

Independent Auditors' Report on the Consolidated Financial Statements

To the Members of **Bajaj Finserv Ltd.**

Opinion

1. We have audited the accompanying Consolidated Ind AS financial statements of Bajaj Finserv Ltd. 'the Holding Company' and its subsidiaries (Holding Company and its subsidiaries together referred to as 'the Group'), and its joint venture, which comprise the consolidated Balance Sheet as at 31 March 2022 and the consolidated Statement of Profit (including other comprehensive income), the consolidated Statement of Changes in Equity and consolidated Statement of Cash Flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information ('the Consolidated Financial Statements').
2. In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements of such subsidiaries and joint venture, as were audited by the other auditors, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ('the Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group, and its joint venture as at 31 March 2022, and its consolidated profit and other comprehensive loss, consolidated changes in equity and its consolidated cash flows for the year then ended.

Basis for opinion

3. We conducted our audit in accordance with the Standards on Auditing ('SAs') specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditors' responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Group, and its joint venture in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the consolidated financial statements under the provisions of the Act, and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained along with the consideration of audit reports of the other auditors referred to in the 'Other Matters' paragraph below is sufficient and appropriate to provide a basis for our opinion on the consolidated financial statements.

Emphasis of matter

4. We draw attention to the note 46(4)(A)(j) to these consolidated financial statements, relating to the consolidated financial statements of Bajaj Finance Ltd., a subsidiary of the Holding company, which describes the continuing uncertainties arising from COVID pandemic.

Our opinion is not modified in respect of this matter.

Key audit matters

5. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report on the Consolidated Financial Statements (Contd.)

Key audit matter	How the matter was addressed in our audit
Allowances for expected credit losses ('ECL'): Refer to the accounting policies in 'Note 46(5) to the consolidated Ind AS financial statements: expected credit loss'	
<p>The joint auditors of Bajaj Finance Ltd., a subsidiary of the Holding Company, have reported that 'As at 31 March 2022, the carrying value of loan assets measured at amortised cost, aggregated ₹ 191,423.25 crore (net of allowance of expected credit loss ₹ 4,404.79 crore) constituting approximately 90% of the Group's total assets. Significant judgment is used in classifying these loan assets and applying appropriate measurement principles. ECL on such loan assets is a critical estimate involving greater level of management judgment.</p> <p>As part of risk assessment, determined that ECL on such loan assets has a high degree of estimation uncertainty, with a potential range of reasonable outcomes for the consolidated financial statements. The elements of estimating ECL which involved increased level of audit focus are the following:</p> <ul style="list-style-type: none"> Qualitative and quantitative factors used in staging the loan assets measured at amortised cost; Basis used for estimating Probabilities of Default ('PD'), Loss Given Default ('LGD') and exposure at default ('EAD') product level with past trends; Judgments used in projecting economic scenarios and probability weights applied to reflect future economic conditions; and Adjustments to model driven ECL results to address emerging trends. 	<p>'Auditors have examined the policies approved by the Boards of Directors of the Company and of the subsidiary that articulate the objectives of managing each portfolio and their business models. Also verified the methodology adopted for computation of ECL ('ECL Model') that addresses policies approved by the Boards of Directors, procedures and controls for assessing and measuring credit risk on all lending exposures measured at amortised cost. Additionally, have confirmed that adjustments to the output of the ECL Model is consistent with the documented rationale and basis for such adjustments and that the amount of adjustment been approved by the Audit Committee of the Board of Directors. Audit procedures related to the allowance for ECL included the following, among others:</p> <p>Testing the design and operating effectiveness of the following:</p> <ul style="list-style-type: none"> Completeness and accuracy of the Exposure at Default ('EAD') and the classification thereof into stages consistent with the definitions applied in accordance with the policy approved by the Board of Directors including the appropriateness of the qualitative factors to be applied. completeness, accuracy and appropriateness of information used in the estimation of the PD and LGD for the different stages depending on the nature of the portfolio; accuracy of the computation of the ECL estimate including methodology used to determine macro-economic overlays and adjustments to the output of the ECL Model; and validity of changes made to the Structured Query Language ('SQL') queries used for the ECL calculations including approval thereof by the designated officials. <p>Testing details on a sample basis in respect of the following:</p> <ul style="list-style-type: none"> accuracy and completeness of the input data such as period of default and other related information used in estimating the PD; the mathematical accuracy of the ECL computation by using the same input data as used by the group; use of the appropriate SQL queries for calibration of ECL rates and its application to the corresponding loan asset portfolio of the group or part thereof; completeness and accuracy of the staging of the loans and the underlying data based on which the ECL estimates have been computed. evaluating the adequacy of the adjustment after stressing the inputs used in determining the output as per the ECL model to ensure that the adjustment was in conformity with the overlay amount approved by the audit committee of the group.

Independent Auditors' Report on the Consolidated Financial Statements (Contd.)

Key audit matter	How the matter was addressed in our audit
Information technology system for the financial reporting and consolidation process	
The joint auditors of Bajaj Finance Ltd., a subsidiary of the Holding Company, have reported that	'With the assistance of IT specialists, the auditors obtained an understanding of the Group's IT applications, databases and operating systems relevant to financial reporting and the control environment. For these elements of the IT infrastructure the areas of our focus included access security (including controls over privileged access), program change controls, database management and network operations. In particular:
'The Group is dependent on its Information Technology ('IT') systems due to the significant number of transactions that are processed daily across such multiple and discrete IT systems. Also, IT application controls are critical to ensure that changes to applications and underlying data are made in an appropriate manner and under controlled environments. Appropriate controls contribute to mitigating the risk of potential fraud or errors as a result of changes to applications and data.	<ul style="list-style-type: none"> Tested the design, implementation and operating effectiveness of the Group's general IT controls over the IT systems relevant to financial reporting. This included evaluation of Group's controls over segregation of duties and access rights being provisioned / modified based on duly approved requests, access for exit cases being revoked in a timely manner and access of all users being recertified during the period of audit. Tested key automated and manual business cycle controls and logic for the reports generated through the IT infrastructure that were relevant for financial reporting or were used in the exercise of internal financial controls with reference to financial statement. Tests including testing of the compensating controls or alternate procedures to assess whether there were any unaddressed IT risks that would materially impact the financial statements.'
On account of the pervasive use of its IT systems, the testing of the general computer controls of the IT systems used in financial reporting considered to be a key audit matter'	

Other information

6. The Holding Company's Board of Directors are responsible for the other information. The other information comprises the information included in the Holding Company's Annual Report but does not include the consolidated financial statements and our auditors' report thereon. The other information is expected to be made available to us after the date of this auditors' report.
7. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
8. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed and based on the work done / audit report of other auditors, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's and Board of Director's responsibility for the consolidated financial statements

9. The Holding Company's Management and Board of Directors are responsible for the preparation and presentation of these consolidated financial statements, that give a true and fair view of the consolidated state of affairs, consolidated profit and other comprehensive income, consolidated changes in equity and consolidated cash flows of the Group including its joint venture in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards ('Ind AS') specified under section 133 of the Act. The respective management and Board of Directors of the companies included in the Group and of its joint venture are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and of its joint venture and for preventing and detecting frauds and other irregularities;

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the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

10. In preparing the consolidated financial statements, the respective management and Board of Directors of the companies included in the Group and of its joint venture are responsible for assessing the ability of each company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Group or to cease operations or has no realistic alternative but to do so.
11. The respective management and Board of Directors of the companies included in the Group and of its joint venture are responsible for overseeing the financial reporting process of the Group and of its joint venture.

Auditor's responsibilities for the audit of the consolidated financial statements

12. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
13. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also
 - 13.1 Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - 13.2 Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Holding Company and its subsidiary companies which are companies incorporated in India have adequate internal financial controls with reference to the consolidated financial statements and the operating effectiveness of such controls.
 - 13.3 Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
 - 13.4 Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its joint venture to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report.

Independent Auditors' Report on the Consolidated Financial Statements (Contd.)

- 13.5 Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 13.6 Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its joint venture to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of financial statements of the Company. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits conducted by them. We remain solely responsible for our audit opinion.
- 13.7 Materiality is the magnitude of misstatements in the consolidated financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the consolidated financial statements may be influenced.
- 13.8 We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the consolidated financial statements.
- 14. We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- 15. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- 16. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matters

- 17. The joint auditors of Bajaj Allianz Life Insurance Company Ltd. ('BALIC'), a subsidiary, have reported that 'the actuarial valuation of liabilities for life policies in force and for policies in respect of which premium has been discontinued but liability exists as at 31 March 2022 is the responsibility of the Company's Appointed Actuary (the 'Appointed Actuary'). The actuarial valuation of these liabilities for life policies in force and for policies in respect of which premium has been discontinued but liability exists as at 31 March 2022 has been duly certified by the Appointed Actuary and in his opinion, the assumptions for such valuation are in accordance with Ind AS 104 'Insurance Contracts', Ind AS 109 'Financial Instruments', guideline and norms, issued by IRDAI and Institute of Actuaries of India in concurrence with the Authority. BALIC's auditor's have relied upon the Company's Appointed Actuary's certificate in this regard for forming our opinion on the valuation of liabilities for life policies in force and for policies in respect of which premium has been discontinued but liability exists in special purpose Ind AS financial statements of the Company'. Our opinion is not modified in respect of this matter based on the opinion expressed by the joint statutory auditors of BALIC.

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18. The joint auditors of Bajaj Allianz General Insurance Company Ltd. ('BAGIC'), a subsidiary, have reported that 'The actuarial valuation of liabilities in respect of claims Incurred But Not Reported (IBNR) and claims Incurred But Not Enough Reported (IBNER) is the responsibility of the Company's Appointed Actuary. The actuarial valuation of these liabilities as at 31 March 2022 has been duly certified by the Appointed Actuary. The Appointed Actuary has also certified that in his opinion, the assumptions for such valuation are in accordance with guidelines and norms, issued by the IRDAI and the Institute of Actuaries of India in concurrence with the IRDAI. BAGIC's auditor's have relied upon the Company's Appointed Actuary's certificate in this regard for forming our opinion on the financials statements of the Company'. Our opinion is not modified in respect of this matter based on the opinion expressed by the joint statutory auditors of BAGIC.
19. We did not audit the financial statements of six subsidiaries whose financial statements reflect total assets of ₹ 335,922.61 crore (before consolidation adjustments) as at 31 March 2022, total revenues of ₹ 68,721.13 crore (before consolidation adjustments), total net profit after tax of ₹ 8,693.41 crore (before consolidation adjustments), total comprehensive income of ₹ 8,113.57 crore (before consolidation adjustments) and net cash inflows amounting to ₹ 55.05 crore (before consolidation adjustments) for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and joint venture, and our report in terms of section 143(3) of the Act, in so far as it relates to the aforesaid subsidiaries, is based solely on the reports of the other auditors.
20. The consolidated financial statements also include the total share of net loss after tax of ₹ 0.36 crore (before consolidation adjustments) and share of total comprehensive loss of ₹ 0.15 crore (before consolidation adjustments) for the year ended 31 March 2022, as considered in the consolidated financial statements, in respect of one joint venture, whose financial statements/financial information have not been audited by us. This financial statements/financial information have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these entities, and our report in terms of section 143(3) of the Act in so far as it relates to the aforesaid entities, is based solely on such report of the other auditors.
21. Attention is drawn to the fact that the audited consolidated financial statements of the Company for the year ended 31 March 2021 were audited by erstwhile auditors whose report dated 28 April 2021, expressed an unmodified opinion on those audited consolidated financial statements. Our opinion is not modified in respect of these matters.
22. Our opinion on the consolidated financial statements, and our report on other legal and regulatory requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

Report on other legal and regulatory requirements

23. As required by section 143(3) of the Act, based on our audit and on the consideration of audit reports of the other auditors on separate financial statements of such subsidiaries, as were audited by other auditors, as noted in the 'Other matters' paragraph, we report, to the extent applicable, that
- 23.1 We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.

Independent Auditors' Report on the Consolidated Financial Statements (Contd.)

23.2 In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.

23.3 The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flow dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.

23.4 In our opinion, the aforesaid consolidated financial statements comply with the Ind AS specified under Section 133 of the Act.

23.5 On the basis of the written representations received from the directors of the Holding Company as on 31 March 2022, taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary companies, incorporated in India, none of the directors of the Group companies, incorporated in India are disqualified as on 31 March 2022 from being appointed as a director in terms of Section 164(2) of the Act.

23.6 With respect to the adequacy of internal financial controls with reference to the consolidated financial statements of the Holding Company, its subsidiary companies, and its joint venture companies incorporated in India and the operating effectiveness of such controls, refer to our separate report in 'Annexure A'.

23.7 In our opinion and according to the information and explanation given to us and based on reports of the statutory auditors of such subsidiary companies and joint venture company incorporated in India which were not audited by us, the remuneration paid during the current year by the Holding Company, subsidiaries and joint venture company incorporated in India to its directors is in accordance with the provisions of and the limits laid down under section 197 read with Schedule V of the Act.

24. With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of audit reports of the other auditors on separate financial statements of such subsidiaries, as noted in the 'Other Matters' paragraph

24.1 The consolidated financial statements disclose the impact of pending litigations as at 31 March 2022 on the consolidated financial position of the Group. Refer Note 42A to the consolidated financial statements.

24.2 Provision has been made in the consolidated financial statements, as required under the applicable law or Ind AS, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 5 to the consolidated financial statements in respect of such items as it relates to the Group.

24.3 There has been no delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund by the Holding Company and its subsidiary companies, joint venture companies incorporated in India.

24.4 The respective Managements of the Company and its subsidiaries and joint venture which are companies incorporated in India, have represented to us that to the best of their knowledge and belief that no funds (which are material either individually or in aggregate) have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Holding Company or any such subsidiary companies or joint venture to or in any other person(s) or entity(ies), including foreign entities ('Intermediaries'), with the understanding, whether recorded in writing or otherwise, that the intermediary shall, whether, directly or indirectly lend or invest in other

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persons or entities identified in any manner whatsoever by or on behalf of the Holding Company or any such subsidiary companies or joint venture ('Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf of the ultimate beneficiaries.

24.5 The respective Managements of the Company and its subsidiaries and joint venture which are companies incorporated in India, have represented to us to the best of their knowledge and belief that no funds (which are material either individually or in aggregate) have been received by the Holding Company from any person(s) or entity(ies), including foreign entities ('Funding Parties'), with the understanding, whether recorded in writing or otherwise, that the Holding Company or any such subsidiary companies or joint venture shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the funding party ('Ultimate Beneficiaries') or provide any guarantee, security or the like on behalf of the ultimate beneficiaries.

24.6 Based on reasonable audit procedures adopted by us and those performed by the auditors of the subsidiaries and joint venture, incorporated in India, nothing has come to our notice or other auditors notice that has caused us to believe that the representation under clause (i) and (ii) of the Rule 11(e), as provided under 24.4 and 24.5 above, contains any material misstatement.

24.7 In our opinion and according to the information and explanations given to us, the dividend declared during the year the by the Holding Company is in compliance with provisions of Section 123 of the Act.

25. With respect to the matters specified in paragraphs 3(xxi) and 4 of the Companies (Auditors' Report) Order, 2020 (the 'CARO') issued by the Central Government in terms of Section 143(11) of the Act, to be included in the Auditors' report, according to the information and explanations given to us, and based on the CARO reports issued by us for the Company and based on our consideration of CARO reports issued by the respective auditors of the Company's such subsidiaries as referred to in paragraph 19 above, we report that there are no qualifications or adverse remarks in these CARO reports .

For Khimji Kunverji & Co LLP
Chartered Accountants
ICAI Firm Registration Number: 105146W/W100621

Ketan S Vikamsey
Partner
ICAI Membership Number: 044000
UDIN: 22044000AHYQPB6475

Pune: 28 April 2022

Annexure A to the Independent Auditors' Report

Annexure A to the Independent Auditors' report on the Consolidated Financial Statements of Bajaj Finserv Ltd. for the year ended 31 March 2022

(Referred to in paragraph 23.6 under 'Report on other legal and regulatory requirements' section of our report of even date)

Report on the Internal Financial Controls with reference to the aforesaid consolidated financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

Opinion

1. In conjunction with our audit of the consolidated financial statements of Bajaj Finserv Ltd. as of and for the year ended 31 March 2022, we have audited the internal financial controls with reference to the consolidated financial statements of Bajaj Finserv Ltd. ('the Holding Company') and its subsidiary companies, which are companies incorporated in India, as of that date.
2. In our opinion, the Holding Company, and its subsidiary companies and its joint venture company, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls with reference to the consolidated financial statements and such internal financial controls were operating effectively as at 31 March 2022, based on the internal controls over financial reporting criteria established by the respective companies considering the essential components of such internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ('the Guidance Note').

Management's responsibility for internal financial controls

3. The respective company's Management and the Board of Directors of the Holding Company, its subsidiary companies, and its joint venture company, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls with reference to consolidated financial statements based on the internal controls over financial reporting criteria established by the respective companies considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's responsibility

4. Our responsibility is to express an opinion on the Holding Company, its subsidiaries, and its joint venture, which are companies incorporated in India, internal financial controls with reference to the consolidated financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing ('SA'), prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to the consolidated financial statements. Those SAs and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to the consolidated financial statements were established and maintained and if such controls operated effectively in all material respects.
5. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to the consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to the consolidated financial statements included obtaining an understanding of internal financial controls with reference to the consolidated financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of the internal controls based on the assessed risk.

Annexure A to the Independent Auditors' Report (Contd.)

The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

6. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the 'Other Matters' paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to the consolidated financial statements.

Meaning of internal financial controls with reference to the consolidated financial statements

7. A company's internal financial controls with reference to the Consolidated Financial Statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to the consolidated financial statements includes those policies and procedures that
 - (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
 - (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and
 - (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent limitations of internal financial controls with reference to the consolidated financial statements

8. Because of the inherent limitations of internal financial controls with reference to the consolidated financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to the consolidated financial statements to future periods are subject to the risk that the internal financial controls with reference to the consolidated financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Other matters

9. The joint auditors of Bajaj Allianz Life Insurance Company Ltd. ('BALIC'), a subsidiary, have reported that 'the actuarial valuation of liabilities for life policies in force and policies where premium is discontinued is required to be certified by the Appointed Actuary as per the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditors' Report of Insurance Companies) Regulations, 2002 (the 'IRDA Financial Statements Regulations'), and has been relied upon by the joint auditors, as mentioned in 'Other Matter' para of their audit report on the financial statements of the BALIC as at and for the year ended 31 March 2022. Accordingly, their opinion on the internal financial controls over financial reporting in respect of the valuation and accuracy of the aforesaid actuarial valuation is also certified by the Appointed Actuary and has been relied upon by them. Our opinion is not modified in respect of this matter.'
10. The joint auditors of Bajaj Allianz General Insurance Company Ltd. ('BAGIC'), a subsidiary, have reported that 'the actuarial valuation for claims Incurred But Not Reported (IBNR) and claims Incurred But Not

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Enough Reported (IBNER), has been duly certified by the Company's Appointed Actuary in accordance with the guidelines and norms issued by the Insurance Regulatory and Development Authority of India (the 'Authority') and the Institute of Actuaries of India in concurrence with the Authority, and has been relied upon by the joint auditors, as mentioned in 'Other Matter' paragraph of their audit report on the financial statements of the BAGIC as at and for the year ended 31 March 2022. Accordingly, their opinion on the internal financial controls with reference to financial statements does not include reporting on the design and operating effectiveness of internal controls over such actuarial liabilities. Our opinion is not modified in respect of this matter.

11. Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls system with reference to the consolidated financial statements in so far as it relates to ten subsidiary companies, one joint venture company, which are companies incorporated in India, is based on the corresponding reports of the auditors of such subsidiaries, associates incorporated in India.

For Khimji Kunverji & Co LLP
Chartered Accountants
ICAI Firm Registration Number: 105146W/W100621

Ketan S Vikamsey
Partner
ICAI Membership Number: 044000
UDIN: 22044000AHYQPB6475

Pune: 28 April 2022