

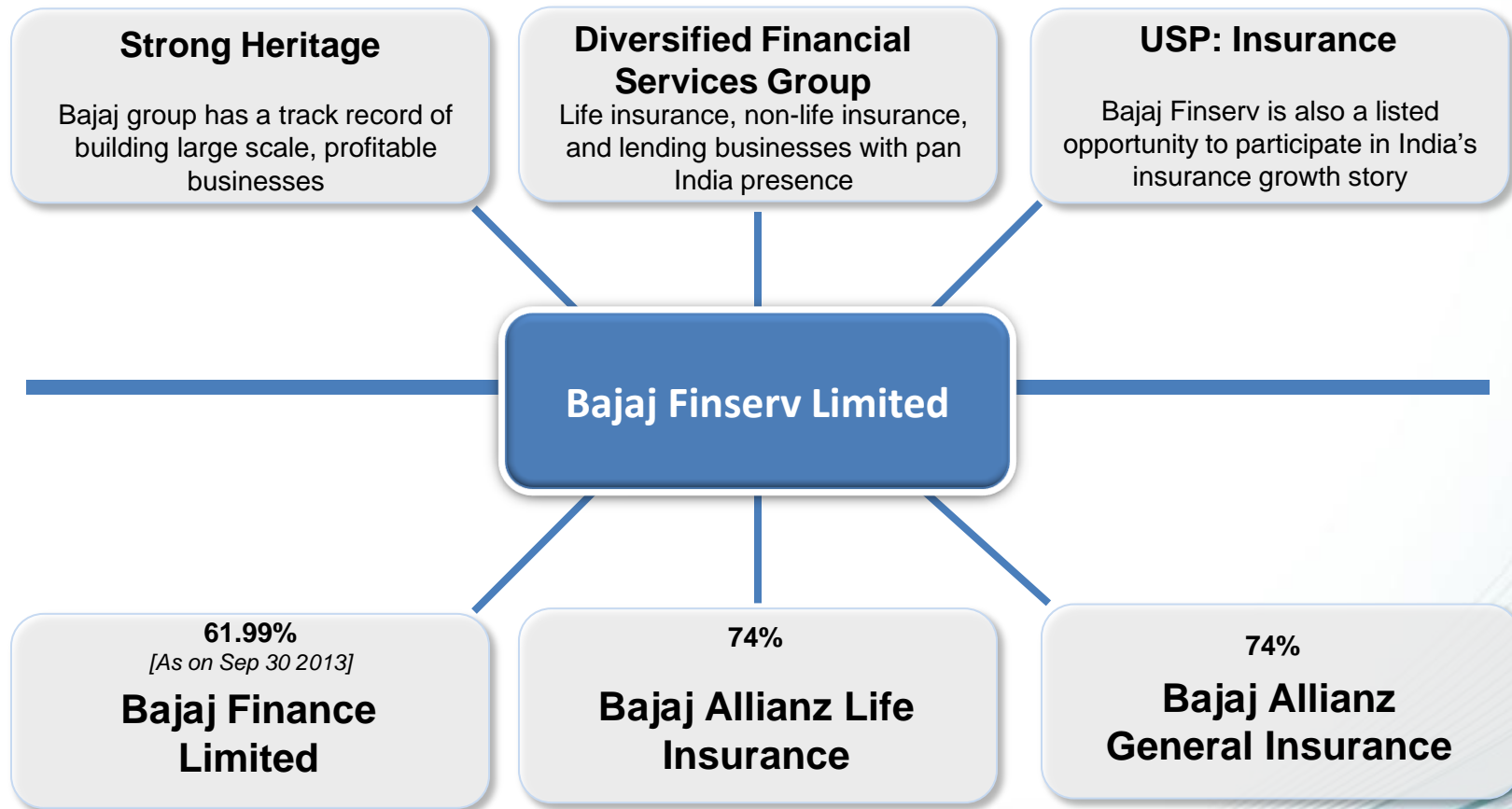


# Bajaj Finserv Limited

**Investor Presentation Q2FY14**

October 2013





- Bajaj Financial Solutions (100% owned by Bajaj Finserv) cross-sells financial advisory and wealth management services to existing customers
- In principle license received from SEBI in Jan 2011 for setting up AMC as a JV with Allianz Global Investors AG
- Bajaj Finserv 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 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, & motorcycle financing.

## Bajaj Allianz General Insurance

- A leading brand, and 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

## Bajaj Allianz Life Insurance

- One of the most profitable life insurers in India.
- A top 5 player. Reported PAT of Rs 12.9 Bn
- Live policy base of over 7 Mn, and AUM of Rs 380 Bn in FY13.

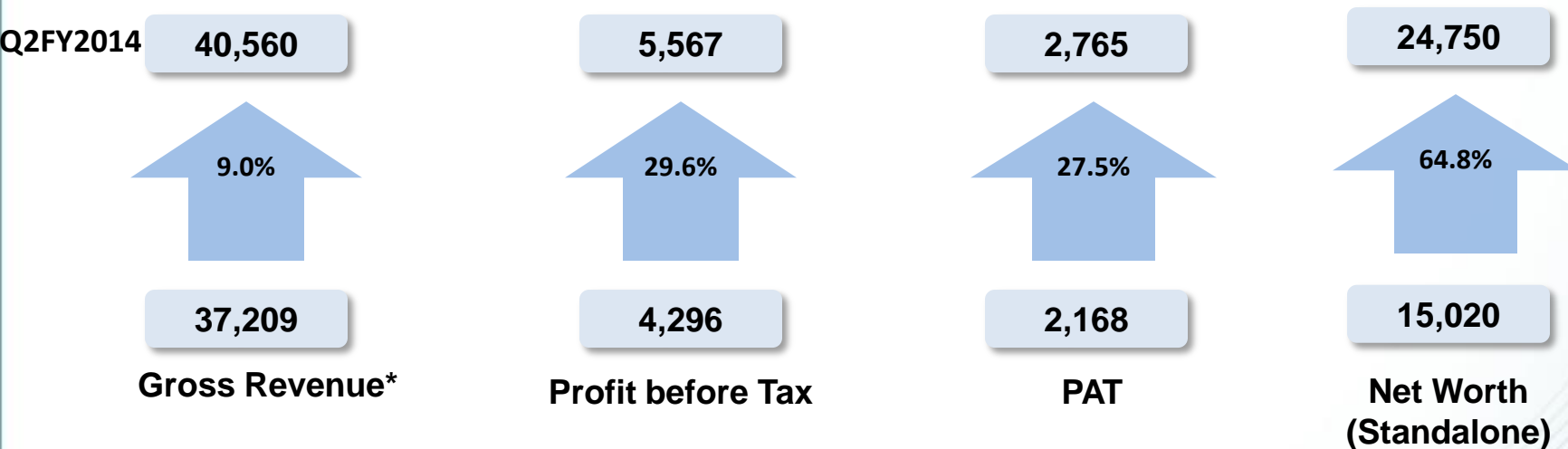


# Bajaj Finserv performance highlights for Q2FY 2014 over Q2FY 2013



All Figures in Rs Million

## Performance Highlights of Q2FY 2014 over Q2 FY2013

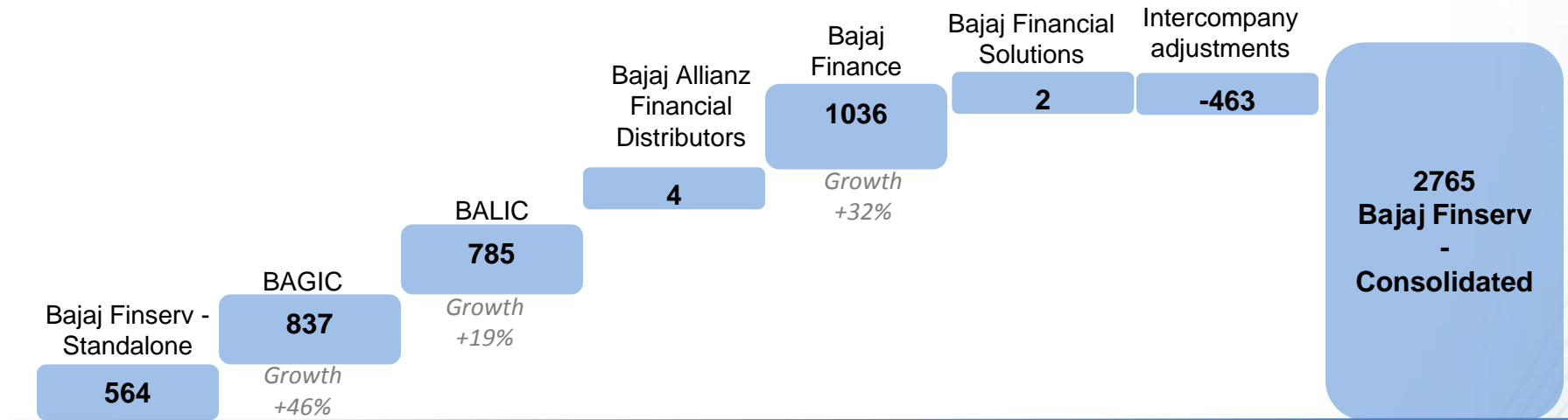


- Bajaj Finserv remains a debt free company
- Bajaj Finserv's surplus funds stood at Rs. 6865 million as on Sep 30, 2013

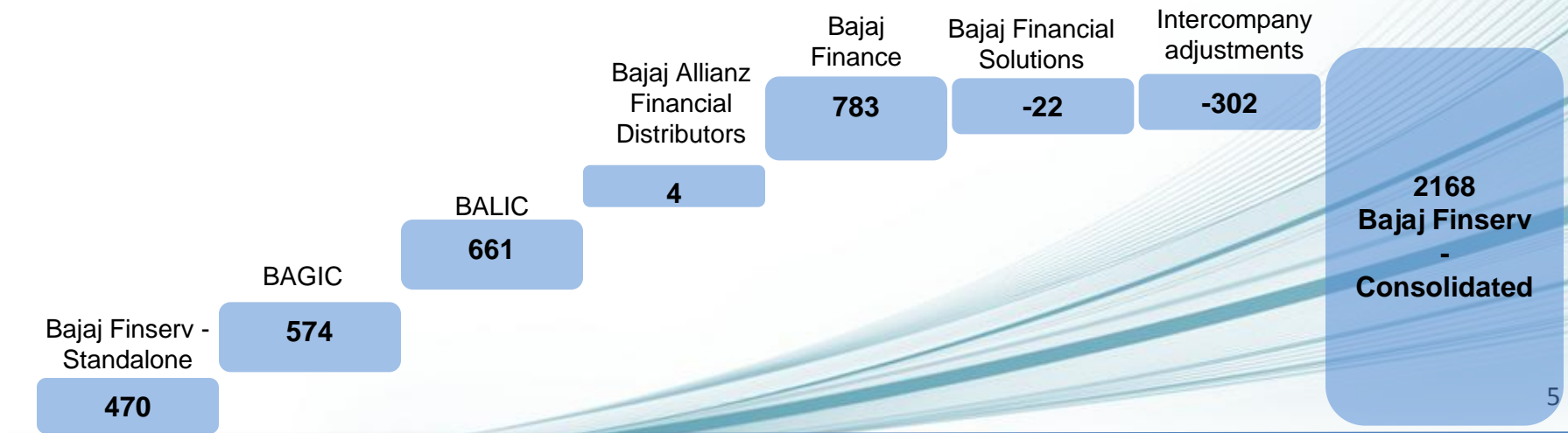
Bajaj Finance has become an important contributor to group profits. Life & General insurance profits remain significant.

All Figures in Rs Million

## Consolidated profit components for Q2 FY2014



## Consolidated profit components for Q2 FY2013

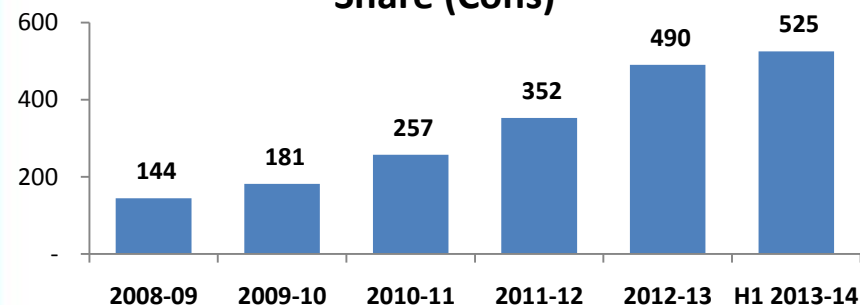


# H1 Highlights

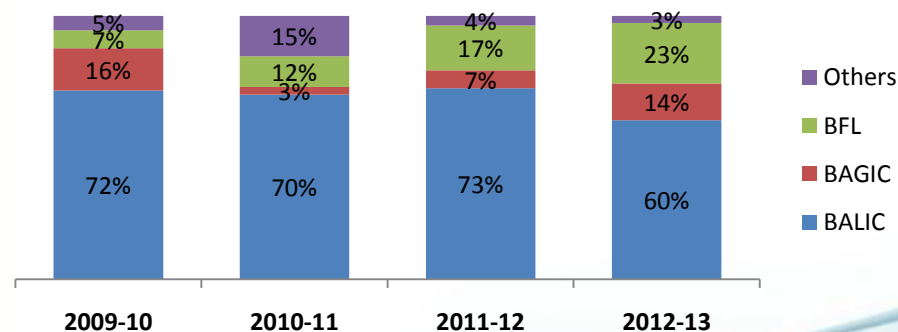
All Figures in Rs Million

BAJAJ FINSERV	H1FY14	H1FY13	Growth
Gross Revenue	75,213	69,728	8%
Net worth (Cons)	83,506	55,072	52%
PAT	5,553	4,120	35%

## Bajaj Finserv Limited - Book Value Per Share (Cons)



## Consolidated Profit Components\*



## Group Company Highlights

BALIC	H1FY14	H1FY13	Growth
GWP	23,177	28,035	-17%
Total Investments	369,610	406,293	-9%
PAT	2,218	1,634	36%

BAGIC	H1FY14	H1FY13	Growth
GWP (ex Pool)	22,413	19,160	17%
Investments	63,392	53,376	19%
PAT	2,127	1,421	50%

BAJAJ FINANCE	H1FY14	H1FY13	Growth
Deployment	114,492	90,618	26%
Book Size	189,821	147,152	29%
Networth	37,098	23,047	61%
PAT	3,428	2,674	28%



**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



## 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**

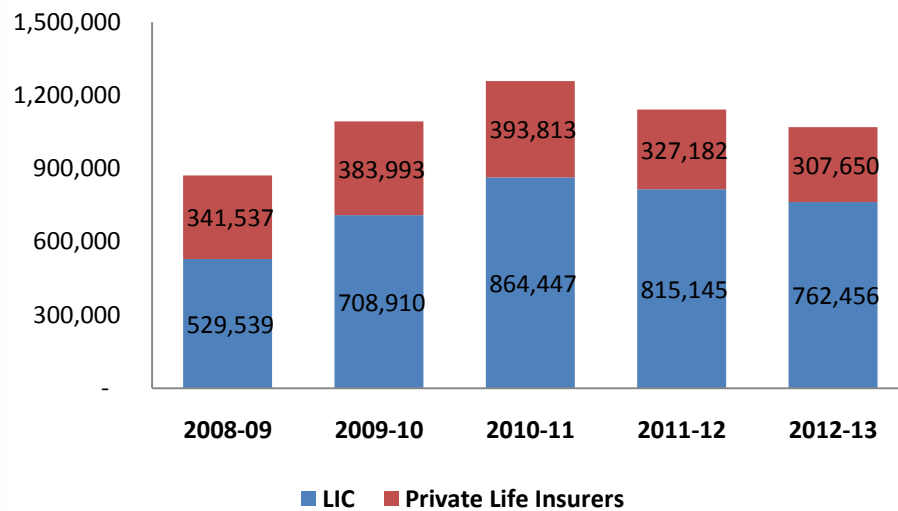
**Manage operating costs** – acquisition and management

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

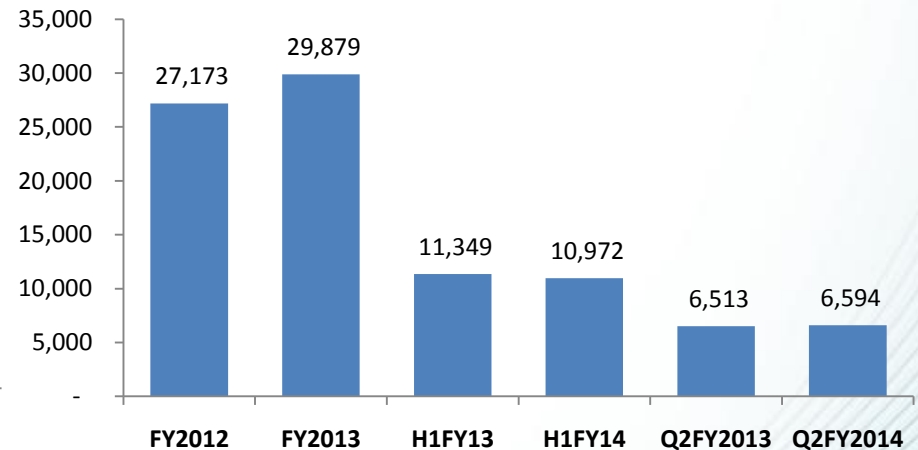
# During 2012-13 , the life insurance industry de-grew, while BALIC grew moderately

All Figures in Rs Million

## Industry New Business Premium



## New Business - BALIC

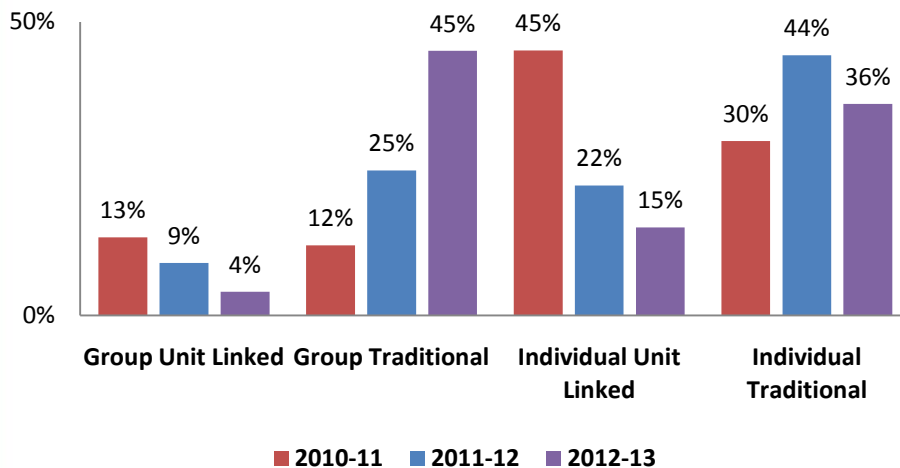


- BALIC has grown new business by 10% in FY13 to Rs 29,879 Mn, while private players and overall industry de-grew 6% each compared to FY12
- BALIC's agency market share of private players was at 14% in FY13 compared to 12% in FY12\*
- Q2FY14 new business at Rs 6594 Mn is up 1% compared to the same period last year

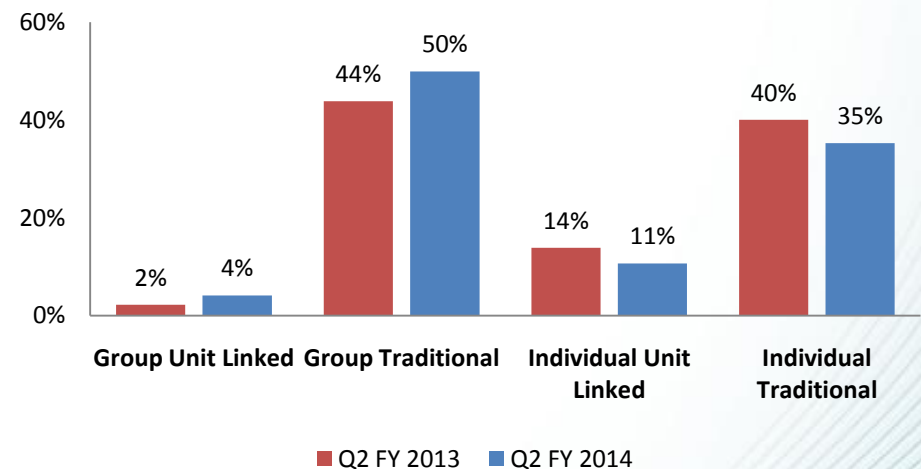
# Currently, the product mix is predominantly traditional

All Figures in Rs Million

New Business Premium - Product Mix



New Business Premium - Product Mix

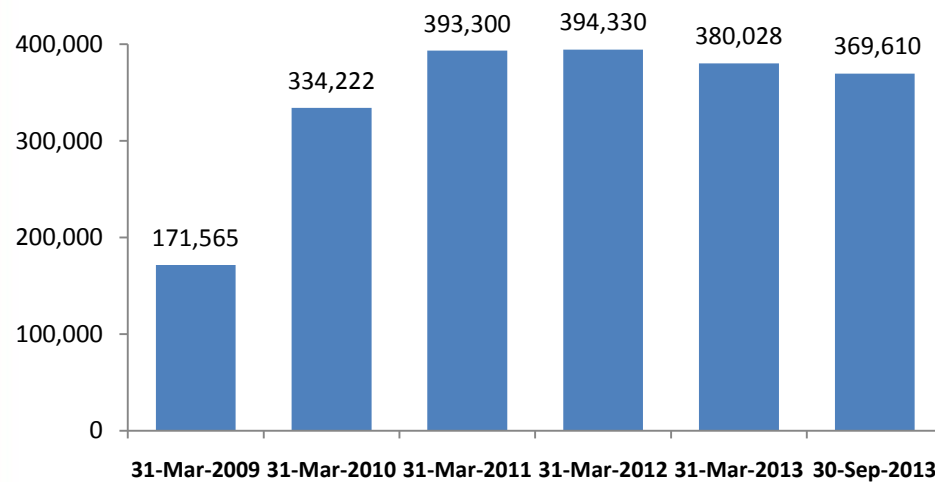


- Unit linked business was at 15% in Q2FY14 versus 16% in Q2FY13. H1FY14 unit linked share was 16% compared to 14% in H1FY13
- In Q2FY14, non fund based group business represented 72% of total group new business (68% in H1FY14)

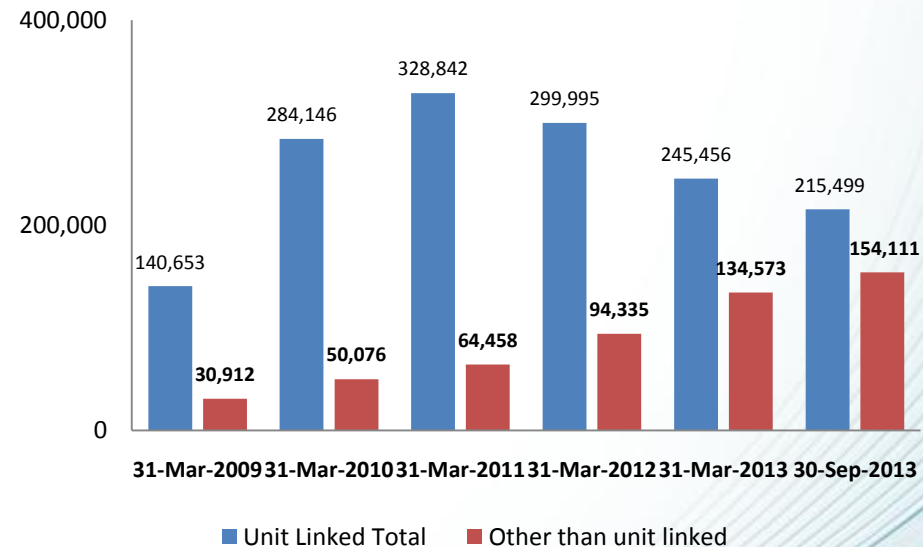
# Assets under management are significant

All Figures in Rs Million

### Investments Growth



### Assets Under Management



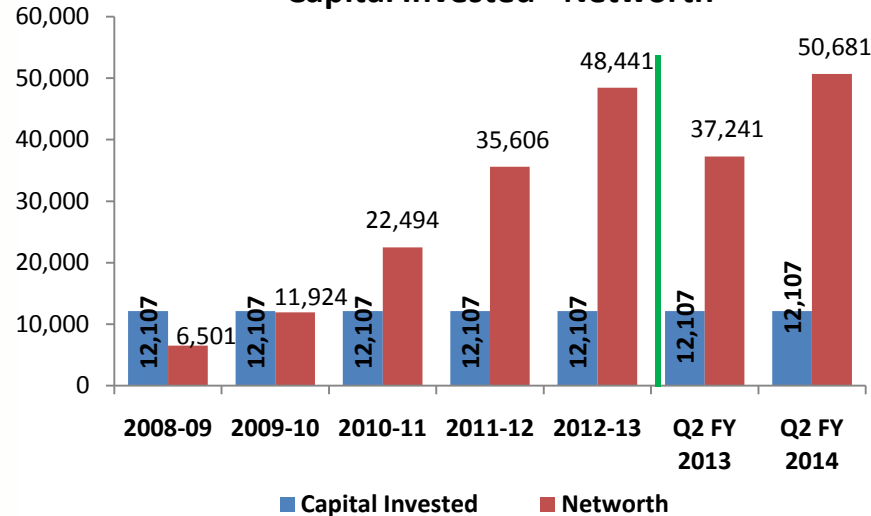
- Assets under management remain resilient
- Assets are primarily from unit linked funds. Of the linked funds, Rs 149,349 Mn were in equity funds



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

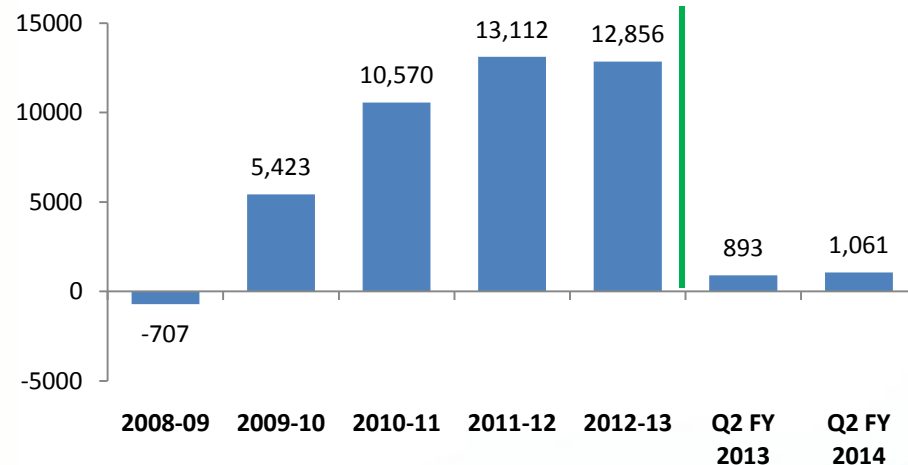
All Figures in Rs Million

### Capital Invested - Networth



Net Worth currently stands at Rs. 50,681 Mn

### Shareholders' profits



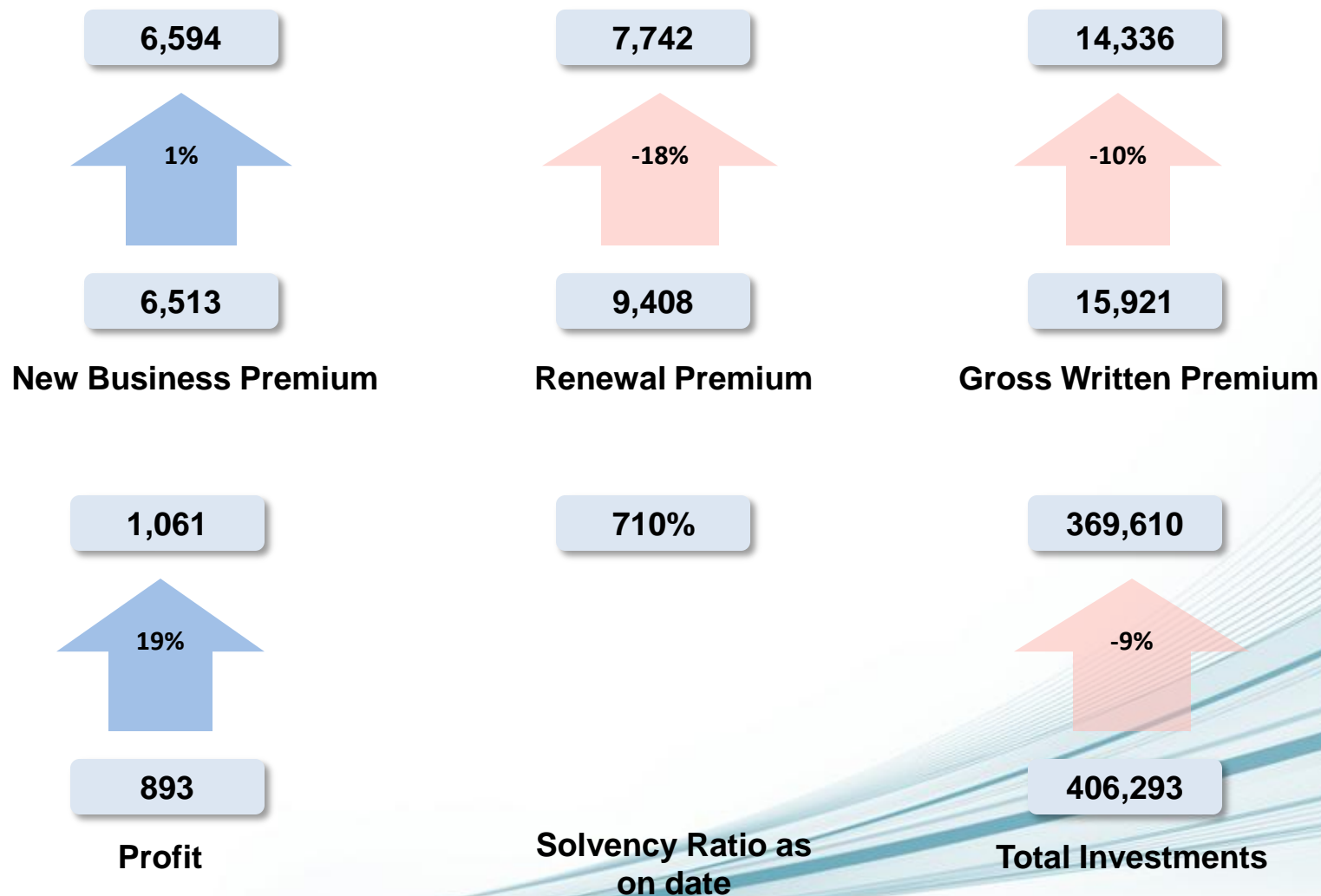
Shareholders' profit grew 19% to Rs 1,061 Mn in Q2FY14 versus Q2FY13

Policyholders surplus as of H1FY14 stood at Rs 3,256 Mn, compared to Rs 4,326Mn in H1FY13

*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 Q2 FY2014 over Q2 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 were to be written off over FY 12,13 and 14.
- New Declined Pool of much smaller size has come into effect from FY 13.
- On a pre-tax basis, Rs 1,200 Mn remains to be written off in FY14, of which Rs 300 Mn was written off in Q1FY14 and Rs 300 Mn in Q2FY14.



## Strategy

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

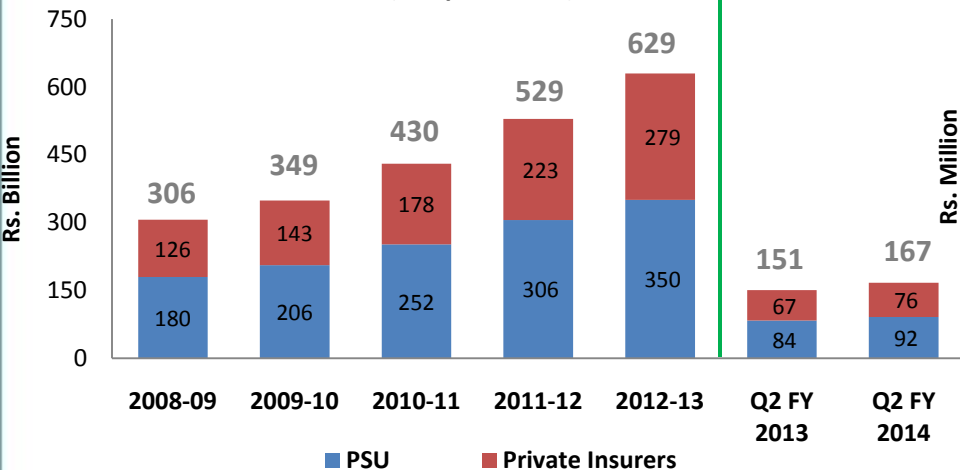
## Key Focus Areas

- **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**

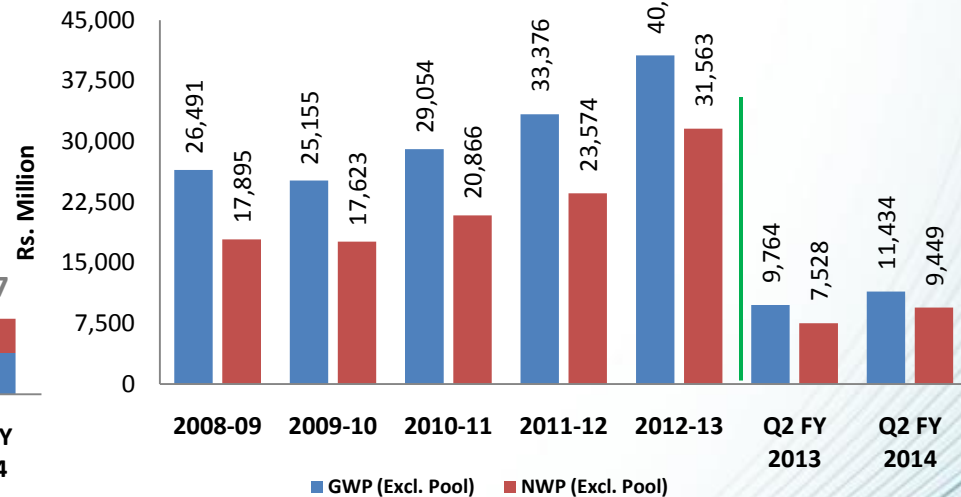
*\* Claim Ratios and Combined Ratios for FY 13 are re-stated in accordance with the Master Circular on 'Preparation of Financial statements of General Insurance Business' issued by IRDA effective from 1<sup>st</sup> April, 2013.*

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

**Industry Premium Trends  
(Ex Specialized)**



**BAGIC Premium Trend**

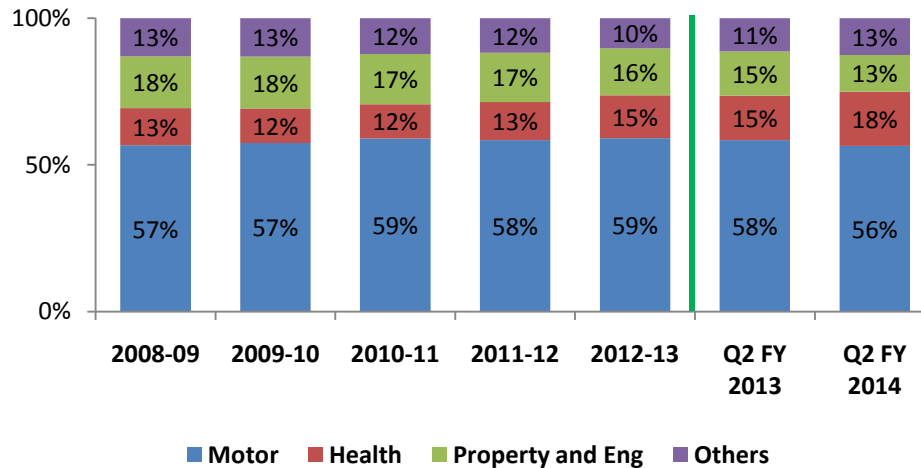


BAGIC grew GWP (ex Pool) in Q2 by 17% to Rs 11,434 Mn compared to the corresponding period last year

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

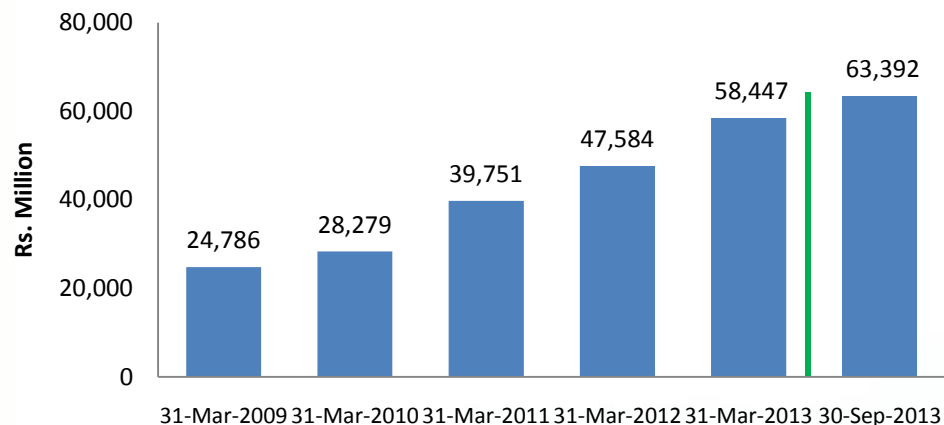
All Figures in Rs Million

**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

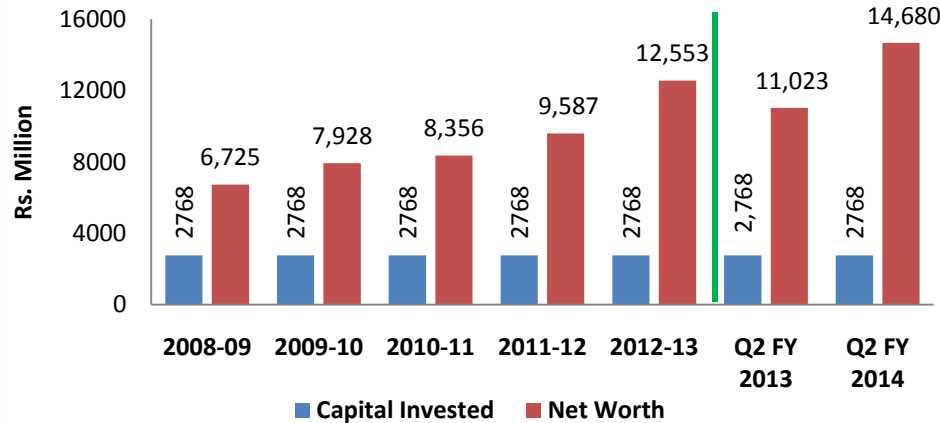
Investments largely in fixed income securities

Investment book is 4.3 times Shareholders' funds at 30th Sep 2013

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

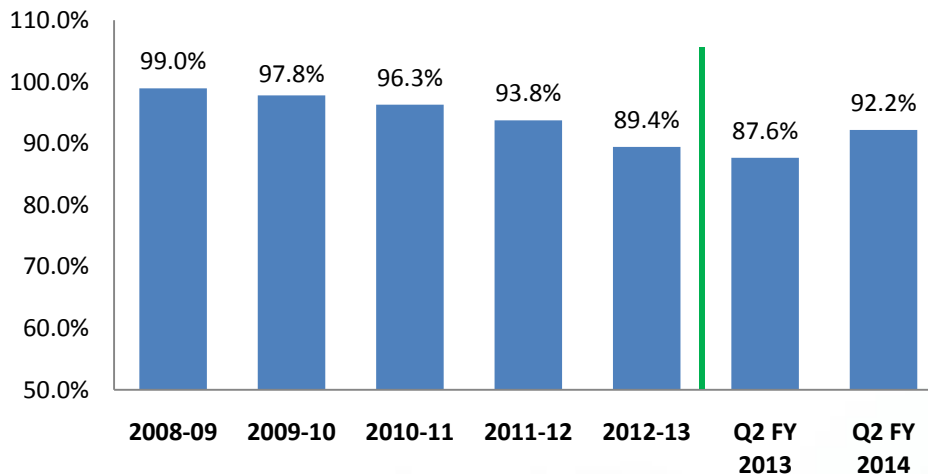
All Figures in Rs Million

**BAGIC - Capital Invested - Networth**



BAGIC's net worth now stands at Rs 14,680 Mn

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



Combined ratio stood at 92.2% ex pool, and 95.8% including pool in Q2FY14\*

In H1FY14 Combined ratio stood at 92.9% ex pool and 96.6% including pool

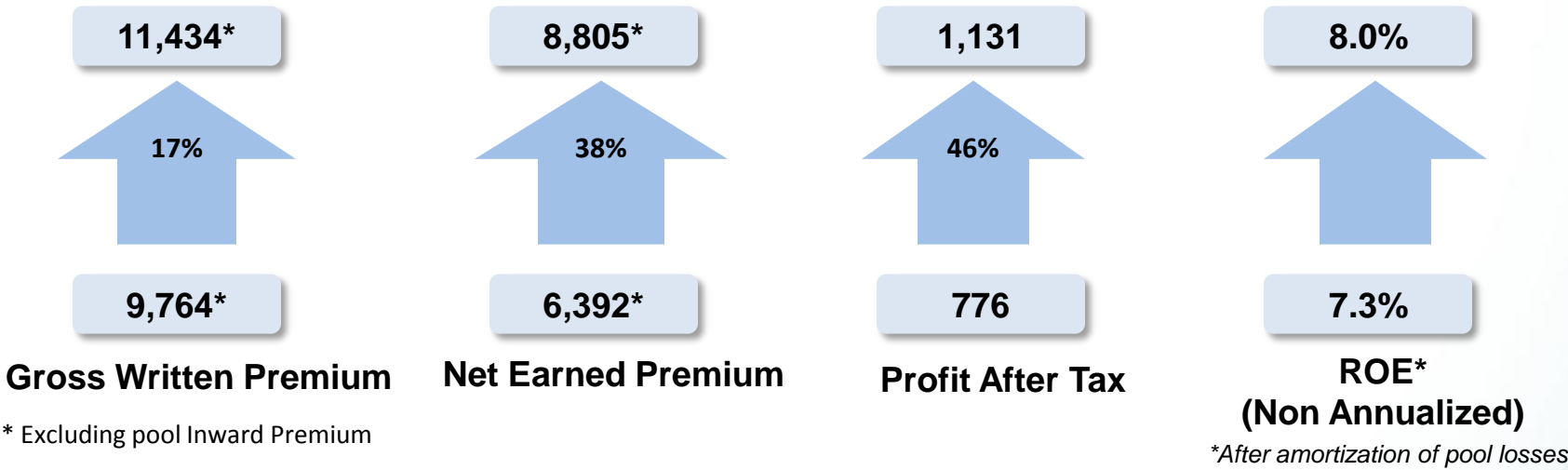
**\* Note on Combined Ratio:** Combined Ratios are re-stated in accordance with the Master Circular on 'Preparation of Financial statements of General Insurance Business' issued by IRDA effective from 1<sup>st</sup> April, 2013. (Net claims incurred divided by Net Earned Premium) + ( Expenses of management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



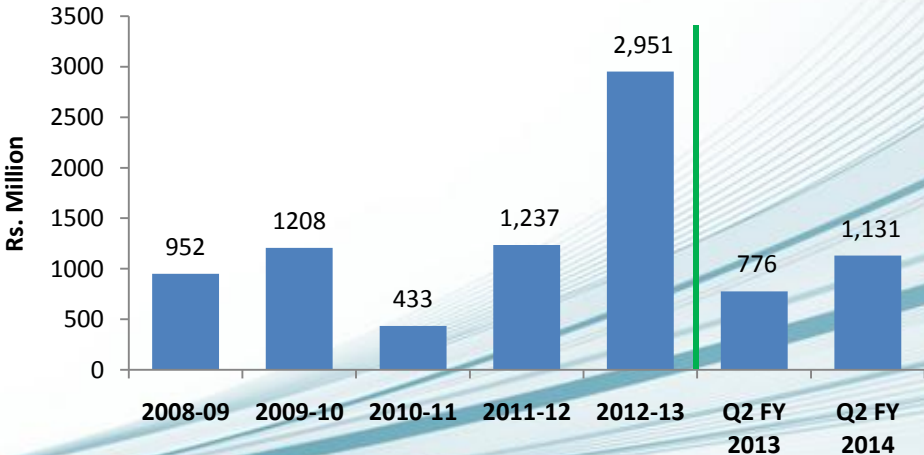
# Bajaj Allianz General remains one of the most profitable non-life insurers

All Figures in Rs Million

## Performance Highlights of Q2 FY2014 over Q2 FY2013



PAT Trend



Solvency Ratio was 194% as against regulatory requirement of 150% as of 30th Sep 2013\*

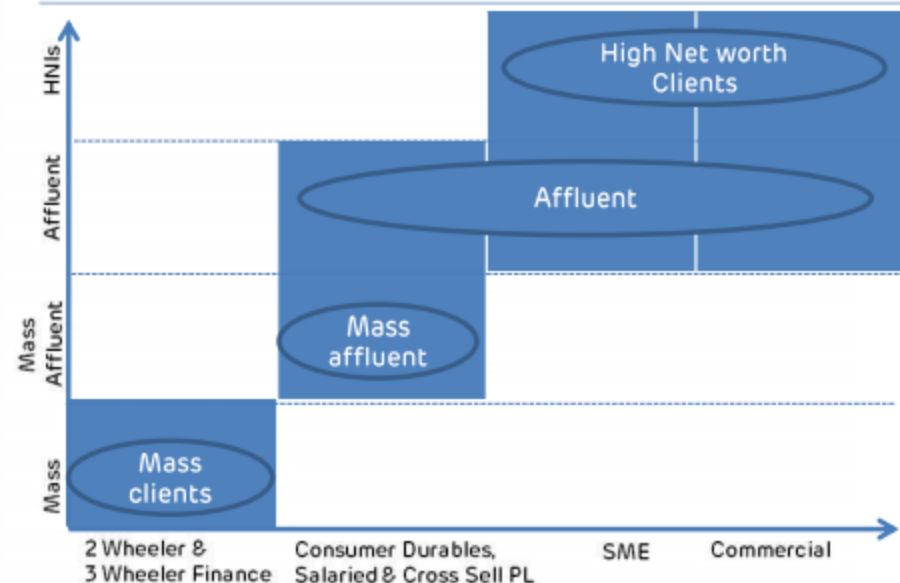
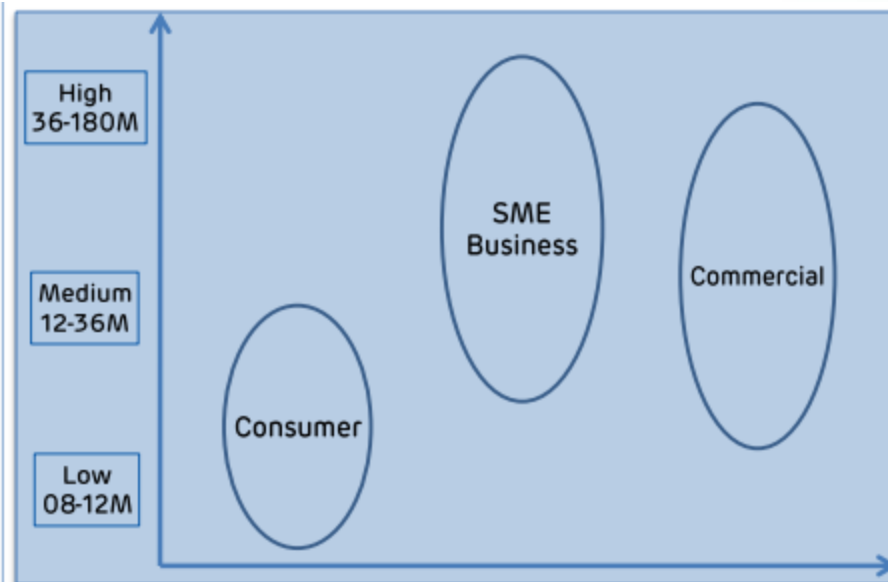
\*Provisional Solvency Ratio is subject to review of statutory auditors.



# Bajaj Finance

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

	Consumer	SME	Commercial
Product	Consumer Durable Financing	Mortgage – LAP & HL	Construction Equipment Finance
	Lifestyle Financing		
	2 Wheeler & 3 Wheeler Finance	Loan Against Securities	Infrastructure Finance
	Personal Loan Cross sell		
	Salaried Loan	Small Business Loans	Secured Auto Component Finance
	Cross sell – Life/General Insurance, Extended Warranty, Credit Card, Credit Rating		



Portfolio composition Q2- FY14

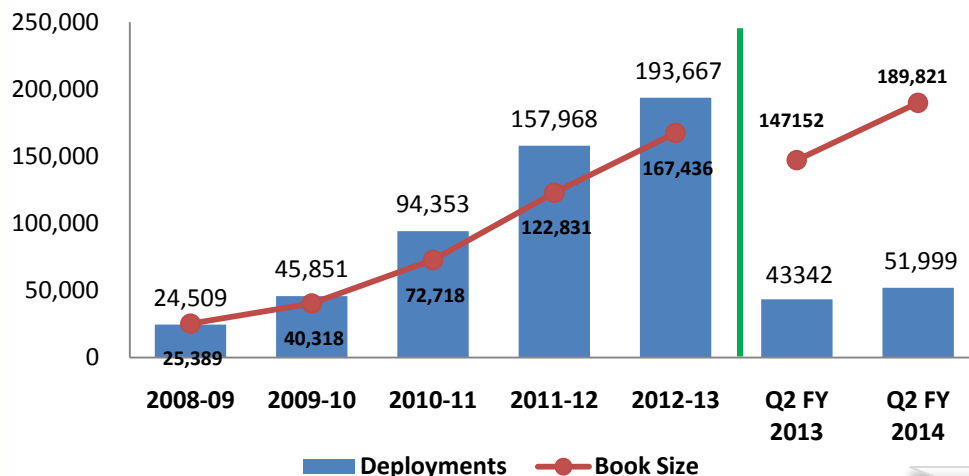


Segment	Mar'12	Jun'12	Sep'12	Dec'12	Mar'13	Jun'13	Sep'13
Consumer Finance	38%	39%	39%	41%	40%	42%	41%
SME Business	43%	45%	45%	46%	48%	49%	50%
Commercial	19%	16%	16%	13%	12%	9%	9%

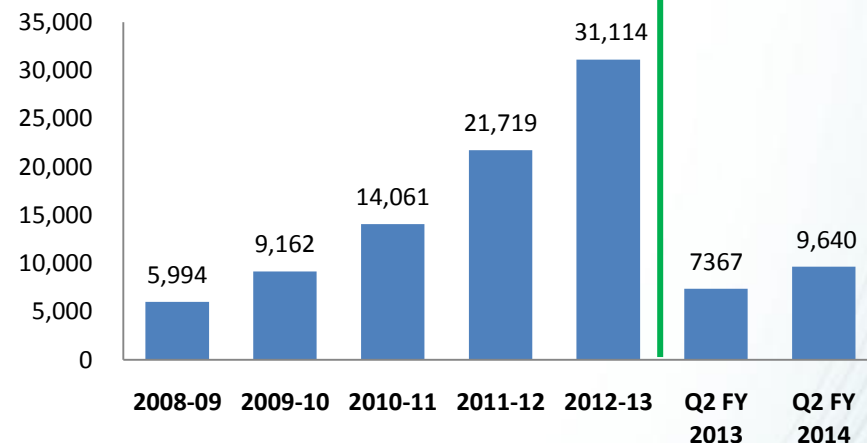
# Bajaj Finance has clocked strong growth in disbursements while maintaining healthy NIMs

All Figures in Rs Million

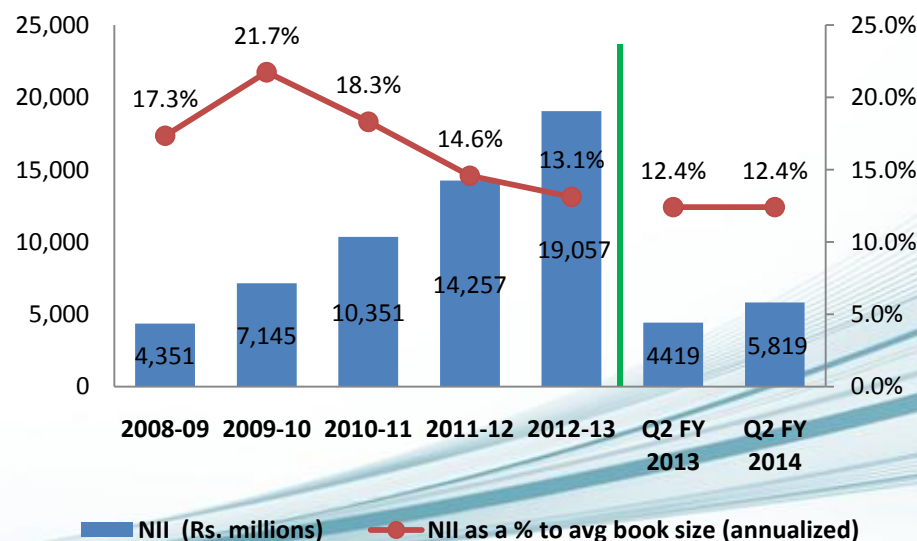
## Deployments and Book Size



## Revenues



## NII and NII as % to average book size

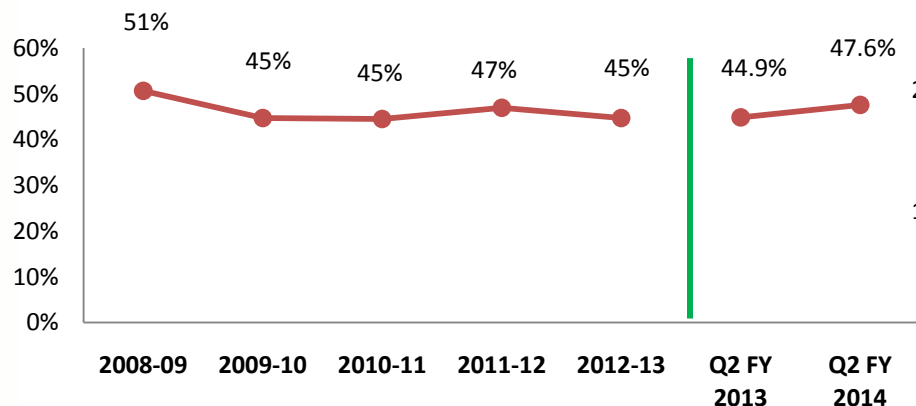




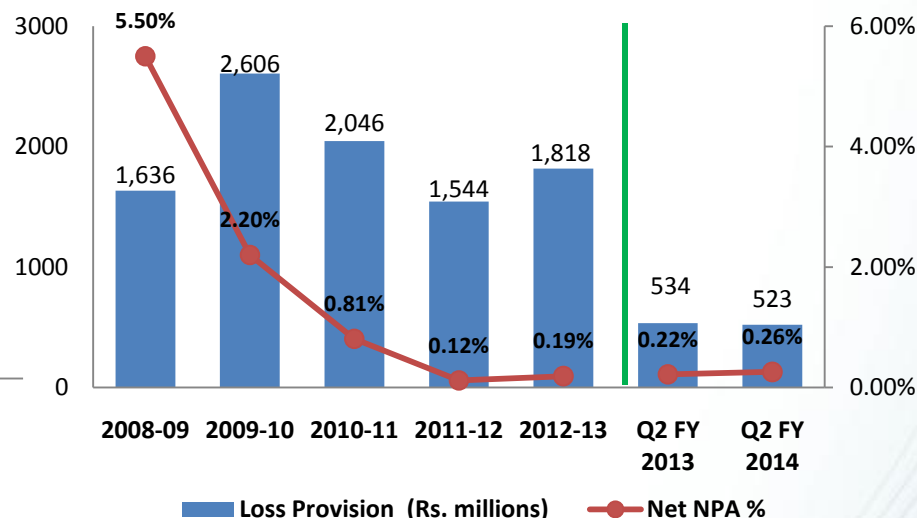
# Quality of assets has improved and operating costs remain under control

All Figures in Rs Million

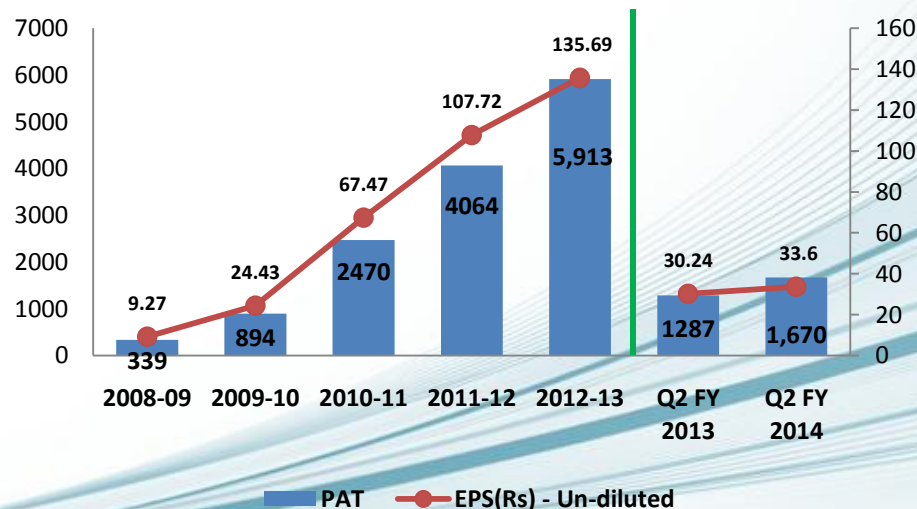
### Operating expenses as a % of NII



### Loss Provision and Net NPA%



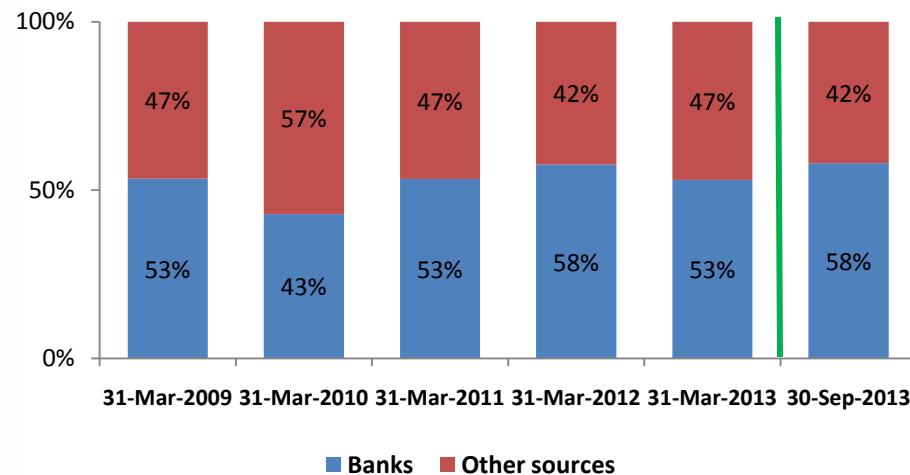
### PAT and EPS



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

The company is not excessively dependent on bank lines. Capital adequacy is well above regulatory norms.

**Borrowing Mix**



- Capital Adequacy Ratio stood at 20.9% as of 30 Sep 2013

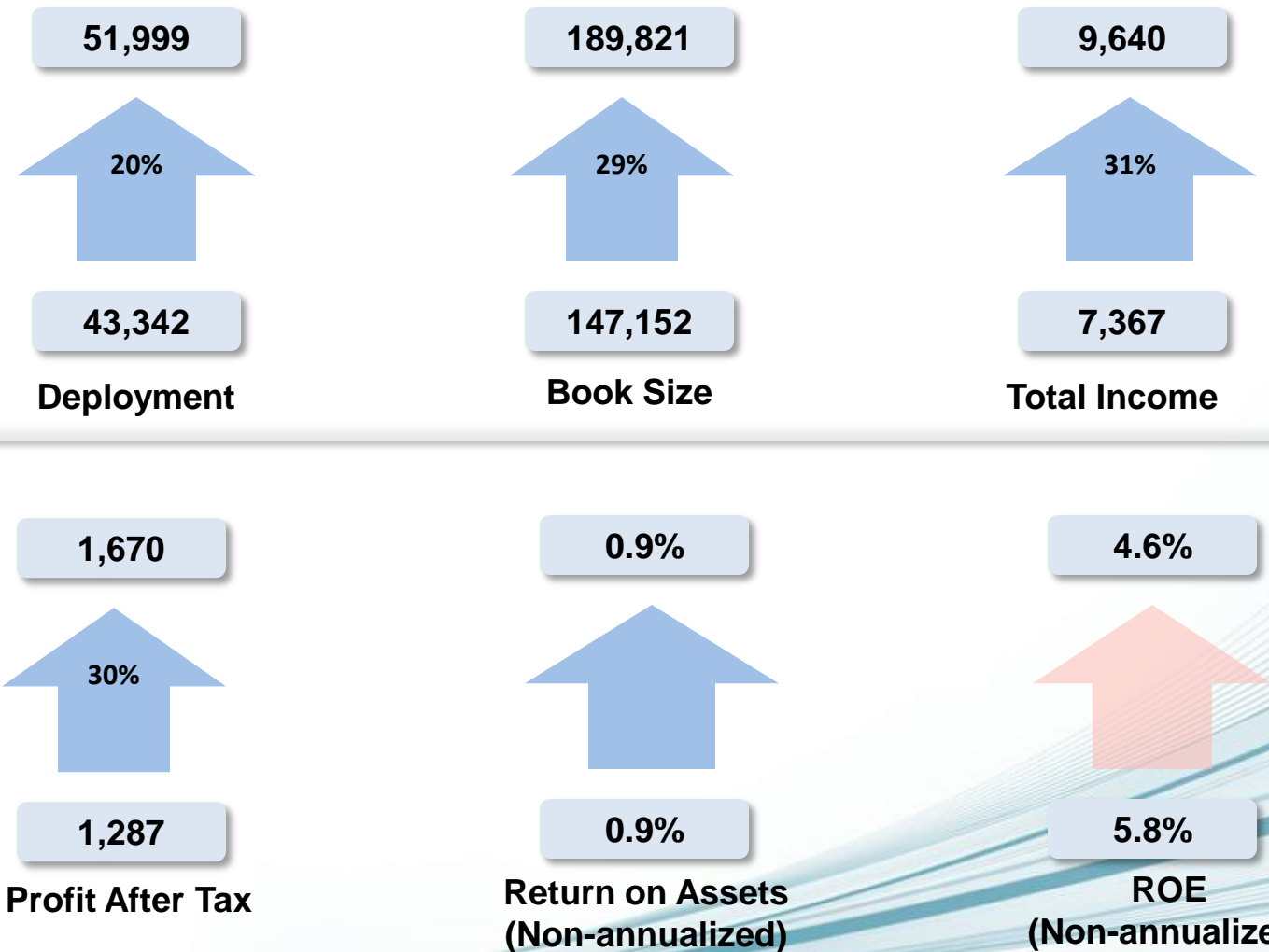
#### Other Updates

- To augment the capital base for the purpose of capital adequacy requirements, Bajaj Finance Limited raised Rs 7435.18 Mn through rights issue of equity shares during FY13.
- 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 Q2 FY2014 over Q2 FY2013



**Thank You**

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