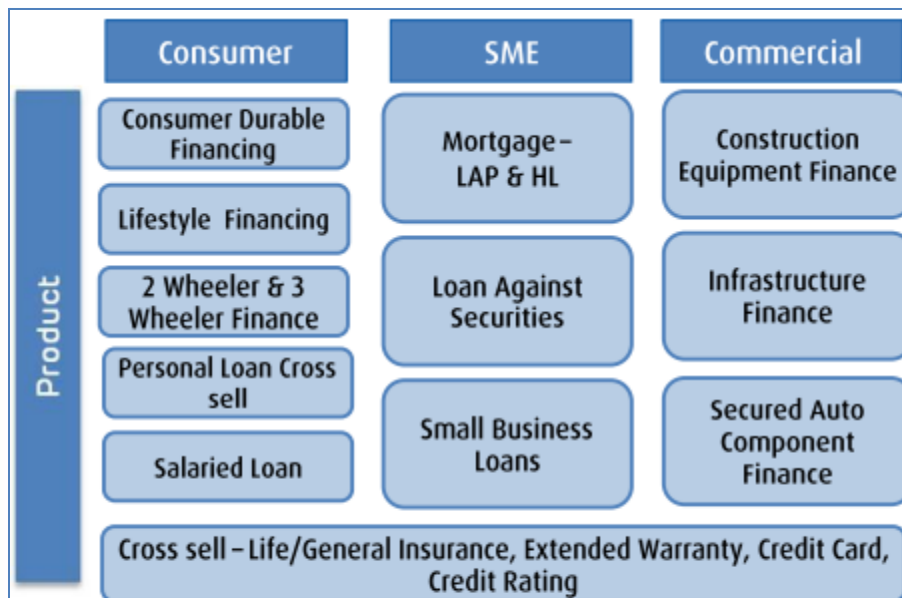
Solvency Ratio was 201% as against regulatory requirement of 150% as of 31<sup>st</sup> Dec 2013\*

\*Provisional Solvency Ratio is subject to review of statutory auditors.



**Bajaj Finance**

# Bajaj Finance is a diversified NBFC present in consumer finance, SME and commercial lending



Portfolio composition Q3- FY14

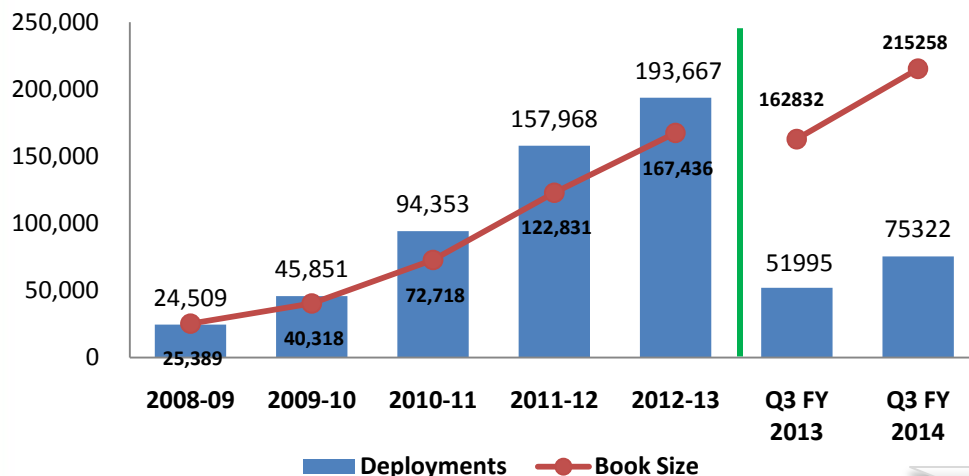


Segment	Jun'12	Sep'12	Dec'12	Mar'13	Jun'13	Sep'13	Dec'13
Consumer Finance	39%	39%	41%	40%	42%	41%	40%
SME Business	45%	45%	46%	48%	49%	50%	52%
Commercial	16%	16%	13%	12%	9%	9%	8%

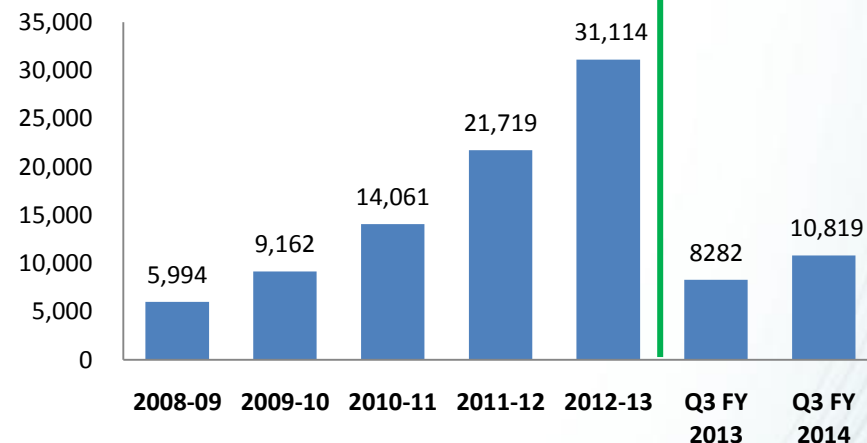
# Bajaj Finance has clocked strong growth in disbursements while maintaining healthy NIMs

All Figures in Rs Million

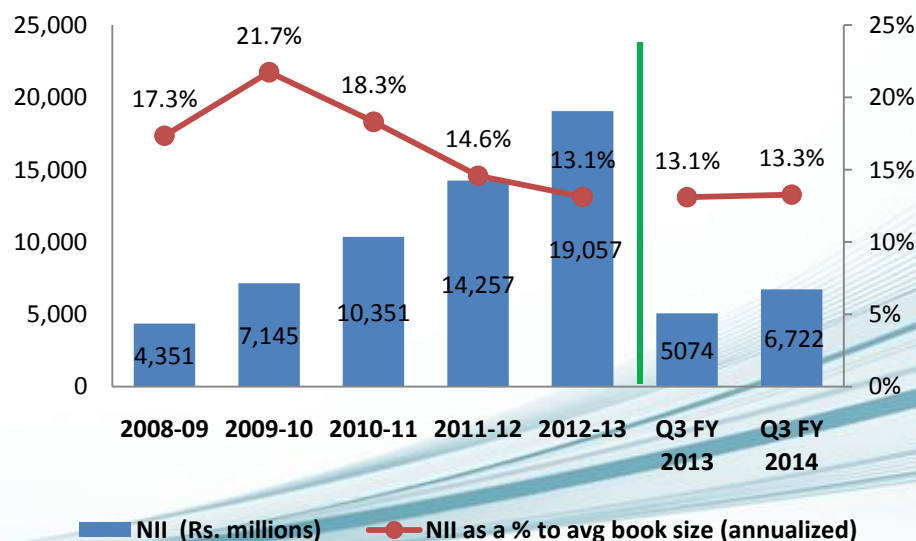
## Deployments and Book Size



## Revenues



## NII and NII as % to average book size

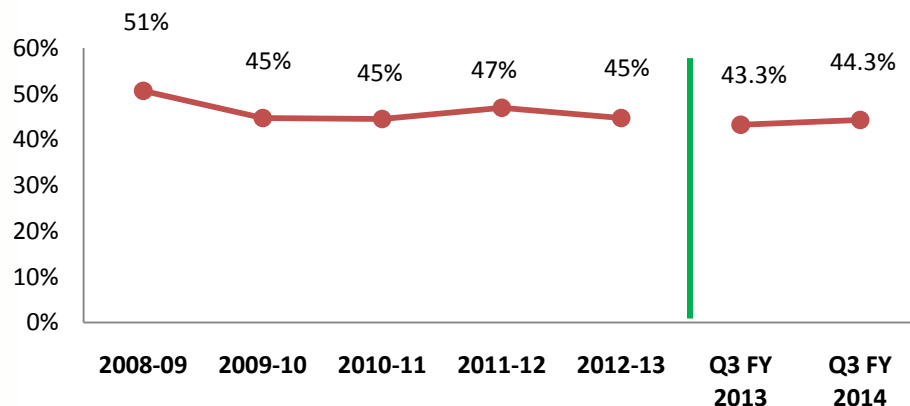




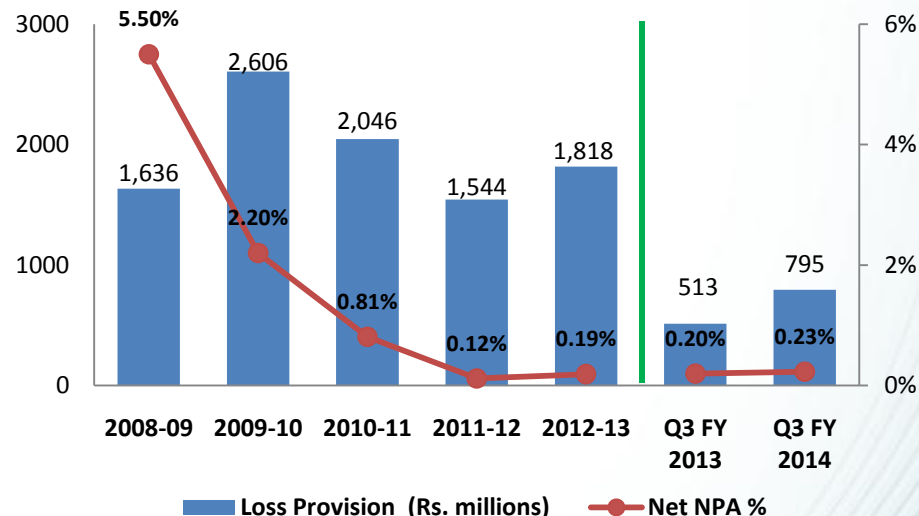
# Quality of assets has improved and operating costs remain under control

All Figures in Rs Million

### Operating expenses as a % of NII

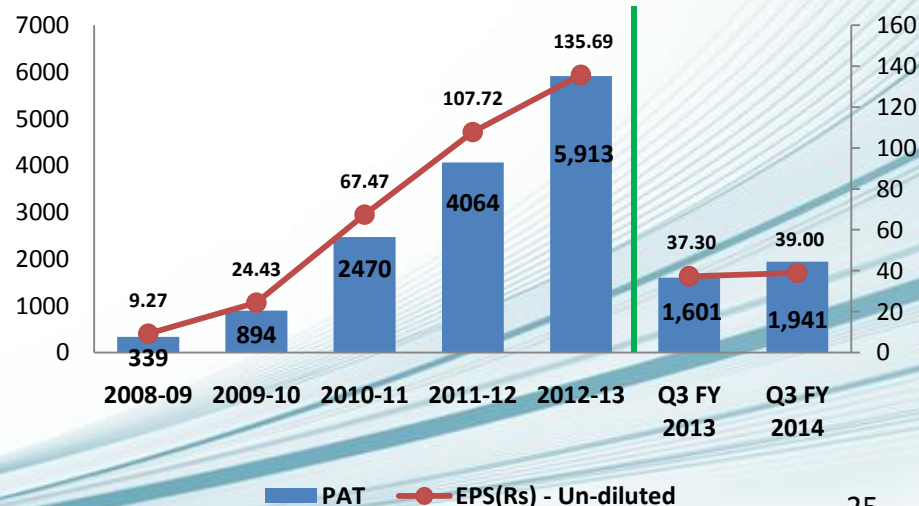


### Loss Provision and Net NPA%

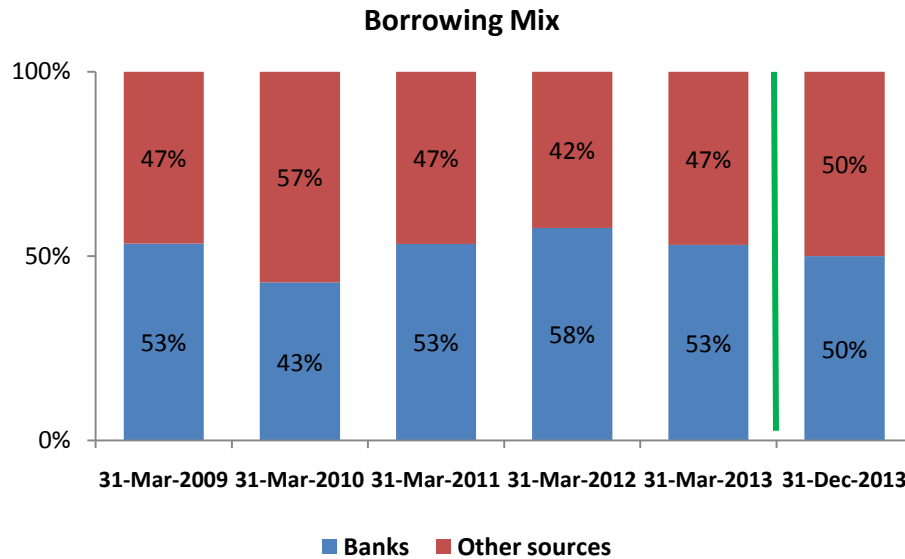


Stable operating expenses coupled with low NPAs are contributing to PAT and EPS

### PAT and EPS



# The company is not excessively dependent on bank lines



- Capital Adequacy Ratio (including Tier-II capital) stood at 19.5%. The company continues to be well capitalized to support its growth trajectory.

## Other Updates

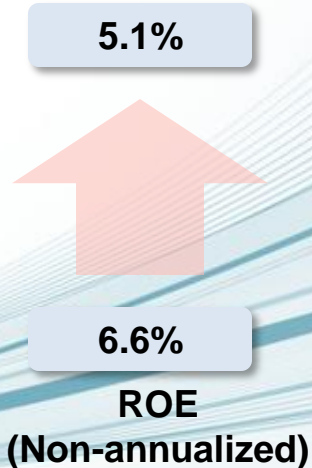
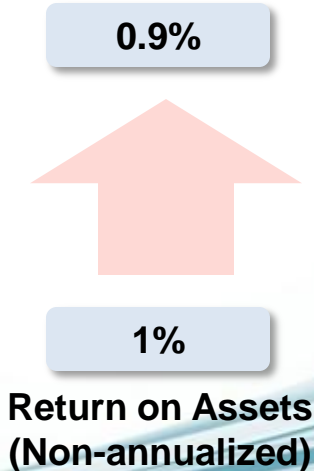
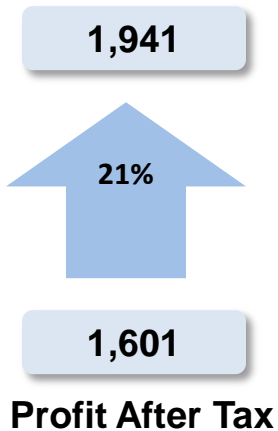
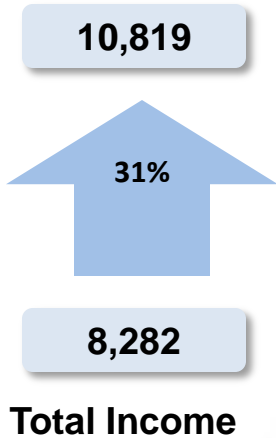
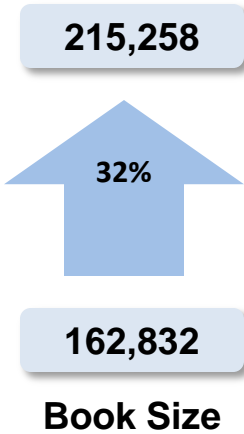
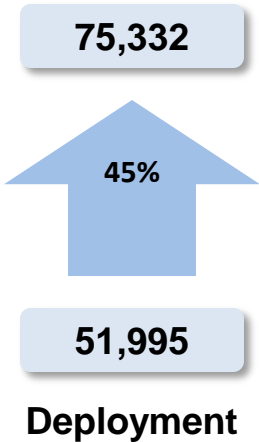
- Bajaj Finserv Limited, the holding company of Bajaj Finance Limited has submitted its application to RBI in June 2013 for a license to commence banking business. It is proposed to do this by converting Bajaj Finance Limited into a bank.

# Bajaj Finance is now one of the leading NBFCs in the country by size and profits



All Figures in Rs Million

## Performance Highlights of Q3 FY2014 over Q3 FY2013



**Thank You**

# Disclaimer

- This presentation is for information purposes only and does not constitute or form part of any offer or invitation or inducement to sell or issue, or any solicitation of any offer to purchase or subscribe for any securities. The information contained in this Presentation does not constitute an offer for sale of any securities in the United States. Nothing contained in this Presentation should be regarded or construed as a "general solicitation or general advertising" as defined under Regulation D of the Securities Act, or "directed selling efforts" under Regulation S of the Securities Act 1934. Certain portions of this Presentation contain statements that constitute forward-looking statements. These statements include descriptions regarding the intent, belief or current expectations of the Company or its directors and officers with respect to the results of operations and financial condition of the Company and/or its subsidiaries. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ from those in such forward-looking statements as a result of various factors and assumptions which the Company believes to be reasonable in light of its operating experience in recent years. The Company does not undertake to revise any forward-looking statement that may be made from time to time by or on behalf of the Company. This material was used by Bajaj Finserv Limited during an oral presentation and is not a complete record of the discussion.
- No part of this presentation and its contents are to be circulated, distributed, published or reproduced, in whole or part, or disclosed by recipients directly or indirectly to any other person without the prior written approval from Bajaj Finserv Ltd., Mumbai-Pune Road, Pune 411035, India.