

MANAGEMENT DISCUSSION AND ANALYSIS

Bajaj Finance Ltd. ('BFL', 'Bajaj Finance', or 'the Company'), is a subsidiary of Bajaj Finserv Ltd. It is a deposit-taking Non-Banking Financial Company (NBFC-D) registered with the Reserve Bank of India (RBI) and is classified as a NBFC-Investment and Credit Company (NBFC-ICC). BFL is engaged in the business of lending and acceptance of deposits. The Company has a diversified lending portfolio across retail, SMEs (small and medium sized enterprises), and commercial customers with significant presence in both urban and rural India. It accepts public and corporate deposits and offers a variety of financial services products to its customers.

Bajaj Finance was originally incorporated as Bajaj Auto Finance Ltd. on 25 March 1987 as a Non-Banking Financial Company primarily focused on providing two and three-wheeler finance. After more than a decade in the auto finance market, it launched an initial public offering of equity share and was listed on the Bombay Stock Exchange and National Stock Exchange of India. Subsequently, the Company ventured into consumer lending, SME lending, commercial lending, rural lending and deposits.

BFL has two wholly owned subsidiaries: (i) Bajaj Housing Finance Ltd. ('BHFL' or 'Bajaj Housing') which is registered with the National Housing Bank as a Housing Finance Company (HFC); and (ii) Bajaj Financial Securities Ltd. ('BFinsec'), which is registered with the Securities and Exchange Board of India (SEBI) as a Stock Broker and Depository Participant.

During the year, the Company acquired 41.5% stake on a fully diluted basis in Snapwork Technologies Private Ltd., which is, therefore, classified as an associate company of BFL.

BFL and one of its subsidiaries viz. BHFL have been identified and categorised in the list of Upper layer NBFCs by the RBI among the list of 16 NBFCs (including housing finance companies) on 30 September 2022.

Now a 36-year old enterprise, Bajaj Finance has emerged as a leading player in the country's NBFC sector. On a consolidated basis, it has a franchise of 69.1 million customers; its assets under management (AUM) stands at ₹ 247,379 crore; it earned a net interest income of ₹ 28,846 crore; profit after tax of ₹ 11,508 crore; and enjoys capital adequacy approximately 25%, which is well above the RBI norms.

Macroeconomic Overview

Financial year 2023 began on a mixed note. On the positive side, after wreaking havoc for almost two years, the impact of the COVID-19 pandemic on lives and livelihoods started receding. This was aided by a mass immunisation programme and the advent of a less virulent variant called omicron. However, the flip side was the impact of inflationary trends, supply chain disruptions emanating from China, and the start of the Russia-Ukraine conflict impacting commodity prices.

In FY2023, the Indian economy faced multiple challenges. The country's retail inflation indicator, consumer price inflation (CPI) inched above the RBI's tolerance range in January 2022. It remained above the target range for almost twelve months before retracting within the upper tolerance of 6% in November 2022. Rising international crude prices coupled with domestic weather conditions like excessive heat and unseasonal rains kept food prices high, fuelling retail inflation. The Government cut excise and customs duties and restricted exports to cool off inflation. The RBI, like other central banks, raised the monetary policy rates and reduced excess systemic liquidity. Major areas of concern for the economy were elevated commodity prices leading to a depreciation of the Indian rupee, higher retail inflation (both core and food inflation) leading to the RBI raising interest rates and rationalising systemic liquidity, and a rising current account deficit (CAD).

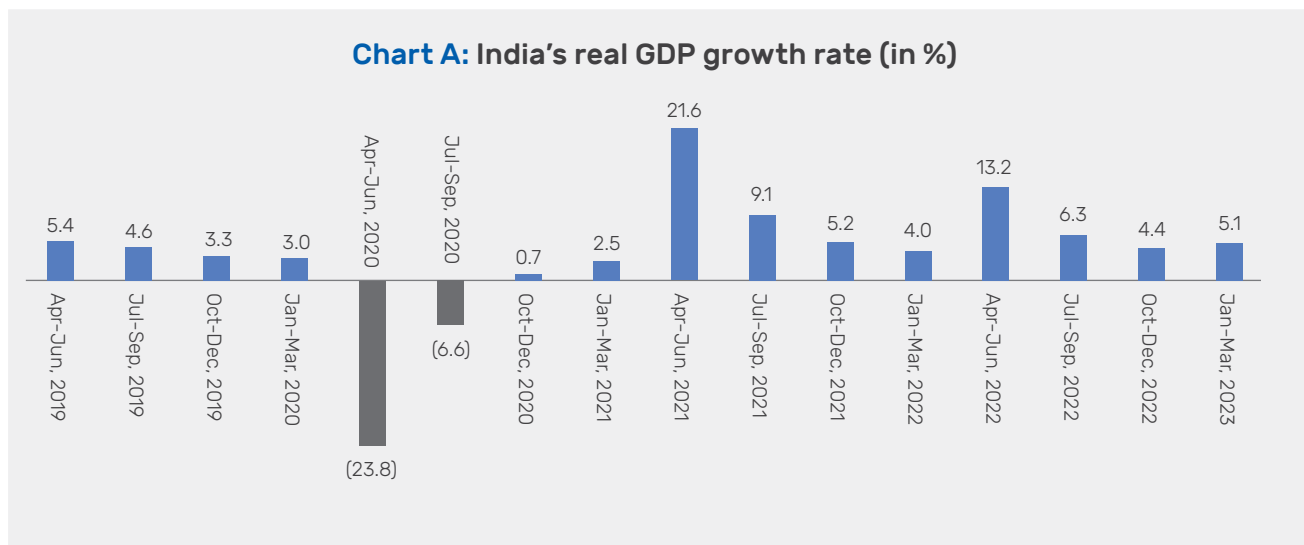
However, despite these critical challenges, India emerged as the fastest growing major economy in the world. The second advance estimate of national income released by the central statistics office (CSO) on 28 February 2023 expects real GDP growth in FY2023 to be 7.0%.

Table 1: Real GDP and GVA and growth, India

	FY2020 (2nd RE)	FY2021 (2nd RE)	FY2022 (1st RE)	FY2023 (2nd AE)
Real GDP (₹ in trillion)	145.2	136.9	149.3	159.7
Real GVA (₹ in trillion)	132.2	126.8	138.0	147.1
Real GDP growth	3.7%	(5.7%)	9.1%	7.0%
Real GVA growth	3.8%	(4.1%)	8.8%	6.6%

Source: Government of India, Central Statistics Office (CSO). AE denotes Advance estimate, and RE denotes revised estimate.

Chart A depicts India's real GDP growth over the same period by quarters for the last four financial years.



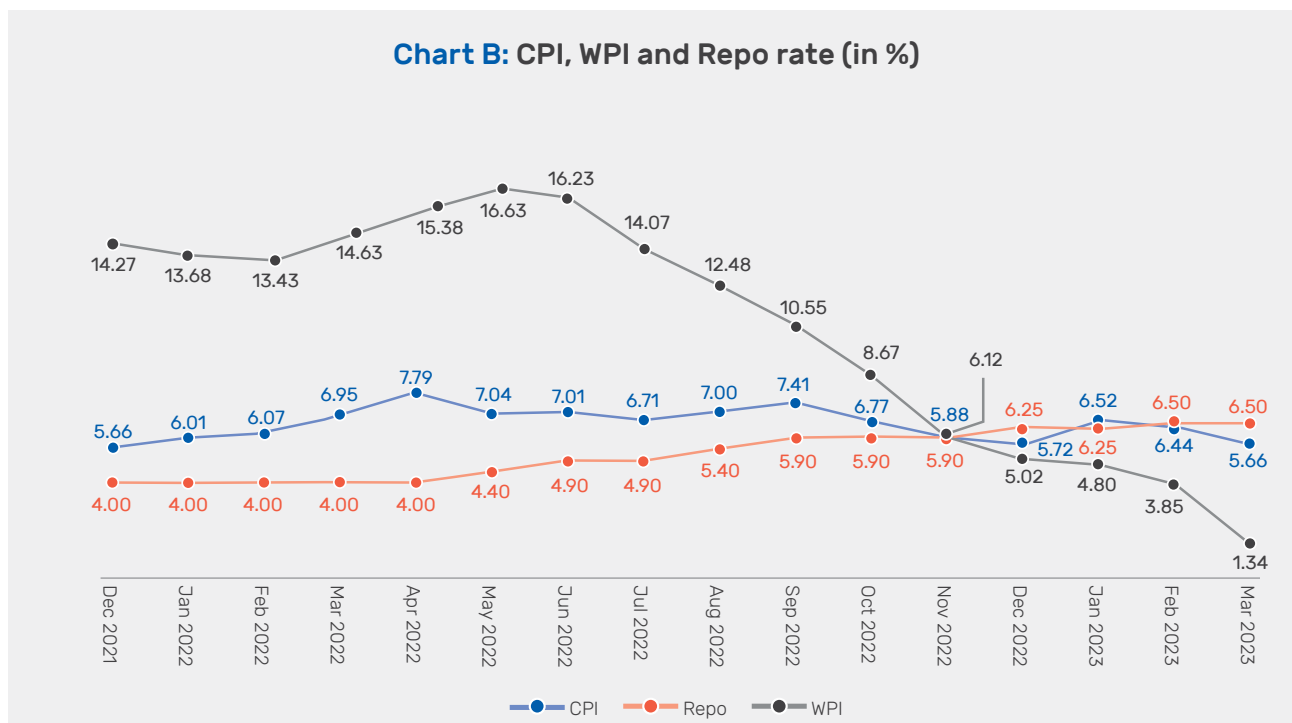
The quarterly trend of GDP growth in FY2023 pegs the year-on-year growth of 5.1% in Q4 FY2023, 4.4% in Q3 FY2023, 6.3% in Q2 FY2023 and 13.2% in Q1 FY2023. Private consumption showed some signs of slowdown. A weaker trend in government final consumption expenditure is understandable as the spend on welfare schemes has moderated in comparison to what was spend during the pandemic. Government led capital expenditure has continued to be an important driver of the economy with gross fixed capital formation (GFCF) expected to contribute to 34.0% of the GDP in FY2023 versus 32.7% of the GDP in FY2022.

The current account deficit (CAD) widened in FY2023 on account of (i) rising commodity prices, (ii) appreciation of the US dollar and (iii) a slowdown in economic growth and world trade owing to aggressive and synchronised monetary policy tightening across the world. For the first three quarters of FY2023, the CAD stood at 2.7% of GDP.

Consumer price inflation (CPI) remained at elevated levels during the year. Though it dropped from 7.79% in April 2022 to 5.72% in December 2022, it again rose to 6.52% in January 2023 before dropping to 5.66% in March 2023. In May 2022, the RBI increased the policy repo rate by 40 basis points (bps); and thereafter continued to increase policy repo rates by 50 bps in June 2022, August 2022 and September 2022. This was followed by smaller increases of 35 bps in December 2022 and 25 bps in February 2023. The cumulative increase in FY2023 was 250 bps. This was preceded by the introduction of the Standing Deposit Facility (SDF) at a rate 40 bps higher than the fixed rate reverse repo. Thus, the effective rate hike during the year has been 290 bps.

At its Monetary Policy Committee (MPC) meeting held in April 2023, the RBI unanimously decided to keep the policy rates unchanged with an emphatic statement that the pause was only for this meeting and the MPC would not hesitate to take further action as may be required in future. The MPC also decided to remain focused on withdrawal of accommodation which was favoured by five out of six members.

Chart B below depicts the movement of consumer price index (CPI), wholesale price index (WPI) and the repo rate since Dec 2021 over the respective month.



Non-food credit growth of the scheduled commercial banks was 15.9% as on 24 February 2023 over 25 February 2022 against 9.2% for the same period in the previous year. This credit growth was largely driven by services industry and personal loans which recorded a growth of 20.7% and 20.4% respectively as on 24 February 2023 versus 6.2% and 12.5% for the same period in the previous year.

Credit to industry registered a growth of 7.0% in February 2023 over the previous year against 6.7% in February 2022. Credit to large industry rose by 5% versus 0.9% a year ago; to medium industries it was 13.5% as against 53.8%; to micro and small industries it was a growth of 13.2% in February 2023 as against 24.0% a year ago. The previous year had seen substantial support to micro and small industries which had been impacted by the pandemic.

Fortnightly data released by the RBI on 05 April 2023 reflected non-food credit growth of the scheduled commercial banks remained strong at 15.4% as on 24 March 2023.

The Government of India announced a growth oriented and expansionary budget for the FY2024. It has tried to strike balance between fiscal consolidation and growth by continuing its focus on capital expenditure and creating fiscal space for that by curtailing revenue expenditure. It has set a target of reducing the central government's fiscal deficit to 5.9% of the GDP in FY2024 from 6.4% (revised estimate or RE) in FY2023, while using the infrastructure capex tool to support the economy. The Government has budgeted for ₹ 10 trillion towards capital expenditure for FY2024, an increase of 33% year-on-year.

On balance, we believe that the Indian economy has weathered the external shocks reasonably well. The proof of it is that the country has emerged as the fastest growing major economy in the world.

The calendar year 2023 began on a promising note with improved supply conditions, resilient economic activity, and some degree of stability in financial markets. In just a few weeks of March 2023 the sentiment changed as fresh headwinds emerged from the banking sector turmoil in some advanced economies. Bank failures in the USA and Switzerland with their contagion risks came to the forefront. However, the banking and non-banking financial services sector in India remained healthy and evolved in an orderly manner.

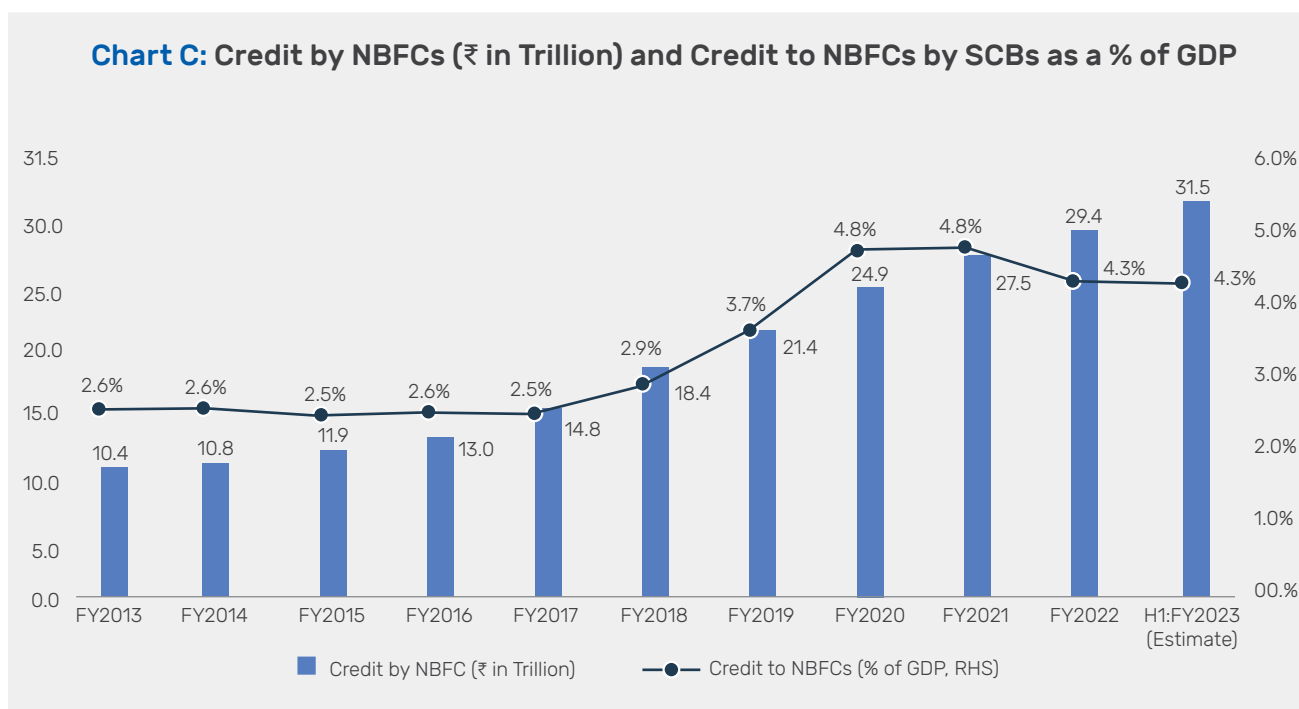
The general expectation is that India's GDP for FY2024 would record a growth in excess of 6%. Of course, much depends on a normal rainfall in the coming year. The risk of monsoon falling below normal levels (after four consecutive years of normal rainfall) remains a wildcard and could hit agricultural production and impact food prices.

Industry Overview

NBFCs have become important constituents of India's financial sector and have been recording higher credit growth than scheduled commercial banks (SCBs) over the past few years. NBFCs continue to leverage their superior understanding of regional dynamics and customised products and services to expedite financial inclusion in India. Lower transaction costs, innovative products, quick decision making, customer orientation and prompt service standards have typically differentiated NBFCs from banks. Considering the reach and expanse of NBFCs, these are well-suited to bridge the financing gap in a large country like India. Systemically important NBFCs have demonstrated agility, innovation and frugality to provide formal financial services to millions of Indians.

The growing importance of NBFCs is reflected in the consistent rise of their credit as a proportion to GDP as well as in relation to credit extended by SCBs to the NBFC sector.

Chart C depicts the growth of NBFCs and credit to NBFCs (% of GDP) over the last decade.



This is an enviable track record despite the business models of the NBFCs being severely tested by four large external events in the last few years, namely, (i) demonetisation, (ii) GST implementation, (iii) failure of few large NBFCs, and (iv) the pandemic. The fact that many NBFCs have managed to overcome these stresses without significant impact on financial position is a testimony to their resilience and agility.

In recent years as the impact of the second COVID-19 wave waned and the third wave turned out to be short-lived, the NBFC sector regained momentum, cushioned by proactive policy measures announced by the RBI and the Government. The economic survey has observed that credit extended by NBFCs is picking up momentum, with the aggregate outstanding amount at ₹ 31.5 trillion as on September 2022. NBFCs continued to deploy the largest quantum of credit to the industrial sector, followed by retail, services, and agriculture. Loans to the services sector (share in outstanding credit being 14.7%) and personal loans (share of 29.5%) registered a double digit growth.

Given the increasing importance of NBFCs, the RBI, in the last few years, has increased its regulatory oversight over the sector. Multiple guidelines such as (i) vigil over asset-liability management practices, (ii) maintaining liquidity ratios, (iii) increased reporting requirements, and (iv) scale-based regulation, have led to NBFCs adopting practices in line with banks. The regulatory vigil is based on four key cornerstones of: (i) responsible financial innovation, (ii) accountable conduct, (iii) responsible governance, and (iv) centrality of the customer.

The recently adopted changes to the finance bill withdrawing exemptions on long term capital gains to investors in debt mutual funds is estimated to have minimal impact on the NBFC sector given limited exposure of mutual funds in long term papers of NBFCs.

We reiterate what we underscored in the previous year. We believe that NBFCs with superior capital adequacy, better margins, frugal cost management, prudent risk management and those incorporating above four key cornerstones in their business models will continue to deliver sustainable growth in the foreseeable future.

The Company

BFL is among the largest and most diversified NBFCs in India offering payments and lending solution to customers. It has established a diversified business model which enables optimal balance of risk and profitability to deliver a sustainable business. The model is focused on acquisition of millions of customers and offering multiple loans and services on a cross-sell basis to meet their financial service needs. BFL's strategies and structure are closely aligned to commercial banks in India. The Company is focused on continuous innovation to transform customer experience and create sustainable and profitable growth opportunities. On 30 September 2022, the RBI, as part of scale-based regulation, identified and categorised BFL and BHFL as an upper layer NBFC among its list of 16 NBFCs (including housing finance companies).

BFL is present in 3,733 locations across the country, including 2,341 locations in rural/smaller towns and villages. Geographical expansion, large customer franchise and adoption of digital technology continue to be critical pillars of the Company's growth. It focuses on eight broad categories: (i) Consumer Lending (Sales finance), (ii) Personal Loans (iii) SME Lending, (iv) Commercial Lending, (v) Loan against Securities, (vi) Rural Lending, (vii) Deposits, and (viii) Partnerships and Services.

On a consolidated basis, BFL recorded core AUM (AUM excluding short-term IPO financing receivable) growth of 29% and growth in profit after tax of 64% in FY2023 as against core AUM and profit after tax growth of 26% and 59%, respectively, in FY2022. With its strong AUM and profit growth in FY2023, BFL has further increased its share in the financial services sector in India.

The Company delivered its highest ever return on average assets (ROA) of 5.3% in FY2023 and delivered return on average equity (ROE) of 23.5% on a consolidated basis.

BFL remains well capitalised with a capital-to-risk weighted asset ratio (CRAR) of 24.97% as on 31 March 2023, making it among the best capitalised large NBFCs in India.

On the liability side, Bajaj Finance continues to maintain conservative liquidity buffers. The consolidated liquidity buffer was ₹ 11,852 crore as on 31 March 2023. While maintaining higher liquidity buffers, the Company's prudent ALM practices enabled it to contain increase in its cost of borrowings by 23 bps over FY2022, while the policy rates increased by 250 bps over FY2022. As on 31 March 2023, BFL's consolidated borrowings stood at ₹ 216,690 crore. BFL's consolidated average cost of fund for FY2023 was 7.04% and exit cost of fund as on 31 March 2023 was 7.49%.

As on 31 March 2023, BFL's consolidated gross NPA at 0.94% and net NPA at 0.34% are among the lowest in the industry. This validates the Company's deeply embedded risk culture and robust risk management practices which have ensured that despite the volatile economic environment amidst inflationary trends and rising interest rates, BFL's NPA as on 31 March 2023 stood at the best levels in its history. As on 31 March 2023, on a consolidated level, it holds a management and macro-economic overlay for unforeseen macroeconomic events amounting to ₹ 960 crore.

The consolidated performance highlights for FY2023 are given below.

Consolidated Performance Highlights, FY2023

- Customer franchise grew by 20% to 69.1 million
- Number of new loans booked was 29.6 million
- Number of customers on Bajaj Finserv App was 35.5 million
- Assets under management (AUM) increased by 25% to ₹ 247,379 crore
- Core AUM (net of short-term IPO financing receivable) increased by 29% to ₹ 247,379 crore
- Total income increased by 31% to ₹ 41,406 crore
- Net interest income (NII) increased by 32% to ₹ 28,846 crore
- Total operating expenses (Opex) grew by 34% to ₹ 10,130 crore
- Operating expenses (Opex) to NII stood at 35.1%
- Pre-impairment operating profit increased by 31% to ₹ 18,716 crore
- Impairment on financial instruments decreased by 34% to ₹ 3,190 crore
- Profit before tax (PBT) increased by 63% to ₹ 15,528 crore
- Profit after tax (PAT) increased by 64% to ₹ 11,508 crore
- Capital adequacy ratio as on 31 March 2023 was 24.97%, Tier-I adequacy was 23.20%, which is well above the RBI norms.

With its strong financial position, lowest ever gross NPA, growth momentum, well provisioned balance sheet, omnichannel business strategy and strong entry momentum into FY2024, the Company is confident about its growth prospects in the coming years.

Long Range Strategy (LRS)

BFL has highly disciplined approach to long range strategic planning, a rolling five-year LRS. The strategy is evolved after analysing macroeconomic factors, industry outlook, as well as technology and business megatrends. The strategic plan is then converted to an execution strategy with a rollout plan over a 15–24 month horizon.

BFL has clearly articulated its business construct across (i) ambition, (ii) strategy, (iii) approach, (iv) philosophy, (v) market share and (vi) profit share. These are defined below:



Ambition

To be a leading payments and financial services company in India with a customer franchise of 100 million, market share of 3% in payments ecosystem, and market share of 3–4% of total credit in India and 4–5% of retail credit in India.



Strategy

To become an omnipresent financial services company spanning all consumer platforms – physical, app, web, social, rewards and virtual.



Approach

To acquire customers and cross-sell payments, assets, deposits, insurance, investments and broking products to meet their financial needs on all consumer platforms.



Philosophy

To build businesses with a long-term view anchored on prudence and risk management to deliver 'through the cycle' 19%–21% shareholder returns.



Market share

To deliver sustainable growth and endeavour to be among the top five in respective product and sector.



Profit share

To focus on profitable growth and endeavour to be among the top 20 profit-making companies in India and top five in financial services companies in India.

The Company unveiled its latest long range strategy for the period FY2023 to FY2027 in January 2023. This envisages launch of new products and new product variants, product innovations, geographical expansion, and continued enhancement of its operational capabilities to deliver robust growth. Some of these initiatives and their probable execution timelines are enumerated here:

- Financing for purchase of new cars (Auto Loans) – Q2 FY2024
- Emerging corporate loans business – Q3 FY2024
- Micro Finance – Q4 FY2024
- B2B on QR and EDC – Q4 FY2024
- Flexi on QR – Q4 FY2024
- Rewards platform – Q4 FY2024
- Financing for purchase of tractor – Q1 FY2025
- Social platform – Q2 FY2025
- 100 additional locations in UP, Bihar and North-East India in FY2024 and 100 more locations in FY2025

The Company has also identified 15 relevant megatrends across the India Stack, Platform, Products and Technology which are being evaluated for implementation.

Omnichannel strategy

BFL is one of the largest and most diversified NBFCs in India, with 69.1 million customers. It offers a diverse suite of over 50 financial products and services focused on Consumer Lending (Sales finance), Personal Loans SME Lending, Commercial Lending, Loan against Securities, Rural Lending, Deposits, and Partnerships and Services. The Company has expanded its physical presence to more than 3,700 locations and over 1.5 lakh point of sales. It has also rapidly expanded its presence across the digital space through Bajaj Finserv App platform, the web platform and three proprietary marketplaces – the 'Insurance Marketplace', the 'Investment Marketplace' and the 'EMI Store'. BFL has an AUM of ₹ 247,379 crore as on 31 March 2023.

The Company's strategy is to be an 'omnipresent' financial services company dominant across all vectors of consumer presence covering physical, app, web, social and virtual. This led to the Omnichannel strategy, which was articulated in 2019 as part of BFL's long-range strategy to create a new phase of sustainable growth. Pandemic accelerated this process and galvanised the Company to make the Omnichannel strategy the new way of doing business. Simply put, it enables customers to move between online and offline and vice-versa in a frictionless manner.

The Omnichannel model starts with customers and ends with products/processes as against the traditional approach which starts from products/processes and ends with customers. It has been a huge structural shift for the Company, which is reinventing the way it does everything. Once fully implemented, it will make BFL a customer-centric digital enterprise.

BFL has made significant progress in optimising its processes to make them lot more digital ready. It has onboarded employees with relevant skills and trained existing employees to accelerate its Omnichannel strategy. BFL has made also significant structural changes to its technology stack to this effect.

The Omnichannel strategy has six domains viz. (i) Geographic expansion, (ii) Bajaj Finserv app, (iii) Bajaj Finserv website, (iv) Payments, (v) Productivity apps, and (vi) Customer data platform (CDP). During this year, the Company has significantly advanced on all these domains.

- **Geographic expansion.** BFL expanded its geographic presence by adding 229 locations primarily across UP, Bihar and North-East India in FY2023 taking its presence to 3,733 locations. The Company has a well-defined geographical expansion program and considers GDP contribution as an important parameter for selection of new locations.
- **Bajaj Finserv app,** a critical component of BFL's journey to become a digital organisation, went live in a phased manner. Phase 1 went live in FY2022. In FY2023, Phase 2 of the app went live. Over 35 million customers have now installed the app. The Company rigorously monitors over 1,850 KPIs (Key Performance Indicators) across the app. Phase 2 of the app enabled:
 - » Improved customer experience: Six Category Landing Page (CLP) and seven new Product Display Pages (PDP) have gone live. Eventually, there will be 16 CLP and 24 PDP sections covering all products and services of the Company.
 - » Payments: POS terminals, QR based Peer-to-Merchant transactions, wallet-UPI interoperability, pay to contacts functionality, two-factor authentication for wallet, migration of UPI to improved infrastructure, UDIR (Unified Dispute and Issue Resolution) for wallet and UPI, LIC and credit card bill payment and EMI card purchase went live.
 - » Fixed deposits: new journeys introduced for minors, proprietors, HUFs.
 - » Account aggregator capability: went live for the SME business.
 - » Introduction of calculators: for two-wheeler finance, credit card, doctor loan and business loans.
 - » Introduction of new end-to-end journey for various products: home loan, LAP (loan against property), LAS (loan against securities), business loan, professional loan, and used car loan.

Enhancement of service engagement features: for loan repayments, loan cancellations, fixed deposits, and calculators for shares and mutual funds increasing convenience for the customers. Phase 3 of the app will also go live by the end of the next year. The release will ensure business, service and platform optimisation and help improve customer experience, drive business and ensure compliance and customer security.

Phase 3 of the app will go live across 3 sprints. Planning for Sprint 1 is complete and release of 5 new business journeys, 64 enhancements across B2B, B2C, cards, LAS and home loan business, and more than 10 service optimisations for EMI cards, loan payment, including mobile number change journey would be released. The sprint will have more than 100 new developments and help improve customer experience, drive business, and ensure compliance and customer security.

Experience AOP planned in July 2023 will help organisation to review and improve experience across all BFL digital assets, further enabling the plan for Sprint 2 and 3 of phase 3.

The app now hosts more than 100 partners. In FY2023, it helped BFL acquire over 368,000 EMI card customers, disburse over ₹ 9,000 crore of personal loans, acquire over 209,000 credit cards, and enable over 4.9 million flexi-loan transactions. Currently the app features amongst top five financial services apps in Asia on the Google PlayStore.

- **Bajaj Finserv website** remains an extremely important driver of customer traffic, business volumes and service. In FY2023, BFL undertook a massive transformation of its web platform as part of its 'Web = App' strategy. It completely transformed the web experience by revamping the entire user interface and user experience of the web platform, which will ensure a consistent experience for customer across both the app and the web. Customers are now able to initiate journey on any one platform and complete the same on another without any disruptions. Further, BFL has also invested in expanding its search ecosystem thereby laying a strong foundation for accommodating one billion web traffic over the medium term. BFL's web platform played an important role with over 219 million customer visits and enabled loan disbursements of over ₹ 5,000 crore in FY2023.

- **Payments** is core to delivering the Omnichannel strategy. It is a tool for customers and merchants; and enables higher engagement and retention of customers on BFL's new digital platforms. The Company has built a full-service payments business across all formats of issuance and acquiring with robust payments stack encompassing wallets, UPI, Bharat Bill pay service and single payment check out gateway.

As on 31 March 2023, (i) 16.66 million customers have a wallet account with the Company, and (ii) 12.98 million customers have a UPI handle. During FY2023, 15.92 million bill payment transactions were executed by the customers using BFL's bill pay service.

BFL continues to enrich payments journey for customers as well as merchants and has been driving UPI payments. It has accelerated QR deployment at small and medium format merchants by mobilising its distribution channels. Bajaj Pay QR enables merchants to accept payments by way of UPI, PPI (Bajaj Pay Wallet) & Bajaj EMI (where eligible). The Company has deployed over 627,000 merchant QRs in FY2023. BFL has also created merchant solutions and capabilities that enable merchant onboarding and single view for payments, business, marketing campaigns and rewards. In FY2024, BFL plans to deploy Electronic Data Capture (EDC) terminals and personalised checkout experience.

- **Productivity apps** helps improve productivity, engagement, collaboration within the BFL ecosystem. The Company has four productivity apps across its ecosystem (i) Sales One app, (ii) Debt Management Service One app, (iii) Merchant One app, and (iv) Partner One App. These help BFL leverage underlying platforms and bring a unified experience for all constituents from sales to debt management.
 - » **Sales One app** was further strengthened this year with additional features like sales calculator, merchant onboarding and interactive reports. The app currently monitors daily planner, daily check ins, interactive reports, dashboards, lead management, services, and engagement across all lines of business. The app has witnessed 100% adoption among sales teams and is also used as an engagement tool by businesses.
 - » **DMS One app** enables the Company's debt management teams with host of capabilities and features like mobile receipting, agency allocation, meeting calendars, call management and recording, repossession module, settlement workflow and letters, performance reports and others. DMS One App also enables imparting debt management and customer service related trainings and dissemination of important communication with the DMS employees and agencies resources. The app has approximately 45,000 agents live and it processed 18 million receipts in FY2023. Apart from delivering high velocity and operating benefits, DMS One App significantly strengthens BFL's compliance and controllership.
 - » **Merchant One app** enables merchants with capabilities such as self-onboarding, QR issuance and business dashboards. The app went live with onboarding journey, lifecycle management of merchants and multi-QR linking. Over 627,000 merchants were onboarded through the app.

- » **Partner One app** will enable sales agents with capabilities such as lead management, case booking, transaction tracking, customer assist, partner growth, query resolutions, training, and knowledge centre. The app will go live in FY2024 with 14 modules and 31 journeys.
- **Customer data platform (CDP)**, a key to the omnichannel experience, was implemented in Q2 FY2022. It enables multi-channel orchestration, customer communication, call governance with an integrated multi-dialler, multi-lingual architecture. BFL now has eight regional call centres to deliver multi-lingual sales and service support to its customers.

Table 2: Some of the key outcomes of omnipresent strategy are given below.

Particulars	Unit	FY2023	FY2022
(i) Geography			
New locations added	#	229	516
Locations as at 31 March	#	3,733	3,504
Gold loan branches as at 31 March	#	181	132
(ii) App metrics			
Downloads	# in MM	51.9	22.7
Net Installs as at 31 March	# in MM	35.5	19.1
In-App programs as at 31 March	#	104	44
Ranking in financial domain in Playstore	#	5	11
Service requests initiated on app	% of total SR	22%	10%
(iii) App payments metrics			
UPI handles till 31 March	# in MM	13.0	2.1
Bill pay transactions	# in MM	15.9	2.3
QRs at merchant PoS as at 31 March	# in '000	627	0.29
Rewards issued	# in MM	44.7	1.3
(iv) App business metrics			
EMI cards acquired on App	# in '000	368	-
Personal loan disbursed on App	₹ in crore	9.4k	6.6k
Credit card acquisition on App	# in '000	209	183
Flexi loan transactions on App	# in MM	4.9	3.4
DMS receipts on App	# in MM	3.3	0.5
(v) Marketplace metrics			
Bajaj Mall visits	# in MM	156.7	129.5
Bajaj Mall loans	# in MM	2.4	1.2
Insurance Bazaar - insurance policies	# in '000	294.3	-
Investments Bazaar - mutual fund A/C	# in '000	73.9	-
(vi) Digital EMI card metrics			
EMI cards acquired digitally	# in MM	2.4	1.8
EMI cards acquired digitally - CIF as at 31 March	# in MM	3.6	1.8
B2B loans from digital EMI cards as at 31 March	# in MM	1.07	0.5

The Company plans to expand its footprint in some 300 to 350 locations to further deepen its presence across India to take geographical presence in 4,000 to 4,100 locations. On the app platform, the Company will focus on increasing the adoption for sales and service to increase online business and enhance self-service.

Business Update

In FY2023:

- BFL disbursed 29.6 million loans – its highest ever, representing a growth of 20% over FY2022.
- It is present in 3,733 locations across the country, including 2,341 locations in rural/smaller towns and villages.
- It operates through over 154,650 distribution points across India.
- The Company acquired a record 11.6 million new customers in FY2023 taking its existing customer franchise to 69.1 million as on 31 March 2023, a growth of 20% over 31 March 2022.

In FY2023, as part of its product strategy, the Company continued to expand its product offering for customers. Some of these new launches were:

- April 2022: BFL started issuing co-branded credit cards in association with DBS Bank India Ltd. (DBS Bank).
- June 2022: Started financing two-wheelers across all manufacturers in addition to Bajaj Auto Ltd. two-wheelers.
- January 2023: BFL restarted loan against property (LAP) for its MSME clients.
- February 2023: BFL added Bajaj+ as a product variant to expand its customer reach in mobile financing business.

Consumer Lending: consumer electronics, furniture, digital products, e-commerce purchases and daily spends financing

The Company continues to be the largest lender for financing of discretionary spends across consumer electronics, furniture, and digital products in India. Sales finance business consists of financing for consumer electronics, two-wheelers, digital products, lifestyle purchases, lifecare spends, retail spends and ecommerce purchases. This business is conducted under two verticals, viz. urban sales and rural sales.

Table 3: The volumes under the two verticals are tabulated below

Particulars	(In million)		
	FY2023	FY2022	Growth
Urban sales finance	20.0	16.8	19%
Rural sales finance	6.1	5.0	22%
Total sales finance	26.1	21.8	20%

BFL's Existing Member Identification (EMI) card, with some 42.0 million cards-in-force, enables customers to avail instant finance after the first purchase across over 139,350 points of sale. In FY2023, EMI cards enabled BFL to finance over 1 million purchases across all sales finance categories: consumer electronics, digital products, lifestyle products, lifecare, e-commerce and other retail spends.

Bajaj Finance remained the largest financier of Bajaj Auto two and three-wheelers in FY2023. During the year, it financed over 713,400 two-wheelers of Bajaj Auto which grew by 12% over previous year; and over 128,100 three-wheelers of Bajaj Auto which increased by 78% over the previous year. This constituted 40% and 44% of Bajaj Auto's two and three-wheelers domestic sales respectively.

BFL commenced financing of all two-wheelers from June 2022, largely in two states covering approximately 350 locations and 2,300 dealers. Our best-in-class point of sales lending solutions offering instant, frictionless, and paperless experience helped us establish our presence in non-Bajaj Auto dealerships and finance over 57,500 two-wheelers in FY2023. BFL intended to expand this offering to 20 large cities and 227 small cities in India by end of FY2024. The Company will enrol about 2,500 additional dealers during FY2024.

BFL's Lifestyle Finance business deals with discretionary spends with high ticket size products and services. In FY2023, it financed over 637,000 accounts, which represents a YoY growth of 38% over FY2022. The business served over 6,000 stores through BFL sales app & QR code as part of the digital adoption.

The Company finances its existing EMI card customers for their purchases through e-commerce platforms. It financed over 2.82 million transactions in FY2023, representing a growth of 11% versus the previous year. BFL increased its online dealer presence by onboarding around 55 online partners during the year, taking the overall franchise to about 240 active partners.

The retail spends financing business offers easy instalment options to customers for small ticket purchases like fashion, eyewear, cycles, tyres, car accessories, vehicle servicing, power back-up and small appliances. The Company now focuses on higher ticket spends which are economically more viable. This business is now operational in 126 locations with a footprint of over 35,500 partner stores across India. BFL financed nearly 832,000 purchases in FY2023 compared to around 656,000 in FY2022, registering a growth of 27% over the previous year.

During FY2023, as part of implementation of LRS product megatrend, BFL launched 'Bajaj +', a novel variant in its mobile financing business to expand its reach to a larger customer segment. Initial outcomes of this variant are encouraging and should help BFL increase its customer acquisition momentum and further its market presence in mobile financing.

Personal Loans

Personal Loan Cross Sale (PLCS) business is a pre-approved loan origination programme for existing customers of BFL. It relies on risk analytics, campaign management and digital acquisition strategy. BFL has completely revamped its digital assets (app and web platforms) with a focus on 'Do it yourself' journey for its customers and increase touch free acquisition. BFL has also made investments in enhancing its data analytics capabilities and identifying new opportunities in franchise. In FY2023, BFL offered PLCS to over 1.15 million customers and the AUM for the business grew by 35% over FY2022 to ₹ 28,955 crore.

BFL offers salaried personal loans (SPL) to affluent salaried customers with average annual gross earnings of over ₹ 500,000. The SPL business AUM grew by 22% over FY2022 to ₹ 19,515 crore. In FY2023, BFL undertook a re-design of the loan origination, underwriting and loan booking system to improve efficiencies and customer experience.

SME Lending

SME lending offers unsecured and secured loans in the form of working capital loans and term facilities to SMEs, MSMEs and professionals. Secured loans are offered against various property types including residential, commercial property and used four-wheeler. The SME lending book grew by 36% from ₹ 24,793 crore in FY2022 to ₹ 33,628 crore in FY2023.

As part of LRS strategy, BFL has started using the Account Aggregator facility for its SME business. This facility enables consent-based access to customer's banking transactions which helps better underwriting decisions, and enables the Company to hone its product offerings and credit monitoring.

For Businesses

BFL offers unsecured SME Loans to businesses across over 1,800 locations in India. Its AUM in FY2023 grew by 33% to ₹ 18,939 crore.

For Professionals

BFL offers secured and unsecured loans to doctors, chartered accountants, and other professionals consisting mainly of working capital loans and term loan facilities over 1,800 locations in India. AUM of unsecured loans to professionals grew by 27% over FY2022 to ₹ 11,926 crore.

In FY2023, medical equipment financing business started gaining traction enabled by field distribution, OEM network and dealer network. Currently the business has 450+ empanelled dealers and 19 OEMs for sourcing. This business is ancillary to the professional loans business and its AUM grew by 124% at ₹ 307 crore in FY2023.

Secured loans to SME and MSME customers

BFL offers secured loans to SME and MSME customers against their residential property, commercial property and used four-wheeler. AUM of secured loans against residential or commercial property grew by 80% over FY2022 to ₹ 3,267 crore. AUM of used car finance grew by 136% over FY2022 to ₹ 2,763 crore enabled by expanded presence in 50 locations in FY2023 versus 28 locations a year earlier. In FY2023, BFL entered into a tie-up agreements with used car dealership platform for providing end-to-end digital financing experience for customers transacting on platform by providing used car finance loans.

Rural Lending

BFL offers all its lending and deposits products which include consumer sales finance, personal loans, gold loan, two-wheeler loan, etc. in small towns and villages through its rural lending business. In FY2023, the Company expanded its rural lending footprint adding 206 new locations and deepening its rural geographical presence. At the end of FY2023, it was present in 2,341 locations across 22 states and union territories in India.

During the year, BFL also expanded its rural lending product offering by launching two-wheeler finance business. Overall, the Rural Lending business closed FY2023 with AUM of ₹ 24,260 crore, registering a growth of 25% over the previous year.

Commercial Lending

Commercial lending consists of lending to auto component manufacturers, light engineering industry, financial institutions, specialty chemical, pharma, packaging and other mid-market companies.

BFL continues to have sharp focus on acquiring quality corporate clients, deepening relationships and ensuring value add by offering products in the form of working and growth capital loans. Improved capacity utilisation in manufacturing, pick up in non-food credit and the waning pandemic situation supported aggregate demand in FY2023. Commercial lending business closed FY2023 with AUM of ₹ 15,834 crore, recording a growth of 38%.

Loan Against Securities

Loan against securities business offers medium-term and short-term financing against shares, bonds, mutual funds, insurance policies and deposits to customers across retail, high net-worth individuals (HNIs) and promoter categories. It is operational in 22 locations through physical branches and offers financing solution through a digital medium as well.

BFL, along with its 100% subsidiary viz. BFinsec, offers a full product suite to its retail and HNI customers. It offers loan against securities; and BFinsec offers various investment services like demat services, broking, and margin trade financing. The business grew strongly in FY2023 and closed the financial year with AUM of ₹ 14,028 crore, recording a growth of 43%.

Deposits

BFL accepts deposits from retail and corporate clients. The deposits book as on 31 March 2023 stood at ₹ 44,666 crore, representing a growth of 45%. BFL's deposit book now contributes to 28% of its standalone borrowings and 21% of its consolidated borrowings as on 31 March 2023, as against 25% and 19%, respectively, as on 31 March 2022.

BFL continues to grow retail and corporate deposits as a part of its growth strategy and is simultaneously increasing its focus on digital origination of retail deposits. With launch of Bajaj Finserv app in FY2023, the focus is now on further scaling of deposits through digital platforms with five new customer journeys being gradually released in the app in February 2023. 45% of the deposits sourced during the year are paperless. Retail deposits now contribute to 63% of total deposits.

With the withdrawal of long term capital gains tax on mutual funds with effect from April 2023, fixed deposits would become an attractive alternative for investors. BFL's attractive schemes and seamless process should enable it to garner a decent share of incremental deposits.

Partnerships and Services

In partnership with various financial service providers, BFL offers variety of products to its customers which includes life insurance, health insurance, extended warranty, comprehensive asset care, co-branded credit card and financial fitness reports.

BFL is registered with Insurance Regulatory and Development Authority of India (IRDAI) as a corporate agent for distribution of life, health, and general insurance products across nine insurance partners. IRDAI has recently amended the Corporate Agency guidelines to enable corporate agents to work with more insurers and thereby offer greater product solutions and options to customers. BFL has developed a small ticket insurance product (called 'pocket insurance') working with various insurance companies to cater to specific insurance needs of customers.

It also distributes comprehensive asset care product to its sales finance customers providing features such as extended warranty, theft cover, breakage cover, replacement cover etc. of their purchased products.

In partnership with the RBL Bank, BFL's co-branded credit card business continued to grow well in FY2023. These credit cards are now offered across 600+ locations in India. The number of cards-in-force stood at over 3.25 million as on 31 March 2023, registering a growth of 19% over the previous year.

In addition to RBL bank, the Company has received approval from the RBI to issue co-branded credit cards in association with DBS Bank India Ltd. The Company launched co-branded credit card with DBS Bank on 05 April 2022 and now offers these cards across over 80 locations in India. The number of cards-in-force stood at over 0.21 million as on 31 March 2023.

These partnerships and products have enabled the Company to provide value added services to its customers and grow its fee-based income.

Assets Under Management (AUM): A Snapshot

In FY2023, BFL crossed a milestone of ₹ 200,000 crore of consolidated AUM and closed FY2023 with AUM of ₹ 247,379 crore as compared to ₹ 197,452 crore as at the end of FY2022, a growth of 25%. Core AUM growth after excluding ₹ 5,365 crore of short-term IPO financing receivables – was 29% as on 31 March 2022.

Chart D depicts BFL's consolidated AUM over the last five years.

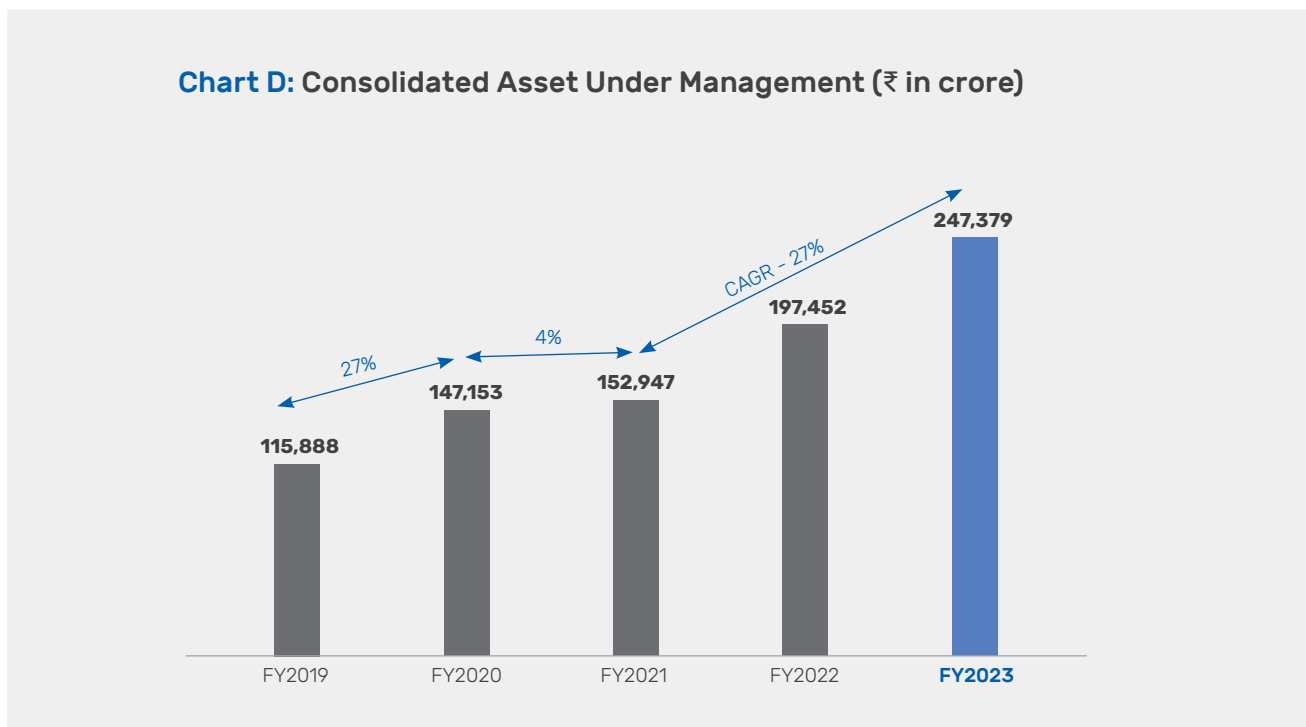


Table 4: Assets under Management

(₹ in crore)

Particulars	Standalone			Consolidated		
	FY2023	FY2022	Change	FY2023	FY2022	Change
Two and three-wheeler finance	12,979	10,194	27%	12,979	10,194	27%
Urban sales finance	17,627	14,977	18%	17,627	14,977	18%
Urban B2C	48,470	37,302	30%	50,108	38,772	29%
Rural sales finance	4,803	4,129	16%	4,803	4,129	16%
Rural B2C	19,457	15,301	27%	19,457	15,301	27%
SME lending	33,628	24,896	35%	33,765	24,979	35%
Loans against securities	14,028	9,816	43%	15,093	10,536	43%
IPO financing	-	5,365	-	-	5,365	-
Commercial lending	15,834	11,498	38%	15,834	11,498	38%
Mortgages	14,173	13,265	7%	77,713	61,701	26%
Total	180,999	146,743	23%	247,379	197,452	25%

Financial Performance

Table 5: Standalone and Consolidated Financial Performance

(₹ in crore)

Particulars	Standalone			Consolidated		
	FY2023	FY2022	Change	FY2023	FY2022	Change
Total income	35,687	27,879	28%	41,406	31,648	31%
Interest and finance charges	9,286	7,578	23%	12,560	9,754	29%
Net interest income (NII)	26,401	20,301	30%	28,846	21,894	32%
Employee benefit expenses	4,573	3,225	42%	5,059	3,592	41%
Depreciation and amortisation	444	355	25%	485	385	26%
Other expenses	4,436	3,513	26%	4,586	3,610	27%
Pre-impairment operating profit	16,948	13,208	28%	18,716	14,307	31%
Impairment on financial instruments	3,066	4,622	(34%)	3,190	4,803	(34%)
Share of profit from associates	-	-	-	2	-	-
Profit before tax (PBT)	13,882	8,586	62%	15,528	9,504	63%
Profit after tax (PAT)	10,290	6,350	62%	11,508	7,028	64%
Other comprehensive income/(expenses)	(27)	35	(178%)	(23)	34	(167%)
Total comprehensive income	10,263	6,385	61%	11,485	7,063	63%
Earnings per share (EPS) basic, in ₹	170.37	105.39	62%	190.53	116.64	63%
Earnings per share (EPS) diluted, in ₹	169.51	104.63	62%	189.57	115.79	64%
Book value per share, in ₹	852.61	699.34	22%	900.16	726.71	24%

Chart E depicts growth of BFL's consolidated PAT

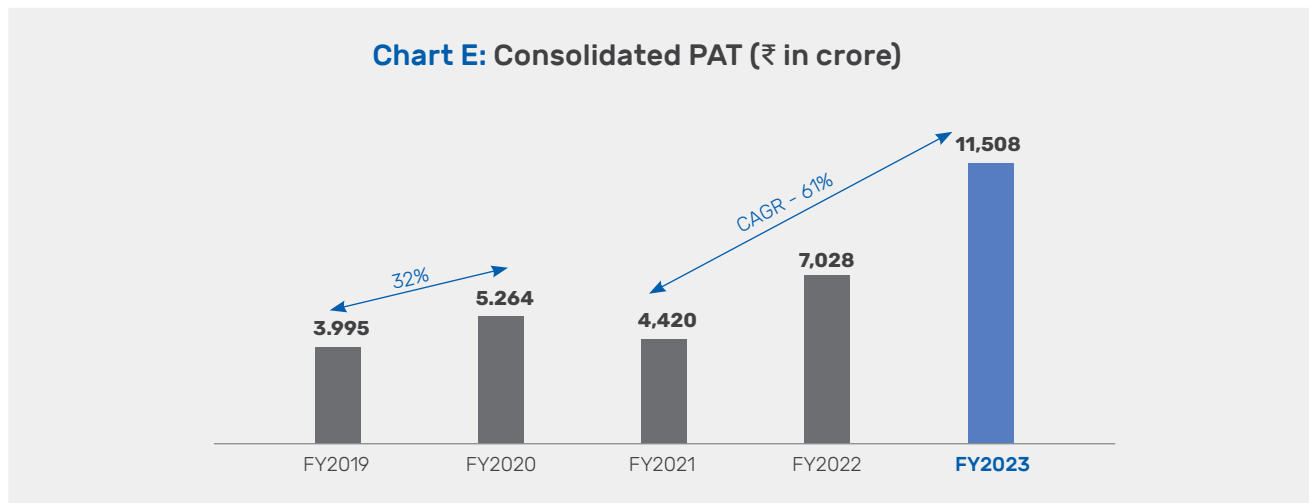
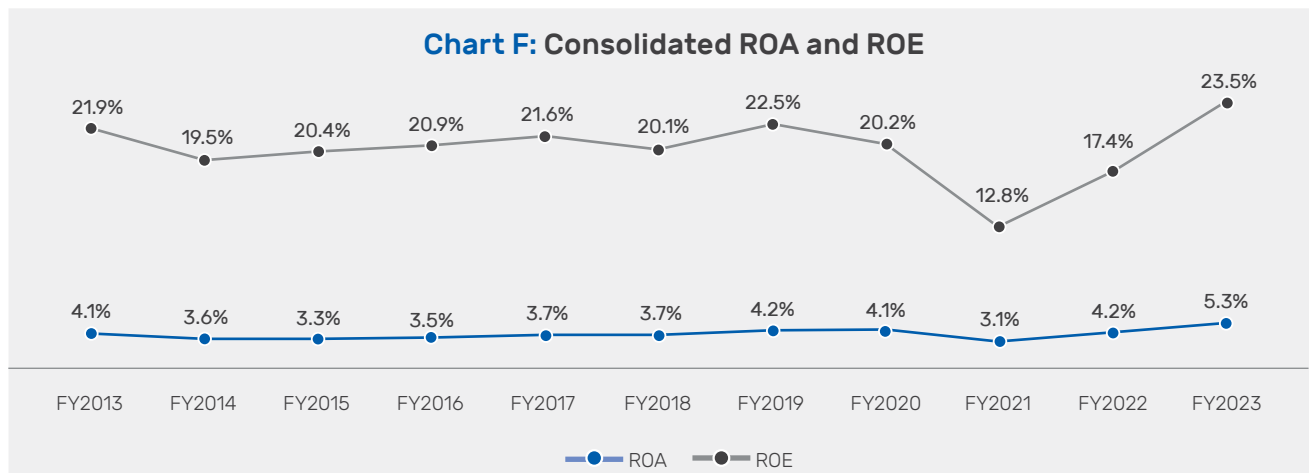


Chart F depicts consolidated return on average assets (ROA) and return on average equity (ROE) over the last 11 years.



Key Ratios

Table 6: Key Ratios on a Consolidated Basis

Ratios	FY2023	FY2022
Net interest income (NII) to average assets	13.30%	12.95%
Operating expenses to NII	35.12%	34.65%
Return on average assets (ROA)	5.31%	4.16%
Return on average equity (ROE)	23.46%	17.43%
Capital to risk-weighted assets ratio (CRAR)*	24.97%	27.22%
Of which, Tier-I*	23.20%	24.75%
Of which, Tier-II*	1.77%	2.47%
Gross NPA	0.94%	1.60%
Net NPA	0.34%	0.68%
Provisioning coverage ratio (PCR)	64%	58%
EPS - Basic (₹)	190.53	116.64
Diluted (₹)	189.57	115.79

*These ratios are on standalone basis.

Risk Management, Debt Management and Portfolio Quality

Risk Management

As a NBFC, BFL is exposed to credit, liquidity, operational, market and interest rate risk. It continues to invest in talent, processes, and emerging technologies to build advanced risk management capabilities. The Company's sustained efforts to strengthen its risk framework have resulted in stable risk metrics.

Bajaj Finance promotes a strong risk culture that is embedded across the organisation. At the highest level, the Board of Directors has established a Risk Management Committee (RMC), which assists the Board in maintaining oversight and review of the risk management principles and policies, strategies, risk appetite, processes, and controls. This is enabled by a robust governance system and review mechanisms which include quarterly risk management review. The RMC met four times in FY2023.

With the impact of the pandemic waning during FY2023, the risks revolving around inflationary trends, elevated interest rates and tighter systemic liquidity emerged as challenges which needed to be addressed. BFL's risk framework has ensured that, despite these risks, its net interest income, NPAs and liquidity management were not impacted.

Moreover, BFL has a robust asset-liability management framework and maintains enough liquidity buffer to meet its repayment obligation and emerging credit demand. By virtue of effective focus on capital and liquidity management, reduction in operating expenses, focus on debt management, servicing capability and strengthening of underwriting norms combined with a very sharp view on risk metrics, the Company ought to continue to show higher level of efficiencies in all parameters.

Credit risk

The Company has a strong governance framework which ensures that the Board of Directors and its committees approve risk strategies and delegate appropriate credit authorities. Its robust underwriting practices and continuous risk monitoring ensure that portfolios stay within acceptable risk levels. BFL has a board approved 'Sustainable Business Strategy Policy' which clearly lays down business and risk management principles of the Company.

BFL has deeply invested in its risk organisation structure that includes dedicated credit risk units for each business vertical; business specific units such as underwriting, risk containment and fraud control, payment risk; and horizontal risk analytics, business intelligence and operational risk management units. In addition, the Company continues to invest in debt management services capacity.

Through prevention and deterrence actions, the risk containment and fraud control unit is responsible for preventing frauds perpetrated by customers, sourcing channels and internal employees either alone or in connivance with others. It ensures that most fraud checks are performed well before any disbursement of loan through an inbuilt advanced fraud controls analytics in its loan origination system. The fraud check rules are periodically updated based on emerging learnings.

BFL has enabled all its employees and agencies to flag any suspicious activity or transaction on the core lending system which then go through extensive checks by the fraud control unit. This is further supported by a dedicated back-office unit and a 438 member field structure spread across 268 locations for faster response to frauds.

BFL's robust underwriting process and vigilance on portfolio quality have ensured that risk performance across all portfolios remain well within the defined thresholds. This agile, calibrated and closely monitored approach to credit risk and timely investment in deepening of debt management services have not only enabled the Company to weather the pandemic and inflationary trends but have further consolidated the strong foundation to deliver balance sheet growth in line with its medium-term guidance of 25%-27%.

The Company saw a reduction in loan losses to ₹ 3,190 crore in FY2023 versus ₹ 4,803 crore in FY2022. This is a testimony of BFL's robust risk practices, debt management capabilities and dynamic interventions. It holds a management and macroeconomic overlay of ₹ 960 crore as on 31 March 2023 to counter any unforeseen risks – something that BFL keeps a close watch on.

BFL's balance sheet composition continues to diversify with a higher composition of low-risk businesses like mortgages and other secured businesses. With the pandemic on the wane, the Company is renewing its focus on the two and three-wheeler finance business, which it had tightened during the pandemic, and further diversifying into non-Bajaj Auto's auto financing.

BFL takes guarantee cover for its portfolios across B2C, MSME and three-wheeler financing business under Credit Guarantee Fund Scheme for NBFCs (CGS-II) from Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) governed by the SIDBI. As on 31 March 2023, the Company covered ₹ 3,711 crore of its loan assets under this scheme. This helped BFL to offset ₹ 171 crore worth of credit losses for FY2023 with further claims maturing over FY2024 and FY2025.

To sum up, BFL's balanced approach to portfolio management coupled with rigorous portfolio review has enabled it to identify early warning signals and take corrective actions. With use of sophisticated analytics, the Company has maintained a healthy new business portfolio quality and taken risk mitigating policy actions with agility and precision. On the back of improved stage 2 assets, consolidated gross NPA at 0.94% and net NPA at 0.34%, plus a strong macroeconomic and management overlay provision of ₹ 960 crore, BFL has entered FY2024 with healthy risk metrics.

Liquidity risk

BFL manages its liquidity risk in accordance with its Board approved Liquidity Risk Management Framework and ALM Policy which incorporates stipulations laid down by the RBI. The policy framework and the operational parameters are regularly reviewed by the Asset and Liability Management Committee (ALCO) setup in line with guidelines issued by the RBI, which ensures that there are no material imbalances or excessive concentrations on either side of the balance sheet. The Company follows a prudent approach for managing liquidity and ensures availability of adequate liquidity buffers to overcome mismatches in case of stressed market environment.

BFL regularly monitors the gap between maturing assets and liabilities across all time buckets. The Company's robust liquidity management framework ensured that it had enough liquidity throughout FY2023 to meet its debt service obligations and balance sheet growth. Indeed, there was no disruption amidst the tight liquidity environment prevailing during the year.

Further, BFL exceeds the regulatory requirement of liquidity coverage ratio (LCR) introduced by the RBI in FY2020. Currently, the LCR requirement is at 70% for a company such as BFL. In comparison to these norms, BFL's LCR as on 31 March 2023 was 113%.

The Company's liquidity management is elaborated in detail in the section on 'Credit Rating and Asset Liability Management (ALM)'.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, systems, or human factors, or from external events. This is further elaborated in the section "Operational Risk Management"

Market risk

To effectively manage market risk on its investment portfolio, BFL follows a prudent investment policy which guide its investment decisions. The Company has invested its surplus funds mainly in government securities; liquid funds; and deposits with banks and highly rated financial institutions. The Company calibrates the duration of investment portfolio to balance the twin objectives of maintaining liquidity for business and minimum fair value change impact on its investment portfolio.

Interest rate risk

BFL is exposed to interest rate risk on its investment portfolio and interest rate sensitivity on fixed and floating rate assets and liabilities with differing maturity profiles. The Company raises funds from diversified sources like deposits, money market borrowings, term loans and short-term borrowings from banks and financial institutions, foreign currency borrowings, among others. In view of the financial nature of assets and liabilities, changes in market interest rates may adversely affect its financial condition. Fluctuations in interest rates can occur due to both internal and external factors. Internal factors include composition of assets and liabilities, maturities profile, pricing of borrowings, and fixed and floating nature of assets and liabilities. External factors include macroeconomic developments, competitive pressures, regulatory developments, and global factors.

BFL monitors fair value change impact on its investment book using Value at Risk (VaR), PV01, modified duration and these parameters are defined in its Board approved investment policy. Interest rate sensitivity on fixed and floating rate assets and liabilities with differing maturity profiles is measured by using the duration gap analysis to measure the impact of such interest rate movements on its balance sheet. This is computed monthly and sensitivity of the market value of equity assuming varying changes in interest rates are presented and monitored by ALCO.

BFL's prudent interest rate risk management ensured that amidst a rising interest rate environment the Company had no significant mark to market impact on its investment portfolio nor an impact on its net interest margin.

The Company's risk management framework is further detailed in note no. 47 of standalone financial statement and note no. 48 of consolidated financial statement.

Debt Management

Apart from its risk management practices, BFL actively focuses on a debt management strategy to ensure that its delinquent debt portfolio is kept at minimal levels. It accords debt management an important place in its portfolio management strategy; and has a dedicated structure where the focus is to follow a strict protocol for missed payments. The Company considers debt management as a service to customers to enable fair and ethical recovery of delinquent accounts and past-due payments.

BFL continues to invest in its debt management service structure, service organisation, processes, trainings of employees and agencies, strict adherence of compliance requirements and controllership by leveraging technology to follow a non-intrusive debt management mechanism. It follows a strong governance model for its debt management services practices and ensures strict adherence to the regulatory and internal policies, code of conduct and fair practice code. It offers a choice to customers to make overdue payment through digital channels, branch walk-in, at retailer points as well as door-step debt management services.

The debt management journey begins well before the customer's instalment falls due. As a matter of good customer service, BFL sends advance intimation to all its customers five to six days before the instalment falls due, to enable customers to maintain adequate funds in their bank account. This practice ensures that the credit history of a good customer is not impacted by any unintentional default.

The journey is expanded further to counselling of customers towards creating a good repayment behaviour by clearing subsequent EMIs directly from given bank account. BFL has invested in service call centres to counsel customers after the payment of overdue EMI.

BFL follows a graded communication approach with delinquent customers across their repayment lifecycle. These clearly indicate: (i) the importance of timely payment, (ii) avoidance of penal charges, (iii) available payment channels and (iv) payment confirmation. These communications are also made in vernacular language via multiple channels like SMS, email, tele-calling and in-person visits.

The Company has a dedicated structure aligned to business verticals for servicing customers: (i) with current month outstanding; (ii) in early delinquency; and (iii) in NPA and write-off stage. It uses multiple modes such as employees, call centres, digital channels, field agencies and legal channels for debt management.

In an endeavour to follow a non-intrusive debt management practice, BFL collects an electronic clearing mandate from its customers. In case of dishonour of bank instrument, BFL provides customers with over 28 different digital payment options such as NEFT, RTGS, Bharat Bill Payment Service (BBPS), Unified Payment Interface (UPI), CC Avenue, Wallets, Google pay, payment banks etc. These digital channels, along with branch walk-ins, account for approximately 45% of collections volume.

In November 2022, the Company got DRA training accreditation from Indian Institute of Banking and Finance (IIBF). The Company has invested in online DRA training infrastructure for agents. After completion of online training agents appear for DRA certification test conducted by IIBF. The success rate of agents to clear the exam is around 80%. The Company has plan to cover all its DMS agents with DRA certification in coming 2 years.

Over years, BFL has taken various measure to strengthen its debt management process. Some of which are enumerated below:

- It has set up a centralised call monitoring infrastructure for its outsourced debt management services agency network to improve controllership. All agencies are required to make collection calls only through this infrastructure. All calls are now being recorded and monitored periodically to ensure compliance of debt management code of conduct.
- It has opened dedicated debt management service desks across 38 branches (includes top locations and sensitive markets as well) to address debt related queries of walk-in customers. The Company is committed to expand coverage of this model across more cities in future.
- It has set up a centralised helpdesk for assisting and processing debt management services related requests.
- It has formed a dedicated in-house team and a centralised calling unit to enable speedier resolution of debt management related complaints of aggrieved customers.
- It has implemented a Debt Recovery Agent (DRA) certification process for its agents.
- It has formed a dedicated team of service advisors in service centres to address and resolve queries of delinquent customers raised over phone through a customer care number of the Company.
- It has expanded the scope of interaction experience score to seek the customers' rating on the debt management services agent interaction.
- It has significantly strengthened its compliance framework to ensure strict adherence by the debt management service agencies of its code of conduct policy and fair practice code. This framework lays down a penal staircase for non-compliance. BFL investigates every customer complaint pertaining to debt management services and takes appropriate corrective and penal action.
- It developed 20 situational videos in eight vernacular languages which form part of the training module on its debt management services mobility app. These provide clear understanding to agents on the do's and don'ts while interacting with a customer.

Portfolio Quality

BFL has experience of lending and servicing to 69.1 million customers. Most businesses are focused on acquiring mass affluent customers – who represent bigger wallets, larger cross-sell opportunities, and more acceptable risks. The Company has not only diversified risk across millions of customers and product categories but has also diversified its risk and portfolio in 3,733 urban and rural locations in India.

BFL has continued to pursue a diversification and granularity strategy, which is represented in the product, customer, and geographical mix. Product diversity has further strengthened over the past years with build-up of used car financing, medical equipment finance etc. and the portfolio continues to shift the mix towards secured lending: for instance, mortgages now form 31% of our overall portfolio. Simultaneously, high risk products like two and three-wheeler finance now contribute less to the portfolio: now at 5%. The Company also continues to deepen its geographical presence and has added 229 locations to take our total presence to 3,733 locations. BFL's rural businesses now contribute 10% of the overall portfolio and are growing at a faster

pace than metros and larger geographies. BFL continues to re-pivot its mix towards lower risk assets like mortgages. It also continues its strategy of 'acquire and cross-sell' to manage cost and portfolio risk, based on its experience of an existing customer demonstrating significantly lower credit risk than a new customer and ensures acceptable risk across portfolios over the cycle.

As part of its long-range strategy, BFL is further expanding its product offering by launching new car loans, micro finance and tractor financing and relaunching loan against property for MSME customers.

As mentioned earlier, BFL ended the year with significantly improved stage 2 assets of 1.23%, gross NPA of 0.94% and net NPA of 0.34% on a consolidated basis. These metrics not only surpass the pre-pandemic levels but are also among the best in BFL's history. The Company's macroeconomic and management overlay provision was ₹ 960 crore as on 31 March 2023 versus ₹ 1,060 crore as on 31 March 2022. The provision coverage on non-NPA assets, excluding the management overlay provision, stood at 84 bps and at 118 bps including the macro and management overlay provision. Consequently, BFL has entered FY2024 with among the best every portfolio quality.

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, systems, or human factors, or from external events. Operational risk is inherent in BFL's business activities, as well as in the related support functions. The goal is to keep it at an appropriate level relative to the characteristics of BFL's businesses, the markets in which it operates and the regulatory environment.

BFL has in place an internal Operational Risk Management (ORM) Framework to manage operational risk in an effective and efficient manner. This framework aims at assessing and measuring the magnitude of risks, its monitoring and mitigation. The key objective is to enable the Company to ascertain an increased likelihood of an operational risk event occurring in a timely manner to take steps to mitigate the same. It starts with identifying and defining KRI's/KPIs through process analysis and ending with formulation of action plans in response to the observed trends in the identified metrics. This is achieved through determining key process areas, converting these to measurable and quantifiable metrics, setting tolerance thresholds for the same and monitoring and reporting on breaches of the tolerance thresholds in respect of these metrics. Corrective actions are initiated to bring back the breached metrics within their acceptable threshold limits by conducting the root cause analysis to identify the failure of underlying process, people, systems, or external events.

The businesses, along with support units and operations, play a critical part in managing operational risk daily, in addition to implementing internal control related policies and procedures. Continuous monitoring of risk is carried out at multiple levels through key risk indicators ('KRI')/key performance indicators ('KPI') and control charts.

- To enhance the effectiveness of internal processes, system and controls and to ensure compliance with regulations and instructions, BFL has defined various KPIs that it monitors across various business and functions regularly.
- The ORM framework ensures complete process adherence at the time of customer onboarding. Dedicated compliance units have been formed across businesses to monitor adherence to policies and process. As part of its ORM framework, BFL concurrently reviews four areas: info-security, process lapse, misinformation, and mis-selling.
- BFL has established a 'Customer Complaints Root Cause Analysis' team under the customer experience officer to fix policy and process gaps that lead to customer complaints.
- It has also established cross-functional teams to identify and implement processes changes keeping customer expectations in mind.
- The operations unit has a dedicated process compliance team for concurrent audits to monitor adherence to laid down policies and processes.
- Controls on operations processes executed from branches and the Head Office are managed through defined processes to be adhered to by customer facing and operations staff.
- As a part of the control governance, the operations compliance team conducts periodic audits and actions are taken in accordance with the Company's policy.
- It has also established hind-sighting processes and control charts to monitor operations compliance and adherence.

The Company has opted for a bottom-up approach of risk identification, where internal compliance teams have been created in respective businesses and functions to drive ownership and culture of minimising operational risk by developing a strong control culture by making first line of defence, which owns the risk.

In BFL, internal compliance consists of following units which cover the length and breadth of the customer life cycle.

- **Sales Compliance unit:** Embedded in business units with focus on increasing controls in the sales units around onboarding of customers. It ensures complete process adherence at the time of customer onboarding and has formed compliance teams across businesses to monitor adherence to policies and process. As part of this, BFL concurrently reviews four areas: information security, process lapse, misinformation, and mis-selling.
- **DMS Compliance unit:** Embedded in debt management services ensuring strict adherence of code of conduct policy and fair practice code by the debt management services agencies. DMS compliance framework lays down a penal staircase for non-compliance. BFL investigates every customer complaint pertaining to debt management services and takes appropriate corrective, preventive, and penal action.
- **Process Compliance unit:** Embedded in operations to monitor processes focused on customer transaction, services, and debt management related services. In the FY2021, BFL had established a 'Customer Complaints Root Cause Analysis' team under the customer experience officer to fix policy and process gaps leading to customer complaints. This has led to continuous reduction in customer complaints in FY2023.
- **Technology Compliance unit:** Embedded in the information technology unit with focus on internal and external environment consisting of network, applications, quality, cloud services, data management, security and review of rules and regulations.
- **Risk unit:** Focus on product programme and related credit policy adherence in the loan book. The activity aims at making sure that loans which are disbursed adhere to the policies and procedures put in place by the organisation.

Technology

Technology is at the forefront of BFL's business transformation journey, and it has continuously leveraged existing and emerging technologies to launch new products, accelerate customer acquisition and improve customer experience along with simplifying the back-office processes.

Digital platforms are customer facing platforms across app and web. BFL currently has one consumer app platform (Bajaj Finserv App), one web platform (www.bajajfinserv.in) and three marketplaces hosted on www.bajajmall.in. It is committed to provide a frictionless customer experience across all these digital platforms. The Company has invested deeply in domain talent and technologies in last two years and onboarded 618 employees to build these platforms.

Enterprise data platforms remains an integral part of our business operations and BFL constantly works on enhancing its core data platforms and focuses on various data science initiatives.

With a scalable cloud-based Enterprise Data Warehouse (EDW) in place, BFL has now moved its entire raw data to a data lake environment. The data lake enables exploratory data analysis on the raw data as against curated data/variables in EDW and is being used to run large workloads. Currently 200 number of workloads are being run on Data Lake. BFL has significantly improved scalability of its data platforms in the year gone by and continues to invest in improving its data infrastructure. New addition to the existing data platform stack is data streaming infrastructure which enables real-time data ingestion, data processing and data propagation for various business use cases.

BFL continues to improve its capabilities in various data science spaces such as search facility across multiple digital properties, optical character recognition (OCR), natural language processing (NLP), and machine learning (ML) based models. These technologies enable frictionless customer experience at all customer touch points.

Customer data platform (CDP): BFL has onboarded most retail businesses on integrated marketing cloud and CDP for efficient digital marketing and sales campaigns management and increase governance and controllership. The CDP enables multi-channel orchestration, customer communication, call governance with an integrated multi-dialer and multi-lingual architecture.

Infrastructure and security layer: The Company continues to strengthen its security practices with structured roadmap to safeguard its ever-expanding customer information and partner ecosystem. BFL ensures that all customer data is secured with multi-layered security approach. It continues to invest in cyber

defence solutions and technologies and to focus on automation of security orchestration for timely response to cyber incidents through its Security Operations Centre. It gets its processes audited through independent security audit firms and swiftly acts upon any findings. BFL is increasingly moving towards implementing zero trust framework, ensuring high availability (HA) infrastructure and regular HA drills for all mission critical platforms including customer facing digital properties.

DevOps: The Company continues to make improvements in its DevOps framework which delivers process efficiencies across the system by reducing delivery timelines. BFL monitors over 9,300 KPIs daily to check system performance and reduce latencies.

Technology talent bench: BFL continues to enhance its in-house technology resource strength and focuses on augmenting its partner resource capacity to support various technology-led business initiatives. It recently launched the Bajaj Young Technical Engineers (BYTE) programme to ensure development of the technical skill set to support its technology incentives. Please refer to 'Human Resource' section for more details on BYTE program.

Technology investments: One of the critical strategy for BFL is to invest in technology companies that work closely with it on building digital assets. In FY2023, BFL invested ₹ 92.74 crore to acquire a 41.5% stake in SnapWork Technologies Private Ltd. (STPL) to strengthen its technology roadmap. STPL is engaged in the business of developing, consulting, providing, exporting, importing, marketing, dealing in and implementation of software technology and allied products for its clients and conducting research and development for the same. STPL has significant experience working with banking, financial services and insurance clients in providing development and technical manpower services. Going forward, BFL plans to invest in relevant technology companies and co-create products to further strengthen its technology roadmap.

New Initiatives: Over the years, BFL has leveraged existing and emerging technologies to launch new products, accelerate customer acquisition and simplify back-office processes. In FY2023, it launched two 'gamified' experience based on Augmented Reality (AR) on its consumer app and plans to launch multiple such experiences in near future. These should help BFL to improve customer engagement and app retention.

Analytics

Data, technology and analytics are core enabling pillars of BFL's transformational journey. The Company has been continuously investing in this space and has reached a stage where business application of data solutions is now a business-as-usual practice across all stages of the customer life cycle.

BFL uses business intelligence and analytics across all spheres of its operations. In doing so, it widely democratizes its analytical capabilities across the Company. It builds and deploys analytical models across new customer acquisition, cross-sell, propensity management, risk management, debt management, operations and customer service. All functions and business verticals are equipped with advanced data science technology and highly productive data science teams, enabling faster digital platform adoption as part of the Company's Omnipresence strategy.

BFL has been continuously investing and adopting various evolving technologies and analytical tools like Big Data, Cloud Computing and Open-Source software like Python. This has enabled access to sophisticated statistical techniques to solve complex business and risk problems. These have taken analytics and portfolio insights to a level where solutions are much more nuanced and specific.

The Company has also been developing and implementing multiple machine learning models. This along with capabilities like OCR, unstructured to structured data etc. are getting integrated with business processes. These technologies enable decision engines with real time processing capabilities which, in turn, enable unique customer propositions like 'get it now' and 'straight through processing' to constantly push towards a smoother and frictionless customer experience. In doing so, BFL is conscious of a customer's privacy and ensures customer consent is obtained for any cross-sell offerings. These capabilities have given the confidence to commit significant investments to further the use of these new domains. Here are some examples:

- BFL's entire data ecosystem and analytic workloads are now hosted on the Microsoft Azure platform. This allows computational flexibility to develop and deploy Big Data workloads. Over 1000 users are actively using the infrastructure. It also enables high frequency monitoring of KPIs and visual drill downs using Microsoft PowerBI.
- As part of the digital transformation journey of the Company, capabilities have been developed to enable agile development and deployment of credit risk models. This involves developing and testing prototypes of credit risk models and allowing the Company to identify and address any issues early on.

- In addition to traditional credit bureau data, BFL is now deeply integrated with the Account Aggregator (AA) ecosystem for leveraging consent-based information. Alternative data sources, such as AA are being used to build real time underwriting capabilities and provide frictionless customer experience.
- BFL continues to expand our suite of statistical models for risk management across all stages of the credit lifecycle – acquisition, account management and debt management. Capabilities like OCR enable structuring of unstructured data, providing new sets of variables for further refining risk models, and making these more granular to capture specific nuances to enable going deeper in geographies.
- BFL's capability on risk analytics and scorecards helps adherence to the Expected Credit Loss (ECL) based provisioning requirement. This has also led the Company to re-define and strengthen its governance and processes around model monitoring and build controls around continuous validation of risk scorecards.
- With the help of advanced analytics, BFL is able to offer more personalised loan products and services on its digital platforms.
- Analytics solutions on product recommendation at point-of-sale, response propensity for targeted cross-sell, call volume forecasting for efficient capacity planning and the like are embedded in Company's business processes. BFL remains committed to refine these solutions on an on-going basis to garner better efficiencies.
- The developments in data infrastructure have enabled the risk and process units to run real time controls across multiple decisioning and operational processes to further strengthen the credit and operations risk management framework.
- BFL continues to explore and test latest analytical tools and solutions and are currently working in areas like knowledge graphs.
- By democratising analytics, data science, and centres of excellence across multiple businesses and functions, we are constantly fostering a culture of data orientation and analysis to address everyday issues. This is being done by providing multiple data science training and implementation of practitioner programs. We also have an active campus hiring framework with focus on technology and data science through the BFL BYTE program.

Customer Service

The Company constantly strives to provide the best experience to its customers while ensuring that complaints are reduced on an ongoing basis. It is consistently capturing 'Voice of Customer (VOC)' to enhance its services by introducing a variety of self-service capabilities across channels. BFL continues to enhance and introduce varied communication and service channels to keep its customers regularly informed and to address their queries and requests. It capture transactional customer satisfaction (CSAT) score on the Bajaj Finserv app for multiple service journeys to gauge the outcome of its customer engagement efforts. BFL has received over 34,000 responses with a 74% CSAT score since December 2022. BFL aims to create seamless onboarding processes thereby ensuring faster disbursement with minimal documentation and clear and transparent customer communication.

Digital self-service

In continuation of its digital transformation journey that started in FY2021 with the launch of the new Bajaj Finserv App, BFL has gone live with 26 service modules covering more than 270 service journeys on the Bajaj Finserv app and My Account (Website). Through these self-service digital touchpoints, the Company has enabled customers to complete multiple journeys like card blocking, SOA downloads, e-Mandate, etc. on a real-time basis.

During FY2023, more than 58.0 million statement of accounts were successfully viewed/shared/downloaded, more than 2.2 lakh customers have updated their e-Mandate, and more than 2.7 lakh customers have requested for KYC update through the app and web. Additionally, BFL has been observing increased adoption of self-service modules across multiple channels including IVR and cash deposit machines at branches.

BFL has seen continuous growth in the usage of self-service modules across various other channels, Self-service through IVR stood at 79% as on 31 March 2023 and more than 6.7 lakh customers deposited cash through our CDMs (Cash Deposit Machines) at branches. Given higher digital penetration, branch walk-ins decreased from 3.18% in FY2021 to 1.83% in FY2022 and significantly reduced to 0.99% in FY2023 for urban branches & 0.88% in FY2021 to 0.55% in FY2022 and significantly reduced to 0.43% in FY2023 for rural branches. BFL has also provisioned a 'Dynamic Missed Call Service' for getting life-stage-based details of the latest relationships with BFL.

Assisted services

To assist customers who wish to reach out to service for assistance, BFL has provided customers with options of 'Dynamic Missed Call Service' and 'bi-directional SMS' that allows them to view details of their most recent relationships with BFL. Some of the services which are available through these channels are loan details, EMI Card details etc. BFL also ensures continuous engagement with its customers across multiple channels including branches, social media, and voice channel for raising queries and grievances.

Fair Practice Code (FPC)

FPC is at the core of dealing with customer; and the Company has been taking various initiatives to ensure strict compliance of these guidelines. BFL has established a dedicated FPC unit which works with all the businesses and functions across the organisation to ensure strict compliance. Over the years, focused efforts have been undertaken with respect to customer collaterals, transparency, fair dealing, and in ensuring ease of understanding by providing critical customer documents (like loan agreements, branch notices etc.) in the customers' preferred language. Additionally, customer communications across digital channels like IVR and mobile apps are also made available to customers in 13 vernacular languages.

RBI Ombudsman

BFL has a dedicated team which deals with the concerns or complaints raised by the customers. Additionally, it has implemented the grievance redressal mechanism, the RBI Ombudsman scheme, and the Internal Ombudsman (IO) scheme within the organisation to deal with unresolved or partly resolved concerns and complaints of its customers. More recently, the regulator introduced a 'Scheme for Internal Ombudsman' and extended it to NBFC on a selective basis. This scheme requires IO to be at the apex of the NBFC to independently review the resolution provided by the NBFC in the case of wholly or partially rejected complaints. BFL has two IOs to independently examine the resolution provided in such cases as well as all escalations received from the regulator.

BFL takes all necessary steps to ensure a timely resolution of customer complaints including escalations to the regulator with utmost vigilance and sensitivity. Customers can report their grievances and request to RBI- CEPC centres, or to the Ombudsman offices via email, written letter or enter directly on the RBI CMS Portal (Complaint Management System). BFL has a dedicated eight-member team that handles and resolves these escalations in a time-bound manner.

To ensure quick response and resolution to customer complaints and escalation received from regulators, BFL has also established localised presence at Chennai, Kolkata, Chandigarh, and Lucknow. All the 22 RBI ombudsman centres are internally mapped to the relevant member of the RBI escalation management unit.

Complaint Root Cause Resolution (CRCR)

A dedicated team has been formed with the primary objective of reducing customer queries and complaints through a combination of data analysis, customer interactions and identification of root causes. CRCR team drives necessary changes at the Company level across process, policy, people, and technology to fix the identified root causes.

Customer Communication

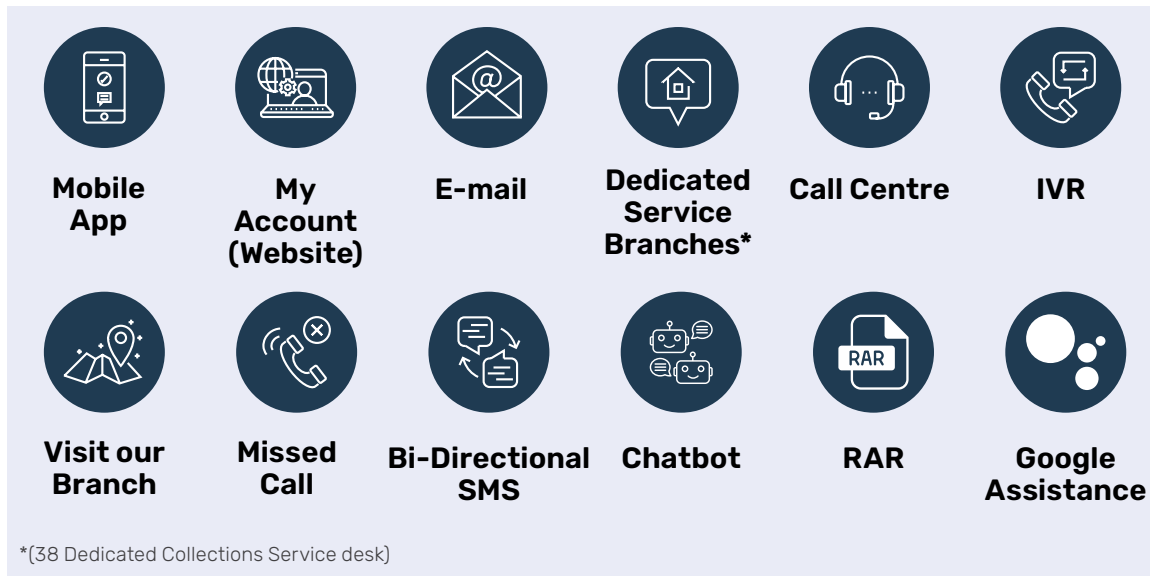
The Company has a dedicated unit to manage communication content and governance across the customer life cycle with BFL. It operates continuously to review, improve, and drive customers communication through proactive and reactive engagements. Further, BFL has created 82 videos to promote self-service to customers who otherwise reach out through various touchpoints for their basic enquiries and servicing needs.

Online Educational Campaigns

In November 2022, BFL conducted an extensive awareness campaign to spread awareness around online safety, cyber security, financial education, RBI Ombudsman scheme and alternate grievance redressal mechanism. Additionally, it focuses on online education campaigns and has created almost 200 videos in hindi and five regional languages which are available on various social media properties such as YouTube, Instagram etc.

Customer Service Channels

BFL envisages to be an omnipresent financial services company and focuses on enabling its existing and new customer to engage, transact and get serviced across multiple online and offline channels. Below are the channels where customer can reach out to BFL for self-service, enquiring, raising concerns, queries and complaints related to their loans, products, services etc.



Credit Rating and Asset Liability Management (ALM)

BFL enjoys the highest credit rating of AAA/stable from CRISIL, ICRA, CARE and India Rating for its long-term debt programme and A1+ from CRISIL, ICRA and India Ratings for its short-term debt programme. The Company's deposits programme is also rated the highest with credit rating of CRISIL AAA/Stable and ICRA AAA/Stable. These ratings reaffirm the high reputation and trust that the Company has earned for its sound financial management and ability to meet financial obligations.

BFL had been initially assigned a long-term issuer credit rating of 'BBB-/stable' and a short-term issuer credit rating of 'A-3' by S&P Global Ratings for its external commercial borrowings (ECB) programme. On 30 March 2022 S&P assigned the long-term rating of BFL to 'BB+/Positive' and short-term rating to 'B'.

The Company's consolidated total borrowing was ₹ 216,690 crore as on 31 March 2023. Its Asset-Liability Committee (ALCO), set up in line with the guidelines issued by the RBI, monitors asset liability mismatches to ensure that there are no imbalances or excessive concentrations on either side of the balance sheet. BFL's business model lends itself to having an inherent ALM advantage due to large EMI inflow emanating from short tenor businesses which puts it in an advantageous position for servicing of its near-term obligations.

BFL funds its liquidity requirements through use of appropriate funding avenues involving various market instruments, bank borrowings and deposits. Further, the Company ensures a healthy asset-liability maturity profile and keeps abundant liquidity in addition to meeting various regulatory requirements viz. Statutory Liquidity Ratio (SLR) and Liquidity Coverage Ratio (LCR) as prescribed by the RBI. The liquidity management and resource mobilisation strategy achieved significant efficiency in the Company's sourcing of funds with an optimal mix of deposits and borrowings from banks and markets. It ensured that despite tight liquidity conditions throughout FY2023 enough liquidity was available to meet its debt service obligations and business growth requirements.

At a consolidated level, BFL maintained an average liquidity buffer of ₹ 11,371 crore in FY2023, representing 6% of its average outstanding borrowings in FY2023. It had a consolidated liquidity surplus of ₹ 11,852 crore as on 31 March 2023, representing 6% of outstanding borrowings.

The Company's prudent ALM stance of concentrating on longer duration borrowings enabled it to counter the policy rate hikes of 250 bps during FY2023. As compared to the policy rate increase, BFL's cost of funds grew just by 23 bps.

BFL exceeds the regulatory requirement of liquidity coverage ratio (LCR) introduced by the RBI in FY2020. This requirement stipulates that all deposit taking NBFCs are required to maintain sufficient liquidity surpluses in the form of high-quality liquid assets (HQLAs) on an ongoing basis to withstand any potential liquidity disruption event. Such HQLAs are to be maintained as a percentage of net cash outflows in a stressed scenario. BFL maintains HQLAs primarily in the form of treasury bills and government securities.

At present, the LCR requirement is at 70% for BFL, which will move up to 85% from 01 December 2023 and 100% by 01 December 2024. For BHFL, the current LCR requirement is at 60% and will move to 70% from 01 December 2023.

As on 31 March 2023, BFL maintained a LCR of 113%. BHFL maintained a LCR of 150%. Both are well above the RBI's stipulated norms.

Table 7 gives the behavioural maturity pattern of BFL's asset and liabilities; and depicts its prudent approach towards ALM management. As can be seen, BFL has maintained significant cumulative positive ALM position across all buckets including the 1-7 days, 8-14 days and 15-31 days, while the extant RBI regulation permits a negative ALM mismatch of up to 10%, 10% and 20% respectively.

Table 7: Behaviouralised ALM snapshot as on 31 March 2023

(₹ in crore)

Particulars	1 to 7 days (one month)	8 to 14 days (one month)	15 to 30/31 days (one month)	Over one month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to one year	Over one year to 3 years	Over 3 to 5 years	Over 5 years	Total
A. Inflows											
Cash and investments	6,647	9,367	1,682	6	40	228	308	3,279	1,253	9,230	32,041
Advances	6,002	1,958	4,444	8,217	7,596	19,054	28,619	67,353	23,809	15,875	182,926
Trade receivable and others	5,103	131	168	512	493	147	183	731	624	3,519	11,611
Total inflows	17,752	11,456	6,294	8,735	8,129	19,429	29,110	71,363	25,686	28,624	226,578
B. Cumulative total inflows	17,752	29,208	35,502	44,237	52,366	71,795	100,905	172,268	197,954	226,578	
C. Outflows											
Borrowing's repayment	10,201	2,135	1,857	6,779	8,448	11,427	29,800	57,138	21,651	18,422	167,858
Other outflows	2,209	336	1,699	1,599	97	43	340	262	297	345	7,227
Capital reserves and surplus										51,493	51,493
Total outflows	12,410	2,471	3,556	8,378	8,545	11,470	30,140	57,400	21,948	70,260	226,578
D. Cumulative total outflows	12,410	14,881	18,437	26,815	35,360	46,830	76,970	134,370	156,318	226,578	
E. Gap (A - C)	5,342	8,985	2,738	357	(416)	7,959	(1,030)	13,963	3,738	(41,636)	
F. Cumulative gap (B - D)	5,342	14,327	17,065	17,422	17,006	24,965	23,935	37,898	41,636	-	
G. Cumulative gap (%) (F/D)	43%	96%	93%	65%	48%	53%	31%	28%	27%	-	
H. Permissible cum. gap (%)	(10%)	(10%)	(20%)								

The assigned portfolio outstanding as on 31 March 2023 stood at ₹ 1,902 crore on a standalone basis and of ₹ 5,110 crore on a consolidated basis. BFL's judicious strategy of maintaining a longer duration for liabilities than assets, coupled with an optimal mix of borrowings between banks, money markets, external commercial borrowings and deposits have helped the Company to effectively manage its net interest margin throughout FY2023.

Human Resources

BFL is an equal opportunity employer. Our people are our key assets and pillars of strength. We have adopted people practices that enable us to attract, retain and nurture talent in an increasingly competitive market and to foster a work culture that is always committed to providing them with the best opportunities.

Learning and Development

BFL's learning and development framework is based on the philosophy of 'Perform to Transform'. It provides structured learning opportunities to all employees, from a new joiner to a tenured one, as per their role, level, and specific focus area. At early career stages, the focus is on making the employee role-ready through functional knowledge and skill-based training, moving to managerial capability building at mid-levels, and leadership at senior levels. Even the topmost levels of leadership undergo a leadership programme every year.

Recognising the importance of structured onboarding and training of new joiners, a new On-the-Job-Training (OJT) framework has been launched. This provides for planned conversations between a new employee and his or her manager for a period of one year to ensure hand holding, training and support. Such conversations and feedbacks are facilitated and recorded on Employee 360, a one-stop portal for all employee related information.

Career and growth

BFL empowers its people to learn, grow and take their career forward through a transparent Internal Job Postings (IJP) and Auto-Promotion policies. IJP allows them to apply for a role of their interest thus giving them the choice to acquire multi-disciplinary skills. It also leads to development of well-rounded talent for the Company. During the year 8,614 employees were promoted under our unique Auto Promotion Policy and 5,267 employees moved through IJP within the same/another business or functions within the group. BFL Group employees undergo quarterly, biannual, and annual performance assessments, which are conducted in a transparent manner and focused on structured development conversations.

Reward and Recognition

BFL's robust reward and recognition framework motivates our people to go from 'Good to Great'. We reward and recognise exemplary performance, unique contributions and change efforts. BFL's philosophy of 'Do More Earn More' rewards people for their performance and contribution which are anchored on metricised work deliverables. This empowers them and instils a sense of ownership at all levels.

A select group of employees (approximately 1%) join an exclusive club of achievers called the 'Excelsior League' every year. The league invites the selected employees and their families to join the recognition celebration at a company-level function.

Business Transformation

In line with the Company's business transformation strategy, BFL has made significant changes to its employee policies and practices. It has adopted a twin lens approach: first that caters to the needs of its large and distributed employee base; and the second which focuses on rapidly scaling our talent pool across critical domains such as technology, analytics, and data science. The transformation aims to build future focused, employee centric and technology enabled practices and processes. The core of this is to empower managers to chart out the career progression of their teams. The manager is enabled and empowered with data and technology platforms that help him take on this responsibility. The HR function takes the responsibility of enablement, governance and assisting the cultural shift.

To meet the demand for tech talent, BFL manage a young talent program called Bajaj Young Technical Engineers (BYTE). BYTE, a campus programme, aims to attract and build ground-up tech talent. In the current year, 356 new engineers joined BFL from eleven chosen campuses taking the overall count of engineers under BYTE program to 625. This programme has become a foundational frame for us with the objective to staff over 60% of the technical manpower requirements over the next few years.

Employee benefits and well-being

Well-being of employees has always been at the core of our philosophy. We have tied-up with various partners to assist employees in managing their physical and mental health using tele-consultation and counselling facilities. We have in place a comprehensive mediclaim policy for employees and their immediate family. This is further enhanced through an employee participatory financial assistance program called 'i-Care' for emergency situations, whether medical or otherwise. We encourage our employees to enrol in this programme and contribute a small amount from their monthly salaries, which is matched by us participating with an equal amount.

To serve our large, distributed, and diverse employee base, we have formulated policies and practices that cater to their varying needs. Some of these policies and practices are given below:

- A fortnightly salary policy that enables an employee to receive salary on a fortnightly basis instead of monthly.
- Money-on-call policy that allows an employee to request for their salary in advance in the event of a cash crunch in critical situations.
- A spouse consultant policy that encourages qualified spouses of BFL employees to work on special projects in the Company to enable them to fulfil their career aspirations while balancing the family demands.
- A spectrum policy provides benefits to women employees covering safety, cab facility, travel policy, flexible working hours, preferential transfer policy, maternity linked benefits, creche benefits etc. This ensures the safety and security of our women employees and encourages them to work and grow in the organisation. Our corporate office has 21% female employees.
- Dedicated 'Rural Training Centres' focuses on delivering differentiated skill enhancement training programs for employees in rural locations.

As a result of these employee practices, our employee attrition for FY2023 was amongst the lowest in last few years.

Awards and Recognitions

During the year, BFL received the following prestigious awards for its people practices:

- Recognised by Great Place to Work™ as India's Best Workplaces™ Building a Culture of Innovation by All (2023-2024).
- Recognised by Great Place to Work™ as India's Best Workplaces™ in BFSI (2023-2024).

BFL remain an equal opportunity employer and follow non-discrimination in all practices. As on 31 March 2023, BFL, along with its subsidiaries, had 43,147 full-time employees. It added 7,722 employees in FY2023.

Internal Control Systems and their Adequacy

BFL has robust internal controls system in place, driven through various procedures and policies which are reviewed and tested periodically, across processes, units and functions. Our risk and credit teams have an eye on the market; have inbuilt processes to identify the existing and probable risks and to mitigate identified risks. Senior management also monitors the mitigating measures. The Company has various committees including Risk Management Committee and the Asset and Liability Committee, with participation from various functions, which are designed to review and oversee critical aspects of BFL's operations.

BFL has instituted the three lines of defence model, viz.

- First Line of Defence - Internal Operations Management and Management Controls.
- Second Line of Defence - Risk and Compliance function.
- Third Line of Defence - Internal Audit function.

To further strengthen the second line of defence, the Company has appointed a Chief Compliance Officer (CCO). Under CCO's supervision, the compliance function shall, among others, be responsible for identification and assessment of compliance risks, provide guidance on related matters and monitor and test compliances across the organisation.

BFL has dedicated control functions for testing the design and efficiency of ICOFR on regular basis and timely remediation of control deficiencies identified, if any. Further, we monitor Information and Technology General Controls (ITGC) on a periodic basis. The Company has formed specialised units within IT and operations function for carrying out regular checks to ensure that the processes set for these functions are complied with and gaps identified, if any, are set right on regular basis. The control functions implement, review and monitor the standards and lay down policies and procedures by which the functions manage risks including compliance with regulatory guidelines and applicable laws, adherence to operational controls and relevant standards of conduct.

The Company has implemented controls through systems and processes ensuring a robust control framework. The scope of risk based internal audit of the Company also includes system and process audits in respect of all critical processes. The Internal Audit department and compliance function review the business unit's adherence to internal processes and procedures as well as to regulatory and legal requirements providing timely feedback to management for corrective action, including minimising the design risk, if any.

BFL's Risk Management, Operational Risk Management, Information Technology and Cyber Security practices have been already elaborated in earlier sections of this chapter.

Further, in line with the RBI's notification dated 03 February 2021, BFL had implemented Risk-Based Internal Audit (RBIA) methodology from 01 April 2021. The RBIA is linked to the Company's overall risk management framework. BHFL, though not required to have RBIA, has voluntarily adopted the same.

The Audit Committee of the Board also reviews the performance of the audit and compliance functions and reviews the effectiveness of controls and compliance with regulatory guidelines. In the opinion of Board and the Senior management, internal control systems are well placed and work in a satisfactory manner.

Fulfilment of the RBI's Norms and Standards

BFL fulfils and often exceeds the applicable norms and standards laid down by the RBI relating to the recognition and provisioning of Stage III (qualifying non-performing) assets, capital adequacy, statutory liquidity ratio, liquidity coverage ratio etc. Table 8 demonstrates BFL and BHFL's prudent practices detailing its performance ratios compared to the minimum requirements of the RBI.

In FY2023, the RBI has issued following important circulars: -

- Non-Banking Finance Companies – Upper Layer (NBFC-UL) – Pursuant to “Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs”, the RBI vide press release dated 30 September 2022 classified BFL as NBFC-UL. As per the requirement of the SBR applicable to NBFC-UL, BFL has created a Board approved policy for adoption of the enhanced regulatory framework applicable to NBFC-UL and implementation plan for adhering to the new set of regulations.
- Compliance Function and Role of Chief Compliance Officer (CCO) – NBFCs: BFL was required to put in place a Board approved compliance policy and establish a compliance function, including the appointment of a Chief Compliance Officer (CCO), latest by 01 April 2023 and 01 October 2023, respectively. Accordingly, BFL has put in place a Board approved policy and also appointed its CCO.
- Loans and Advances – Regulatory Restrictions – NBFCs: The circular required NBFCs to put in place a Board approved policy on loans and advances given to and contracts awarded to directors, their relatives and related entities and senior officers and their relatives. BFL has put in place Board approved policy for the same.
- Scale Based Regulation (SBR) for NBFCs: Capital requirements for Non-Banking Finance Companies – Upper Layer (NBFC-UL): NBFC-UL are required to maintain, on an on-going basis, Common Equity Tier-1 (CET1) ratio of at least 9 per cent. The CET-1 ratio of BFL is well above the required statutory limit.
- Large Exposures Framework for Non-Banking Financial Company – Upper Layer (NBFC-UL): Circular dated 19 April 2022 required upper layer NBFCs to define maximum exposure norms to a single counter party and group of interconnected counter parties. BFL has put in place Board approved policy and has complied with the same.
- Provisioning for Standard assets by Non-Banking Financial Company – Upper Layer: Circular dated 06 June 2022 prescribed for different rate of provisioning for different categories of standard assets. For NBFCs which are required to comply with Indian Accounting Standards (Ind AS) for the preparation of their financial statements to include these rates in the computation of prudential floor. ECL provisions made by BFL for standard assets (stage-1 and stage-2) are higher than standard asset provisioning required by prudential norms at portfolio level.
- Guidelines on Compensation of Key Managerial Personnel (KMP) and Senior Management in NBFCs: These guidelines required NBFCs to put in place a Board approved compensation policy which shall at the minimum include, (a) constitution of a Remuneration Committee, (b) principles for fixed/variable pay structures, and (c) malus/clawback provisions. BFL already has a Nomination and Remuneration Committee and it has put in place a Board approved policy in line with the requirements of this circular. As part of its board approved policy, BFL is committed for a tighter compliance than prescribed in this guideline.
- Internal Capital Adequacy Assessment Process (ICAAP): Scale based regulation issued on 22 October 2021 required NBFC-UL and NBFC-ML to make a thorough internal assessment of the need for capital, commensurate with the risks in their business on similar lines as ICAAP prescribed for commercial banks under Pillar 2. BFL has already put in place a Board approved ICAAP policy and placed a proforma ICAAP document for FY2022.
- Implementation of ‘Core Financial Services Solution’ by Non-Banking Financial Companies (NBFCs): NBFC – Middle and Upper Layers with 10 or more ‘Fixed point service delivery units’ are required to implement ‘Core Financial Services Solution (CFSS)’, akin to the Core Banking Solution (CBS) adopted by banks on or before 30 September 2025. BFL is already in compliance of the same.
- Disclosures in Financial Statements– Notes to Accounts of NBFCs: This circular requires NBFCs to make certain additional disclosures in their financial statements and is effective from annual financial statements for year ending 31 March 2023. BFL has included these disclosures in its financial statements for FY2023.

Table 8: BFL and BHFL's regulatory ratios compared to the minimum requirements of the RBI

Particulars	Bajaj Finance Ltd.		Bajaj Housing Finance Ltd.	
	As on 31 March 2023	RBI stipulation	As on 31 March 2023	RBI stipulation
Capital to Risk-weighted Assets Ratio (CRAR)	24.97%	15.00%	22.97%	15.00%
Of which Tier-I	23.20%	10.00%	22.19%	10.00%
Statutory Liquidity Ratio	20.20%	15.00%	NA	NA
Liquidity Coverage Ratio	113%	70%	150%	60%
Cumulative asset liability mismatch				
1-7 days	43%	(10%)	12%	(10%)
8-14 days	96%	(10%)	13%	(10%)
15-30 days	93%	(20%)	11%	(20%)

Bajaj Housing Finance Ltd. (BHFL)

Bajaj Housing Finance Ltd. (BHFL), a wholly owned subsidiary of BFL, is registered as a non-deposit taking housing finance company with the National Housing Bank (NHB) since September 2015 to carry the business of housing finance. BHFL started its lending operation from July 2017. Pursuant to the Scale Based Regulation (SBR) issued by the Reserve Bank of India (RBI) on 22 October 2021, the RBI released list of NBFC's in the Upper Layer under the SBR for NBFC's on 30 September 2022. Amongst the 16 NBFC's identified by the RBI, Bajaj Housing Finance Ltd. has been identified as one of them for categorisation as NBFC-UL under this framework.

BHFL offers following products to its customers: (i) home loans; (ii) loans against property; (iii) lease rental discounting; and (iv) developer financing. It also has a dedicated vertical offering home loans and loan against property to the rural sector and to MSME customers.

BHFL enjoys the highest credit rating of AAA/stable from CRISIL and India Rating for its long-term debt programme and A1+ from CRISIL and India Ratings for its short-term debt programme. These reaffirm the reputation and trust BHFL has earned for its sound financial management and ability to meet financial obligations.

BHFL is one of the large housing finance companies in India. It is focused on scaling up all its portfolios with dedicated focus on retail individual housing and granular exposures of corporate and developer portfolio. It strives to offer seamless processes and consistent experience to its customers. Accordingly, BHFL has implemented various industry first digital initiatives including OTP based e-sanction letter and e-agreement to provide quick and hassle-free loan onboarding experience to its customers. To continue its growth momentum, BHFL is investing in geographic expansion through its micro market strategy and deepening of its structures.

BHFL is focused on building a low-risk portfolio. Individual housing loans contribute to about 62% of the overall portfolio. Further, 95% of individual home loans pertains to even lesser-risk customers, viz. salaried customers and self-employed professionals. Going forward, BHFL intends to expand its housing loans business to self-employed and affordable housing segment with a calibrated risk strategy to cover full spectrum of housing loan market.

To increase its home loan penetration, BHFL continues to: (i) deepen its presence at existing developer projects', (ii) increase distribution reach, and (iii) leverage developer finance relationship for higher retail home loan contribution.

With its differentiated underwriting capabilities, the developer finance portfolio of BHFL has demonstrated an immaculate portfolio performance over the years. It will continue to (i) expand its geographical footprint, (ii) deepen relationships with existing developers, and (iii) onboard newer developers that meet its underwriting standards and allow building a granular portfolio.

In commercial real estate, BHFL now offers financing for commercial construction and lease rental discounting for build to suit warehousing and industrial properties. It continues to widen geographical presence to further strengthen its market share in this business while deepening its relationship structure to offer best-in-class service to these customers.

BHFL Business Update

After a gap of over two years, FY2023 was the first financial year without any significant COVID-19 disruption. However, the after-effects of the pandemic, rising inflation and the Russia-Ukraine conflict created global financial risks. Central banks across the world resorted to increase interest rates and reduce systemic liquidity. The RBI was no exception: it increased the repo rate six times in FY2023 from 4.0% to 6.5%, an increase of 250 bps. Mortgages is a floating rate portfolio and this increase in repo led to an upward repricing of mortgage loans, resulting in temporary higher spread for the housing finance sector.

The first half of FY2023 witnessed increased home sales and intense competition across financiers thereby driving lending rates to their lowest. However, multiple repo rate hikes in the second half led to significant increase in mortgage lending rates thereby impacting the business momentum.

BHFL continues to maintain its price competitiveness across its product offerings aided by its low cost of funds. In FY2023, BHFL received its first ever sanction from the National Housing Bank (NHB) under its refinance scheme at an attractive rate. This will enable diversification of liabilities pool for the Company and offer advantage to its cost of funds.

BHFL raised additional ₹ 2,500 crore of equity capital on 07 April 2022 through right issue to its parent company viz. BFL. With this round of capital raise, BHFL now has a capital base of more than ₹ 10,500 crore. BHFL's CRAR as on 31 March 2023 was comfortable at 22.97% against the regulatory requirement of 15%.

Home Loans

BHFL offers home loans to mass affluent salaried, professional and self-employed customers for ready to move in as well as under construction homes in 51 locations across India with an average loan value of ₹ 5.0 million. It follows a micro-market strategy using a mix of direct and indirect channels. It also offers external benchmark (Repo) linked home loans options to its customers. The home loans business AUM stood at ₹ 41,037 crore as on 31 March 2023, or a growth of 23% over FY2022.

Loan Against Property (LAP)

BHFL offers Loan Against Property (LAP) to SMEs, MSMEs, self-employed individuals and professionals against mortgage of their residential and commercial properties. It uses both direct and indirect channels for sourcing LAP business. This LAP business is present in 29 locations across India with an average loan value of ₹ 7.2 million. The AUM stood at ₹ 6,538 crore, a growth of 5% over FY2022.

Lease Rental Discounting (LRD)

BHFL focuses financing to high-net-worth individuals (HNIs) and developers for their lease rental discounting needs with loan amounts ranging from ₹ 10 crore to ₹ 550 crore. This involves financing against lease rental cashflows of commercial properties occupied by prominent lessees under a long-term lease contract. It also offers construction finance for commercial properties to existing LRD customers as well as warehousing LRD. These products are offered across 12 locations in India and BHFL plans to expand its presence to 6 more locations in FY2024. AUM from this business stood at ₹ 11,260 crore as on 31 March 2023, growth of 64% over FY2022.

Developer Loans

BHFL focuses on construction to small and mid-size developers with strong track record of timely project delivery and loan repayments with average loan value of ₹ 30 crore. It offers developer loans in 13 locations and plans to expand this to 7 more locations in FY2024. Developer relationships further enable BHFL to acquire low risk retail home loans. BHFL also offers inventory finance to developers against their unsold completed construction inventory. Repayments for these loans are secured through escrow arrangements. AUM under this business grew by 92% over FY2022 and stood at ₹ 6,026 crore as on 31 March 2023.

Rural Mortgage Loans

BHFL offers home loans and loans against property to salaried and self-employed customers across 85 small towns in India. Rural mortgages business operates at an average loan value of nearly ₹ 1.7 million. This business helps BHFL widen its geographic reach and reduce portfolio concentration. BHFL closed FY2023 with rural mortgages AUM of ₹ 2,592 crore.

Partnerships and Services

In partnership with various financial service providers, BHFL offers life insurance, general insurance, health insurance, online primary healthcare assistance services and other financial services products to its customers.

Table 9: BHFL's Assets Under Management

Particulars	(₹ in crore)		
	FY2023	FY2022	Change
Housing loans (including top ups)	41,037	33,238	23%
Loan against property	6,538	6,221	5%
Lease rental discounting	11,260	6,848	64%
Developer finance	6,026	3,136	92%
Rural mortgage loans	2,592	2,276	14%
Other loans	1,775	1,603	11%
Total	69,228	53,322	30%

Table 10: BHFL's Financial Performance

Particulars	(₹ in crore)		
	FY2023	FY2022	Change
Total income	5,665	3,767	50%
Interest and finance charges	3,211	2,155	49%
Net interest income	2,454	1,612	52%
Total operating expenses	630	471	34%
Pre-impairment operating profit	1,824	1,141	60%
Impairment on financial instruments	124	181	(31%)
Profit before tax (PBT)	1,700	960	77%
Profit after tax (PAT)	1,258	710	77%
Other comprehensive income/(expenses)	4	(1)	
Total comprehensive income	1,262	709	78%
Earnings per share (EPS) basic, in ₹	1.88	1.45	30%

Bajaj Financial Securities Ltd. ('BFinsec')

Bajaj Financial Securities Ltd. ('BFinsec'), a wholly owned subsidiary of BFL, is registered with the SEBI as a stockbroker and depository participant. BFinsec started its business operations from August 2019 with a strategy to ring fence loan against securities (LAS) customers of BFL by providing them a full suite of investment products and services. During FY2023, BFinsec expanded its presence from 7 to 26 locations. It offers demat, broking, margin trade financing and financing for offer for sale to retail and HNI clients. It offers spread financing to its customers through BFL. It also offers various financing solution through BFL to its customers. These include financing for new equity listing (IPO finance) and financing for employee stock option plan (ESOP finance).

With a view to provide better trading experience to its customers, BFinsec upgraded its website and mobile trading app with the following major capabilities:

- Online application for Sovereign Gold Bonds through BFinsec's trading platform.
- Market Smith, a third-party research tool to provide stock recommendations on our web and mobile application.
- Bonds India, a third-party platform for applying bonds online through BFinsec trading platform
- IPO application via BFinsec platform with key features of - Early access, subscription status and UPI validation.
- Enabled application of SME IPO's through BFinsec web and mobile application.
- 'Scanners' enable stock analysis and filter basic key parameter and matrices to find new trading ideas efficiently.

- Screener and result dashboard feature added under insights.
- Enhancement of online service capabilities to include add nominee in trading account, request for account closure, request for conversion of MTF position to cash delivery
- Enhancement to EKYC process for journey optimisation and EKYC facility for NRI customers
- Introduction of Demat Debit and Pledge Instructions (DDPI) replacing power-of-attorneys.
- Mobile and web is now available in Hindi, Marathi and Gujrati, apart from English.
- Facility to place Buy/Sell order along with stop loss and target order for both cash, and futures and option segment i.e. bracket and cover order.
- E-voting feature to facilitate members/shareholders to cast vote in electronic form for the companies.
- Android TAB and iPad compatible trading App.
- Integrated App analytics engine to understand customer behaviour on mobile platforms
- Watchlist has been revamped for quick addition of scripts, voice-based search, segment wise search result, display of holding quantity, enhanced watchlist interface with grid view for easy understanding.
- UI/UX Improvements for help text on order page, e-DIS/e-pledge access from holdings, funds addition on rejected order, holding and net positions dashboard, AMO order based on market timing and MTF pledge as well as separate dashboard for T1 & T2 stocks.
- WhatsApp Chat Bot for transaction and services.
- MTF product for non-POA customers.
- Tools and Calculator – Feature to view margin files and calculate brokerage and required margin.
- Feedback and Rating – Facility to get feedback and ratings about our Applications from the customers.
- Trading View – New charting tool to enhance the charting experience of our customers.
- XIRR Logic – Addition of XIRR values in P&L report for returns assessment.
- News Upgrade – Clickable news feed to get detailed news on the stocks and market.

BFinsec's SAMADHAN platform offers various service options to customers via self-help Q&As and ticket-based query resolution for various queries. Partner portal is focused on acquiring and servicing partners for driving customer acquisition. It's Independent Business Associate ('IBA') channel facilitates low-cost customer acquisition across all geographies and cross-sell third party products including that of BFL.

With a base of approximately 565,100 customers as on 31 March 2023, BFinsec offers the following:

HNI Demat and Broking: Demat and broking services to affluent HNI clients, who get an option of call-in-trade service through dedicated traders. It offers customised brokerage plans to such clients which can be availed based upon their trading needs. HNI clients with high trading volumes are provided an option of a trading terminal. As on 31 March 2023, BFinsec had over 22,500 HNI clients.

Retail Demat and Broking: Demat and broking services to retail clients through a set of customised discount broking plan to choose from based upon the trading needs. BFinsec offers trading facility over a web portal and a mobile app. Retail client can also avail value added services of call-in-trade from BFinsec. During the year BFinsec added over 216,850 customers. Apart from acquisition BFinsec is also focusing on customer activation. As on 31 March 2023, BFinsec had over 542,600 such customers.

Margin Trade Financing (MTF): MTF facility to both HNI and retail clients, who can purchase approved securities by paying required margin and the balance amount is funded by BFinsec. As on 31 March 2023, the MTF AUM stood at ₹ 1,064 crore.

BFinsec generated total income of ₹ 204 crore and profit after tax of ₹ 8 crore in FY2023.

Table 11: BFinsec's Financial Performance

Particulars	(₹ in crore)	
	FY2023	FY2022
Total income	204	124
Interest and finance charges	69	29
Net interest income	136	95
Total operating expenses	124	72
Impairment on financial instruments (₹ 0.22 crore, FY2022 ₹ 0.27 crore)		
Profit before tax (PBT)	11	23
Profit after tax (PAT)	8	17
Other comprehensive income/(expenses) (₹ 0.05 crore, FY2022 ₹ (0.12) crore)		
Total comprehensive income	8	17
Earnings per share (EPS) basic, in ₹	0.13	0.54

Concluding Comments

After carefully prevailing over the COVID-19 years (FY2021 and FY2022), Bajaj Finance has come back to its usual status of posting excellent operational and financial results in FY2023. Although there are some storm clouds on the horizon – relatively high CPI inflation, the chances of perhaps one or two other repo rate hikes by the RBI depending upon the actions taken by the US Federal Reserve, and the insecurities posed by the continuing Russia-Ukraine conflict – there are reasons to believe that BFL is well placed to continue posting good results in FY2024. Internally, the Company's Omnichannel strategy will be even more apparent throughout all relevant points of customer interface. We, therefore, expect to generate greater customer acquisition, higher customer loyalty, more profitable cross-selling and better margins for each of our businesses. Simply put, FY2024 should be at least as good as FY2023.

Table 12: Key Finance Indicators: Last 16 years

Financials snapshot	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	CAGR (16 Years)
	AUM	2,478	2,539	4,032	7,573	13,107	17,517	24,061	32,410	44,229	60,196	82,422	1,15,888	1,47,153	1,52,947	1,97,454	
Income from operations	503	599	916	1,406	2,172	3,110	4,073	5,418	7,333	9,989	12,757	18,500	26,386	26,683	31,648	41,406	34%
Interest expenses	170	164	201	371	746	1,206	1,573	2,248	2,927	3,803	4,614	6,623	9,473	9,414	9,754	12,560	33%
Net interest income	332	435	715	1,035	1,426	1,904	2,500	3,170	4,406	6,186	8,143	11,877	16,913	17,269	21,894	28,846	35%
Operating Expenses	193	220	320	460	670	850	1,151	1,428	1,898	2,564	3,270	4,197	5,662	5,308	7,587	10,130	30%
Loan losses & provisions	109	164	261	205	154	182	258	385	543	804	1,030	1,501	3,929	5,969	4,803	3,190	25%
Profit before tax	30	51	134	370	602	872	1,091	1,357	1,965	2,818	3,843	6,179	7,322	5,992	9,504	15,528	52%
Profit after tax	21	34	89	247	406	591	719	898	1,279	1,837	2,496	3,995	5,264	4,420	7,028	11,508	52%
Ratios	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	
Opex to Nil	58.1%	50.6%	44.8%	44.4%	47.0%	44.6%	46.0%	45.0%	43.1%	41.4%	40.2%	35.3%	33.5%	30.7%	34.7%	35.1%	
Return on assets	0.7%	1.4%	2.8%	4.4%	4.2%	4.1%	3.6%	3.3%	3.5%	3.7%	3.7%	4.2%	4.1%	3.1%	4.2%	5.3%	
Return on equity	2.0%	3.2%	8.0%	19.7%	24.0%	21.9%	19.5%	20.4%	20.9%	21.6%	20.1%	22.5%	20.2%	12.8%	17.4%	23.5%	
Net NPA *	7.00%	5.50%	2.20%	0.80%	0.12%	0.19%	0.28%	0.45%	0.28%	0.44%	0.43%	0.63%	0.65%	0.75%	0.68%	0.34%	
NPA provisioning coverage	30%	32%	55%	79%	89%	83%	76%	71%	77%	74%	70%	60%	60%	58%	58%	64%	
CRAR (standalone)	40.7%	38.4%	25.9%	20.0%	17.5%	21.9%	19.1%	18.0%	19.5%	20.3%	24.7%	20.7%	25.0%	28.3%	27.2%	25.0%	
Leverage ratio	2.6	2.5	3.8	5.9	6.4	5.3	6.2	6.8	6.3	6.6	5.4	6.3	5.1	4.7	4.9	5.1	

Note 1: As per the RBI regulations, NINPA percentages for upto 2015 are at 6 months overdue, 2016 is at 5 months overdue, 2017 is at 4 months overdue, 2018 to 2021 are at 3 months overdue and 2022 onwards is at 91 days passed due.

Note 2: All figures till including FY2017 are as per previous GAAP, whereas for FY2018 onwards are as per IndAS

Note 3: All figures from FY2018 onwards are on consolidated basis except as otherwise stated.

Cautionary Statement

Some statements in this Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking' within the meaning of applicable laws and regulations. Actual results may differ from those expressed or implied.