

Management Discussion and Analysis

Bajaj Finserv Ltd. ('Bajaj Finserv', 'BFS' or 'the Company') is an unregistered core investment company (CIC) under RBI regulations 2020 and the holding company for the various financial services businesses under the Bajaj group. **Its vision is to be a diversified financial services group with a pan-India presence and, thus, offer life-cycle financial solutions for its various customers.**

Financial life-cycle needs of all customers ideally involve five phases:

- 1. Asset acquisition:** These are facilitated through loans and credit cards.
- 2. Asset protection:** This is carried out through general insurance policies.
- 3. Family health and income protection:** These are done using general, health and life insurance, guaranteed savings and digital access to the health ecosystem.
- 4. Investment and wealth management:** Through unit-linked investment products (ULIPs), fixed deposits and shares.
- 5. Retirement:** Met by annuities.

In turn, these needs are provided by companies providing (i) products and solutions, and (ii) digital platforms. Within Bajaj Finserv, these are:

a) Products and solutions, provided by:

- i. Bajaj Finance Ltd. (BFL), a large, listed, well-recognised and significantly profitable consumer finance and lending business in which BFS holds 52.49% stake and its unlisted 100% subsidiary, Bajaj Housing Finance Ltd. (BHFL), which is a profitable and fast growing enterprise engaged in various aspects of housing finance and development;
- ii. Bajaj Allianz General Insurance Company Ltd. (BAGIC); and Bajaj Allianz Life Insurance Company Ltd. (BALIC) which are unlisted joint ventures with Allianz SE of Germany, the global insurance and asset management company and in which BFS holds 74% stake;
- iii. Bajaj Finserv Asset Management Ltd. (BFSAMC), an unlisted wholly-owned subsidiary of BFS was incorporated in October 2021. It has been set up to function in all aspects as an asset management company.

b) Platforms, offered via:

- i. Bajaj Finserv Direct Ltd. (BFDL) an unlisted subsidiary in which BFS holds 80.13% stake with the remaining 19.87% held by BFL;
- ii. Bajaj Finserv Health Ltd. (BFHL) in which BFS holds 100% stake; and
- iii. Bajaj Financial Securities Ltd. (BFinsec), another wholly-owned subsidiary of BFL.

What is the role of Bajaj Finserv across all these ventures listed above?

The role of BFS is to regularly monitor and engage with its companies with the objective of long-term sustainable profit, meaningful market share, and effective use of capital – thereby delivering superior shareholder returns. We do this by driving companies to create institutionalised frameworks through accountable empowerment and by the encouragement of disruptive thinking. The monitoring and engaging roles are under five heads:

- 1. Businesses:** Rigorous engagement in long range planning and annual operating plans; regular review of all businesses and their SBUs; and periodic analysis of new business opportunities as well as strategic investments.
- 2. Risks:** Harmonisation of risk policies and framework; regular engagement with the Chief Risk Officers of the businesses; periodic review of top enterprise risks including credit, business, financial, operational, reputational, as well as the mitigation actions planned; and driving risk-related projects across the group such as operational risk management.
- 3. Collaboration and best practices:** These involve group knowledge forums covering analytics, technology, investments, governance, etc.; cross-company projects on data, innovation and digital

strategy; and cross-group stress identification forum to identify any cross-functional view on investment risks.

4. **People/HR:** The notion of 'One Finserv' which translates to group talent mobility; group young leader management trainee programmes; 30 under 30 programme; and a three-tier merit based remuneration plan combining fixed cash, annual bonus and ESOPs.
5. **Customer experience, investments and ESG:** To define customer service protocols for businesses; to review and standardise investment processes; and to provide oversight and monitoring of ESG policy and its implementation across the group.

As an unregistered core investment company (CIC), Bajaj Finserv is required to invest at least 90% of its net assets in group companies, of which at least 60% should be in the form of equity investments. Investments outside the group can only be made in specified short-term securities like money market instruments.

Bajaj Finserv also has investments in renewable energy through 138 windmills in Maharashtra with an aggregate installed capacity of 65.2 MW.

As required by regulation, the standalone and consolidated financial results of Bajaj Finserv are compliant with Indian Accounting Standards (Ind AS). The insurance companies are not covered under Ind AS. They prepare Ind AS financials only for the purpose of consolidation. Accordingly, the financials in the sections on BAGIC and BALIC in this chapter are as per Indian Generally Accepted Accounting Principles (Indian GAAP) and the regulations laid down by the Insurance Regulatory and Development Authority of India (IRDAI).

Macroeconomic Overview

Financial Year 2022-23 (FY2023) began on a mixed note. On the positive side, after two years, the impact of the Covid-19 pandemic on lives and livelihoods started receding – thanks to a successful mass immunisation programme and the advent of a less virulent variant called Omicron. However, the impact of inflationary trends, supply chain disruptions emanating from China, and the Russia-Ukraine conflict have been impacting commodity prices.

In FY2023, the Indian economy faced multiple challenges. The country's retail inflation indicator, consumer price inflation (CPI) went above the RBI's tolerance range of 6% in January 2022. It remained above this range for almost ten months, right up to October 2022. Rising international crude prices coupled with inimical domestic weather conditions kept food prices high, fuelling retail inflation. The government cut excise and customs duties and restricted exports to cool off inflation. Like other central banks, the RBI raised the monetary policy rates and reduced excess systemic liquidity. Major areas of concern were elevated commodity prices, higher retail inflation, depreciation of the Indian rupee and a rising current account deficit (CAD).

However, despite these 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 gives the data on real GDP and gross value added (GVA) and growth over the last four financial years.

Table 1: Real GDP and GVA and growth, India

	FY2020 (2 nd RE)	FY2021 (2 nd RE)	FY2022 (1 st RE)	FY2023 (2 nd 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. AE denotes advance estimate, and RE denotes revised estimate.

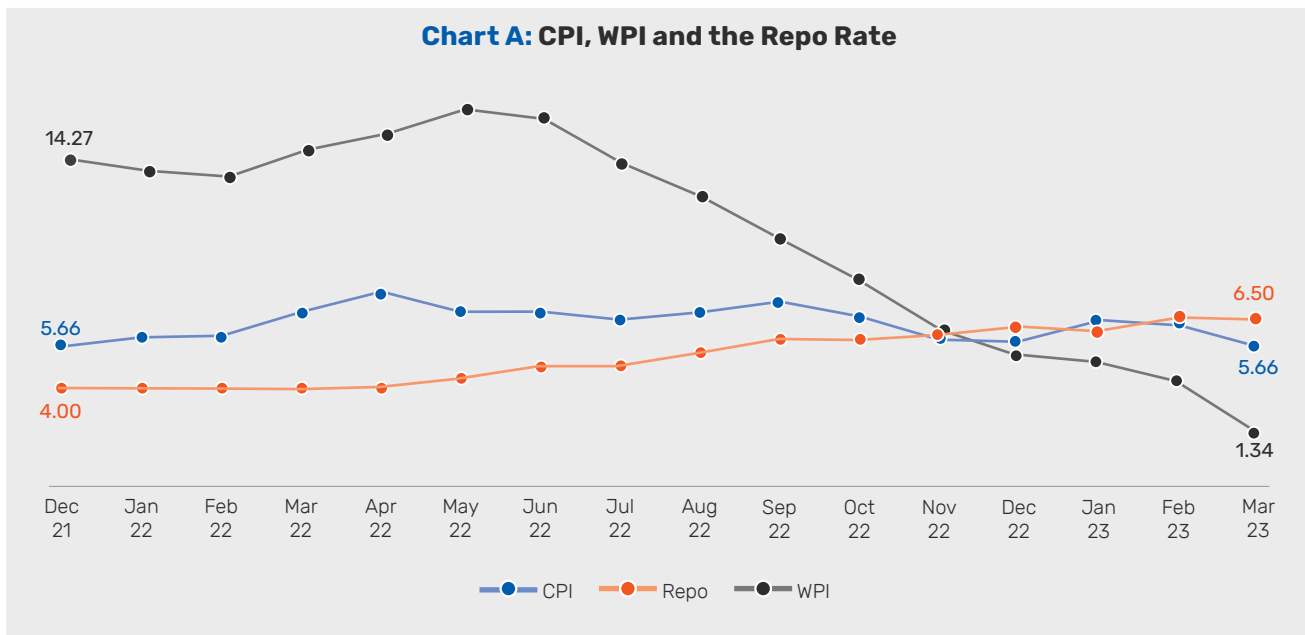
Private consumption has showed some signs of slowdown. However, the Central Government led capital expenditure has continued to be an important driver of the economy with gross fixed capital formation (GFCF) expected to contribute to 34.0% of the GDP in FY2023 versus 32.7% of the GDP in FY2022.

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 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. 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 since April 2022 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 A below depicts the movement of consumer price index (CPI), wholesale price index (WPI) and the repo rate since December 2021.



Non-food credit growth of the scheduled commercial banks was 15.9% as of 24 February 2023 over 25 February 2022 against 9.1% for the same period in the previous year. This was largely driven by services industry and personal loans which recorded a growth of 20.7% and 20.4% respectively as of 24 February 2023 versus 6.2% and 12.5% for the same period in the previous year.

Fortnightly data released by the RBI on 5 April 2023 reflected non-food credit growth of the scheduled commercial banks which 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. It has budgeted for ₹ 10 lakh crore 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 general expectation is that India's GDP for FY2024 would record a growth in excess of 6%. There are some potential headwinds. First, the world saw yet another set of banking turmoils in the USA and Switzerland, and the global financial sector remains jittery. Second, much depends on monsoons in FY2024. 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.

Overview of the Insurance Sector

The external environment was generally favourable for the insurance sector although there were some challenges to growth. There were significant and positive regulatory developments in the insurance sector in India. The announcement of the Insurance Regulatory and Development Authority of India's (IRDAI) Vision of 'Insurance for All' by 2047 marks the cornerstone for initiating the transformation for the Indian Insurance market. This was followed with various significant regulatory changes including, *inter alia*, introduction of know your customer norms at policy issuance stage for general and health insurance, opening of the corporate agency tie-ups to 27 insurance companies and moving all the general and health insurance products to the use and file regime. IRDAI has replaced its earlier individual cap on commission payments on individual insurance products with an overall cap on expenses of management of insurers, allowing the Boards of the insurers to define the payments through commission and expense policies. This is expected to benefit the insurance industry by making compliance less onerous, enhancing insurance penetration, allowing flexibility in business models and providing insurers with more options in terms of managing their expenses. These changes are effective from 1 April 2023.

Furthermore, in a move to transition from rule-based to principle-based regulatory framework for insurance in India, IRDAI, through the Life Insurance Council and General Insurance Council, set up a regulation review committee (RRC) with an objective of optimizing, simplifying and consolidating the existing regulatory landscape while benchmarking with global best practices. With a view to simplifying products and access, the IRDAI conceptualised an electronic insurance marketplace (Bima Sugam), a comprehensive life, general and health insurance product for the lower income segments (Bima Vistaar) and a new distribution channel, the Bima Vaahak, which is a women-centric initiative focused at increasing insurance distribution in the rural markets. Considering much of this is work in progress, FY2023 and FY2024 may prove to be significant years for the insurance industry in terms of new opportunities as well as risks.

After two challenging years affected by unprecedented Covid-related claims for both the general and life insurance sectors, FY2023 was a year of return to normalcy. On the back of higher interest rates, demand for fixed-rate and guaranteed savings remained strong. In the wake of falling equity markets across the developed world, India's markets were relatively robust and among the best performing ones. Overall, conditions for life insurance sector were excellent.

The general insurance sector benefitted from growth in sales of private cars which, towards the end of the year, had exceeded the pre-pandemic levels. Two-wheeler sales growth, however, remained below expectations. Price competition in motor insurance, consequently, became more intense. Health insurance grew more moderately while commercial insurances of SMEs, MSMEs and corporates showed good traction. Due to resurgence of travel on roads and increase in traffic density, the industry witnessed a spike in the frequency of motor claims as people started travelling extensively and of health claims other than Covid as customers availed treatments held in abeyance due to the pandemic. Inflationary pressures resulted in higher severity of claims in respect of motor and health insurance.

Consumer Finance and Lending

Bajaj Finance Ltd. (BFL)

BFL is one of India's largest non-banking financial companies (NBFCs), with the strategy and structure of a bank. It seeks to transform itself into a customer-centric, digital first enterprise through omnipresence across physical, mobile and web mediums led by payments platform combining different payment instruments. Focusing on India's mass affluent customers and above in both urban and rural, it uses a strategy of cross-selling with the smart use of state-of-the-art data, innovations and analytics delivered through marketplaces to transform customer experience and create growth opportunities. It offers diversified financial services and optimizes the mix of risk so as to regularly generate significant and sustainable profits.

BFL: Consolidated Performance Highlights for FY2023

- Number of new loans booked: 29.6 million.
- Customer franchise: grew by 20% to 69.1 million.
- Number of customers on Bajaj Finserv App: 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): rose by 32% to ₹ 28,846 crore.
- Total operating expenses (Opex): grew by 34% to ₹ 10,130 crore.
- Opex to NII: 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 of 31 March 2023: 24.97%, which is well above the RBI norms. Tier I adequacy was 23.20%.

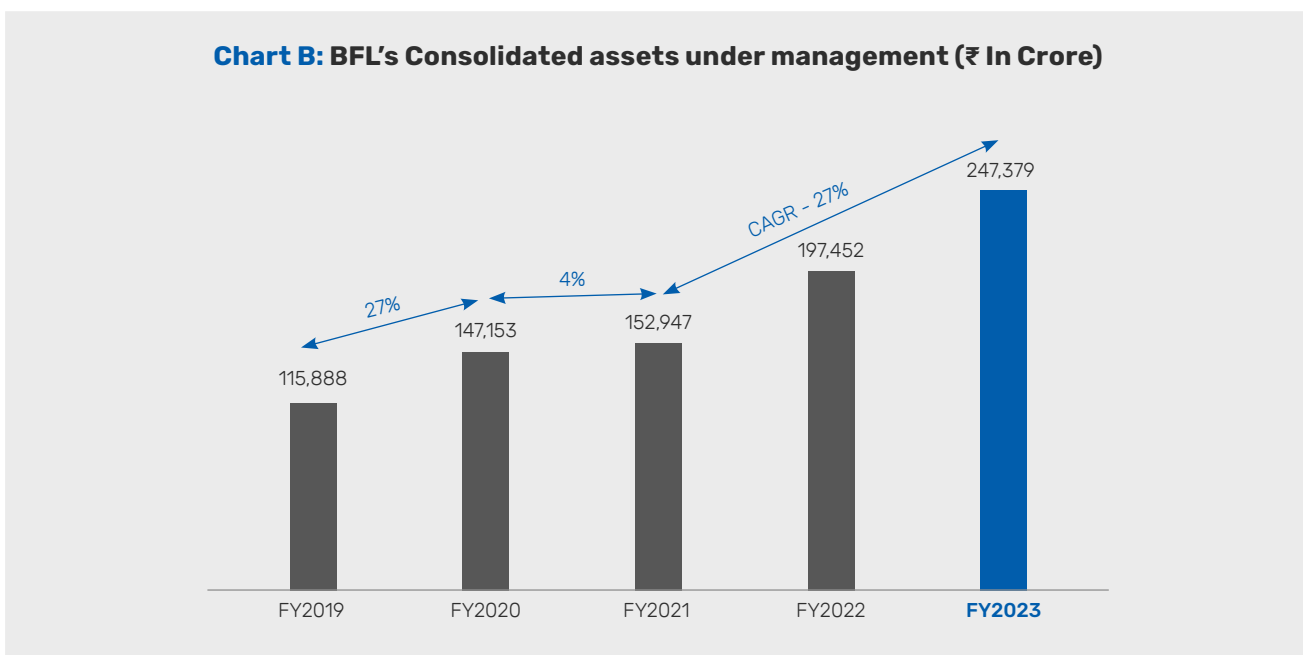
Business update

In FY2023, BFL disbursed 29.6 million loans – its highest ever, representing a growth of 20% over FY2022. Operating in 3,733 locations across the country across over 154,650 distribution points, it 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.

- As part of its product strategy, BFL continued to expand its product offering for customers. Some of these new launches were: (i) issuing co-branded credit cards in association with DBS Bank (India) Ltd. in April 2022; (ii) financing of all two-wheelers; and (iii) restarting loan against property (LAP) for its MSME clients.
- BFL is the largest lender for financing of discretionary spends across consumer electronics, furniture, and digital products in India – both urban and rural. The volumes under the two verticals in FY2023 were: (i) urban, 20 million transactions, or a growth of 19% over the previous year; and (ii) rural, 6.1 million transactions or a growth of 22%.
- BFL's existing member identification (EMI) card financed over 1 million purchases across all sales finance categories.
- Bajaj Finance is the largest financier of Bajaj Auto motorcycles and three wheelers. In FY2023, it financed over 713,400 two-wheelers of Bajaj Auto (12% growth); and more than 128,100 three-wheelers of Bajaj Auto (78% growth over the previous year). BFL commenced financing of all two-wheelers from June 2022.

- The personal loan cross-sell (PLCS) business is a pre-approved loan origination programme for existing customers of BFL. In FY2023, Bajaj Finance offered PLCS to over 1.15 million customers and the AUM for the business grew by 35% to ₹ 28,955 crore.
- BFL offers salaried personal loans (SPL) to affluent salaried customers. AUM of the SPL business grew by 22% over FY2022 to ₹ 19,515 crore.
- SME lending offers unsecured and secured loans to SMEs, MSMEs and professionals. The SME lending book grew by 36% to ₹ 33,628 crore in FY2023. BFL also offers unsecured SME loans to businesses across India. Its AUM in FY2023 grew by 33% to ₹ 18,939 crore. The AUM of secured and unsecured loans to doctors, chartered accountants, and other professionals grew by 27% over FY2022 to ₹ 11,926 crore.
- BFL offers all its lending and deposits products in small towns and villages through its rural lending business. At the end of FY2023, it was present in 2,341 locations across 23 states and union territories in India. Overall, the rural lending business closed FY2023 with AUM of ₹ 24,260 crore, registering a growth of 25% over the previous year.
- Commercial lending consists of lending to auto component manufacturers, light engineering industry, financial institutions, specialty chemical, pharma, packaging and other mid-market companies. This business closed FY2023 with AUM of ₹ 15,834 crore, recording a growth of 38%.
- Loan against securities to relatively affluent and HNI customers and promoters grew strongly in FY2023 and closed the financial year with AUM of ₹ 14,028 crore, recording a growth of 43%.
- BFL accepts deposits from retail and corporate clients. As on 31 March 2023, the deposit book stood at ₹ 44,666 crore, representing a growth of 45% y-o-y. BFL's deposit book now contributes to 28% of its standalone borrowings and 21% of its consolidated borrowings.
- In partnership with RBL Bank, BFL's co-branded credit card business continued to grow well in FY2023. 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, Bajaj Finance 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 5 April 2022.
- Assets Under Management (AUM): In FY2023, BFL crossed a milestone of ₹ 200,000 crore of consolidated AUM and closed FY2023 with AUM of ₹ 247,379 crore – representing a 25% growth over the previous period. Core AUM growth – after netting of ₹ 5,365 crore of short-term IPO financing receivables – was 29%.

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



Financial performance

Table 2 gives BFL's consolidated financial performance for FY2023. Table 3 gives the key ratios.

Table 2: BFL's standalone and consolidated financial performance

(₹ In Crore)

	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	-	(23)	35	-
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%

Table 3: BFL's key ratios on a consolidated basis

Ratios	FY2023	FY2022
Net interest income (NII) to average loans receivable	13.30%	12.95%
Total operating expenses to NII	35.12%	34.65%
Return on average loans receivable (ROA)	5.31%	4.16%
Return on equity (ROE)	23.46%	17.43%
Capital to risk-weighted assets ratio (CRAR) *	24.97%	27.22%
Tier I *	23.20%	24.75%
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 a standalone basis.

Bajaj Housing Finance Ltd. (BHFL)

A 100% subsidiary of BFL, BHFL is a key player in the housing finance business. It offers the following products to its customers: (i) home loans; (ii) loan against property; (iii) lease rental discounting; and (iv) developer financing. It also has a dedicated vertical offering home loans and loan against property to rural individuals and MSME customers.

Its net interest income in FY2023 increased by 52% to ₹ 2,454 crore; pre-impairment operating profit grew by 60% to ₹ 1,824 crore; PBT rose by 77% to ₹ 1,700 crore; and PAT increased by 77% to ₹ 1,258 crore. BHFL's assets under management increased by 30% to an impressive ₹ 69,228 crore.

Table 4 gives BHFL's standalone financials.

Table 4: BHFL's standalone 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	(32%)
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)

BFinsec, another 100% subsidiary of BFL, is a digital stockbroker offering a full suite of investment products and services to retail customers and customers of Bajaj Finance Ltd. who have availed Loan against securities (LAS). It has an all-in-one digital platform that combines demat, broking, margin trade financing for both retail clients and high networth individuals (HNIs) on a predominantly B2C platform.

With a base of some 565,100 customers as of 31 March 2023, BFinsec offers HNI demat and broking services, retail demat and broking, and margin trade financing for both HNI and retail clients. In FY2023, BFinsec generated total income of ₹ 204 crore and profit after tax of ₹ 8 crore.

Protection and Savings

General Insurance: Bajaj Allianz General Insurance Company Ltd. (BAGIC)

BAGIC is one of India's leading composite general insurers offering all types of general insurance including motor, health, crop, marine and various forms of commercial lines of insurance. It has built a strong retail franchise and retained a leading position among private insurers. Its business is built on the foundation of a quality product portfolio, supported by strong underwriting, multi-channel distribution and prudent financial management. In a market where many peers continue to chase market share, BAGIC has differentiated itself by focusing on a profitable and diversified portfolio, and balancing growth with profitability. With a positioning of 'Caringly Yours', it remains one of the most respected brands in general insurance.

Industry update

The general insurance industry (private and public multi-line players) recorded GDPI (Gross Direct Premium Income) growth of 16.2% for FY2023. The growth rates in gross direct premium in India (Gross written premium less reinsurance accepted) for the industry and for BAGIC, are shown in Table 5.

Table 5: Gross direct premium in India – the general insurance industry*

(₹ In Crore)

Particulars	Gross direct premium		Gross direct premium ex tender driven government schemes	
	FY2023	FY2022	FY2023	FY2022
BAGIC	15,337	13,689	12,387	10,761
Private sector	131,941	109,753	114,635	94,412
Public sector	82,887	75,133	74,323	68,809
Industry	214,829	184,886	188,958	163,221
Standalone health insurers (SAHI)	26,242	20,867	26,242	20,867
Industry including SAHI	241,071	205,753	215,201	184,088
Growth rates				
BAGIC	12.0%	8.9%	15.1%	9.1%
Private sector	20.2%	12.0%	21.4%	14.6%
Public sector	10.3%	4.6%	8.0%	7.4%
Industry	16.2%	8.8%	15.8%	11.5%
Standalone health insurers (SAHI)	25.8%	32.4%	25.8%	32.4%
Industry including SAHI	17.2%	10.8%	16.9%	13.5%

Source: GI Council figures, IRDA website and IRDA, Handbook of Insurance Statistics.

* excluding specialised insurers.

Business update

- BAGIC posted a gross written premium (GWP) growth rate of 12.3% in FY2023, which was lower than the industry growth rate of composite insurers mainly on account of lower booking of the tender-driven business of government health and crop insurance.
- Excluding the volatile tender-driven business of crop insurance and government health, BAGIC posted a GWP growth rate of 15.4%. This was slightly lower than the industry largely on account of lower motor segment growth due to BAGIC's focus on profitability.

- It continued to do well on commercial lines (fire, marine, engineering and liability), where the growth rate was 15.2%. During the year, BAGIC also wrote premium of ₹ 2,755 crore under the government crop insurance schemes and ₹ 191 crore under the Ayushman Bharat Government health scheme.
- BAGIC continues to be among the more profitable general insurers vis-a-vis peers in the public and private sectors of comparable size. Its combined ratio of 100.5% in FY2023 is expected to be among the best in the industry, reflecting a sound balance between growth and profitability. BAGIC continues to achieve this by: (a) robust and prudent underwriting practices; (b) generation of cash flows through strong retention of premium and judicious investments of the proceeds; and (c) focus on high quality customer service.
- BAGIC has a diversified multi-channel distribution network consisting of banks, NBFCs, individual agents, motor insurance service providers, point of sales persons, web-sales and its proprietary virtual sales offices. It continued to expand the network of bancassurance partners including private banks, public sector banks, regional banks, small finance banks and cooperative banks. BAGIC has one of the largest network of bancassurance partners in general insurance.
- BAGIC introduced a unique health insurance 'Respect-Senior Care Rider', a health insurance rider that provides timely assistance to senior citizens making caretaking smarter and easier from anywhere. It provides all-round coverage for the ageing population by offering them health assistance and addressing the common worries of senior citizens.
- BAGIC launched India's first ever surety bonds insurance product. Surety bond insurance will act as a security arrangement for infrastructure projects and will insulate the contractor as well as the principal. The product will cater to the requirements of a diversified group of contractors, many of whom are operating in today's increasingly volatile environment.
- BAGIC continued its push towards enhanced digital services with capabilities like AI enabled BOT (BOING), which serviced more than 0.7 million unique customers with over 28 million conversations. Its customer facing mobile app, Caringly Yours, crossed 2.4 million downloads. Its innovative mobile app for the farming community, Farmitra, saw more than 0.66 million downloads; some 0.29 million farmer claims were intimated through the app. Also, it enabled KYC for policy issuance process for more than 1.9 million customers in three month's time and implemented a new CRM providing 360 degree view at enterprise level and managed total service request of more than 4.13 million during the year.
- Core policy administration system is being transformed to enhance agility. During the year, travel, retail health and motor third party products went live. Motor own damage products are currently at UAT stage followed by other products in upcoming year.

BAGIC: Performance Highlights for FY2023

- Gross written premium (GWP) stood at ₹ 15,487 crore in FY2023, a growth of 12.3%. Excluding tender driven business of crop and government health insurance, BAGIC's growth was 15.4%.
- BAGIC's market share in the industry, including standalone insurers, stood at 6.4% in FY2023.
- Net earned premium was ₹ 8,019 crore.
- The combined ratio was 100.5%.
- Profit after tax for FY2023 was ₹ 1,348 crore - which was mainly impacted due to overall higher claims on account of high inflation in motor and health segments.
- Some 28 million policies were issued in the year, versus about 22 million in FY2022.
- 4.38 million claims were reported in the year, versus 4.56 million in FY2022.

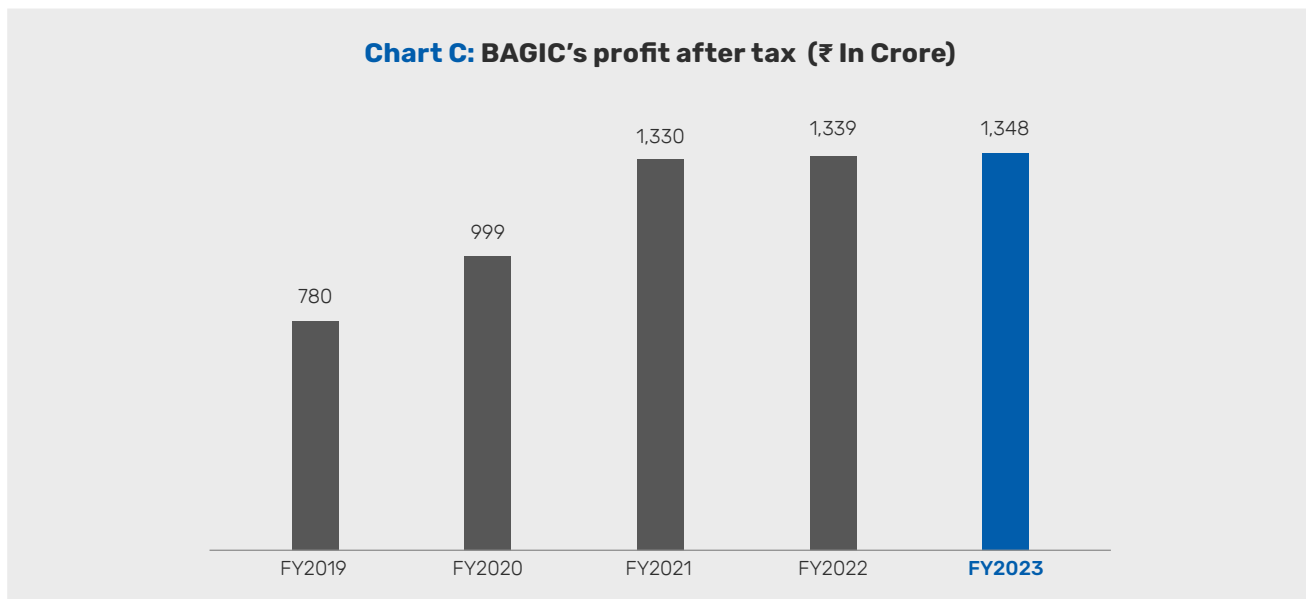
Financial performance

BAGIC's financial performance for FY2023 is summarised in Table 6. Chart C plots BAGIC's PAT over the last five years.

Table 6: BAGIC's financial performance

Particulars	(₹ In Crore)		
	FY2023	FY2022	% Change
Gross written premium (GWP)	15,487	13,788	12%
GWP ex. crop and government health	12,539	10,862	15%
Net earned premium	8,019	7,779	3%
Underwriting result	(121)	33	
Profit before tax	1,803	1,793	1%
Profit after tax	1,348	1,339	1%
Claims ratio	72.9%	73.0%	
Combined ratio*	100.5%	99.6%	
Return on average equity	15.0%	17.3%	

* Combined ratio is calculated according to the Master Circular on 'Preparation of Financial Statements of General Insurance Business' issued by the IRDAI effective from 1 April 2013.



Cash and investments

- BAGIC's cash and investments as on 31 March 2023 were ₹ 27,809 crore, versus ₹ 24,633 crore in the previous year. Cash flow generation continued to be strong.

Capital and solvency

- Paid-up capital, including share premium, stood at ₹ 277 crore as at 31 March 2023. No fresh capital was infused in the year.
- BAGIC completed 15 consecutive years since the last capital infusion and continues to be one of the most efficient users of capital in the private sector – as measured by the ratio of GWP to share capital and by GWP to shareholders' equity.
- Shareholders' equity of BAGIC was ₹ 9,806 crore as on 31 March 2023, versus ₹ 8,822 crore a year earlier.
- As on 31 March 2023, BAGIC's solvency margin was at 391%, which is well above the normal regulatory requirement of 150%.

Life Insurance, Savings and Retirement: Bajaj Allianz Life Insurance Company Ltd. (BALIC)

BALIC considers itself as a life goals enabler, offering a complete bouquet of differentiated savings, protection and retirement products for individual and group customers via well diversified and strong multi-channel distribution footprint spread across India. It uses a customer-centric approach to deliver a seamless, simplified and personalised insurance experience backed by investments in innovation and data analytics.

Industry update

The life insurance industry recorded a growth of 19% in individual rated new business (IRNB) premium in FY2023. Within the industry, private sector grew by 24%, while LIC grew by 9%. BALIC recorded strong growth in IRNB of 41% for FY2023. Guaranteed savings and annuities led the growth.

Table 7 gives the industry-wide data, along with BALIC.

Table 7: New business premium in India – the life insurance industry

(₹ In Crore)

Particulars	Individual rated new business		New business (NB)	
	FY2023	FY2022	FY2023	FY2022
BALIC	5,214	3,686	10,738	9,136
Private sector	68,378	55,077	138,644	115,503
LIC	35,578	32,496	231,899	198,760
Industry	103,956	87,573	370,543	314,263
Growth rates				
BALIC	41.4%	49.4%	17.5%	44.7%
Private sector	24.2%	21.9%	20.0%	22.7%
LIC	9.5%	6.7%	16.7%	7.9%
Industry	18.7%	15.7%	17.9%	12.9%
Market share				
Private industry	65.8%	62.9%	37.4%	36.8%
LIC	34.2%	37.1%	62.6%	63.2%

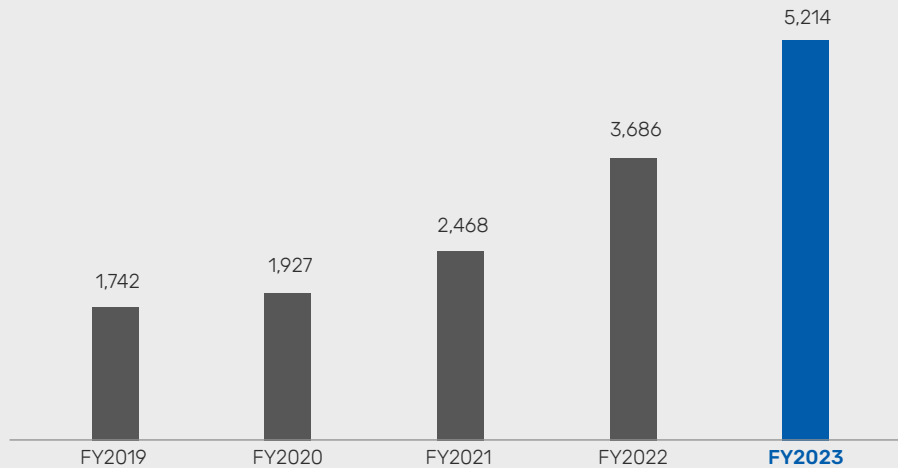
Source: Life Council statistics. Note: Individual rated new business premium = (100% of first year premium and 10% of single premium excluding group products).

Business update

BALIC recorded its highest ever gross written premium (GWP) of ₹ 19,462 crore and an AUM of ₹ 90,584 crore in FY2023.

In terms of individual rated new business (IRNB) premium, BALIC registered a growth of 41%, which was significantly higher than the industry growth rate of 19%. It was the second fastest growing life insurer amongst top 10 life insurance companies on individual rated new business (IRNB) premium basis. The growth of BALIC is evident in the chart D, with a CAGR of 32% over four years.

Chart D: BALIC's individual rated new business (IRNB) premium (₹ In Crore)



- BALIC registered increase in market share from 4.2% in FY2022 to 5.0% in FY2023 on IRNB basis. Within the private industry, its market share grew from 6.7% in FY2022 to 7.6% in FY2023.
- BALIC continued with its emphasis on a balanced and sustainable product mix, with an objective to de-risk its business from extreme volatile market movements. As a result, the proportion of unit-linked insurance plans (ULIPs), in the product mix measured on IRNB, stood at 31% in FY2023, versus 39% FY2022. Its share of non-participating guaranteed savings, annuity and protection products increased to 52% for FY2023 versus around 41% in FY2022.
- BALIC has a robust risk management framework. All policies carrying financial guarantees are hedged against interest-rate and cash flow risk through forward rate agreements with reputed banks within the framework of a Board-approved policy.
- Some of the other key achievements of FY2023 for BALIC are:
 - An increase in persistency across different vintages and improvement in claims settlement ratios.
 - Enhancement of product portfolio with revamped product portfolio like Bajaj Allianz Assured Wealth Goal in the guaranteed space, Flexi Income Goal in the participating segment, e-Touch and Smart Protect Goal in the retail term space, etc.
 - Continued strengthening of Agency via an 'Add and Grow' strategy through new initiatives with higher variable cost channels to drive efficiencies and specific customer segments.
 - Channel-in-a-channel strategy to enter new cities, customer segments including a dedicated vertical for defense personnel.
 - Addition of new bancassurance partners covering DBS Bank, J&K Bank, Punjab & Sindh Bank, Tamilnad Mercantile Bank, City Union Bank, and others.
 - Launch of green channel to enable top insurance consultants provide segmented services to customers for faster policy issuance and enhanced servicing; enhancement of branch QR code to drive self-servicing during customer walk-ins; revamp of UI UX features of life assist customer portal, making it simpler for customers to navigate.
 - Continued to reinforce the brand essence of 'Life Goal Enabler', BALIC launched various initiatives anchoring on video and vernacular themes while leveraging social media influencers and customer-engaging initiatives including Plankathon and Marathon.

BALIC: Performance Highlights for FY2023

- Individual rated new business (IRNB) premium grew by 41% in FY2023 to ₹ 5,214 crore.
- Group protection new business premium grew by 4% to ₹ 2,371 crore.
- New business premium grew by 18% to ₹ 10,738 crore.
- Renewal premium grew by 25% to ₹ 8,724 crore.
- Gross written premium (GWP) increased by 21% in FY2023 to ₹ 19,462 crore. BALIC registered its highest ever GWP during the year.
- Profit after tax (PAT) grew by 20% to ₹ 390 crore.
- New business value (NBV), a key metric used to measure profitability of life insurance businesses, increased by 53% to ₹ 950 crore.
- 13th month persistency* saw an improvement to 83.2% in FY2023, from 81.6% in FY2022, and 49th month persistency* improved to 63.6% in FY2023 from 62.0% in FY2022.
- Customer grievances were at 44 grievances per 10,000 new policies issued.
- The embedded value of BALIC at FY2023 stood at ₹ 18,584 crore up from ₹ 17,249 crore at FY2022.
- AUM was ₹ 90,584 crore.
- Over last 5 years, BALIC is the fastest growing life insurer on IRNB basis beating market handsomely.

*Policies issued in the March to February period of the relevant years.

Financial performance

BALIC's financial performance for FY2023 is summarised in Table 8.

Table 8: BALIC's financial performance

Particulars	(₹ In Crore)		
	FY2023	FY2022	% Change
Gross written premium (GWP)	19,462	16,127	21%
New business premium	10,738	9,136	18%
- Individual rated new business premium	5,214	3,686	41%
- Group protection new business premium	2,371	2,287	4%
Renewal premium	8,724	6,991	25%
Policyholders' surplus	(368)	(355)	
Shareholders' profit after tax	390	324	20%
New business value (NBV)	950	621	53%

Investments

As on 31 March 2023, BALIC's AUM was ₹ 90,584 crore – up by 6% from ₹ 85,623 crore on 31 March 2022. Table 9 provides the data.

Table 9: BALIC's assets under management

Particulars	(₹ In Crore)	
	FY2023	FY2022
Shareholders' funds	10,821	11,001
Policyholders' linked funds	33,782	33,427
Policyholders' non-linked funds	45,981	41,195
Total	90,584	85,623

Capital and solvency

- Paid up capital, including share premium, stood at ₹ 1,211 crore as at 31 March 2023. No fresh capital was infused in FY2023.
- Including accumulated profit of ₹ 9,338 crore and mark-to-market profit on equity investments of ₹ 181 crore as on 31 March 2023, the shareholders' net worth was ₹ 10,785 crore. For the previous year, accumulated profits were ₹ 9,264 crore, and shareholders' net worth was ₹ 10,939 crore.
- BALIC has a strong solvency ratio of 516% as on 31 March 2023, which is well in excess of the minimum regulatory requirement of 150%.

Emerging Businesses

Bajaj Finserv Direct Ltd. (Bajaj Markets)

Bajaj Finserv Direct Ltd. attracts new-to-Finserv customers by creating awareness and discovery of the Finserv brand through the digital medium.

It started its journey in July 2018 and operates at the leading edge of finance and technology. It operates under two divisions, as explained below.

BFSI Marketplace (Bajaj Markets)

- Has two customer facing digital assets: (i) the 'Bajaj Markets Website' – which attracts over 14 million monthly visits, and (ii) the 'Bajaj Markets mobile app' which is available on android and iOS with total installs of over 14 million.
- Partners with some of the leading companies in the BFSI sector. It has onboarded 48 partners, providing a range of products across retail banking (loans and credit cards), life insurance, general insurance and investments (fixed deposits, mutual funds, national pension scheme etc.).
- Is a corporate agent for distribution of insurance products. It has currently eight partnerships across general, life and health insurance including BAGIC and BALIC.
- It also holds RIA license for distribution of mutual fund's direct schemes.
- Offers credit cards on the platform with 4 credit card partners.

Technology services division (SKALEUP)

- Offers digital technology services primarily in the BFSI domain with a portfolio of six specialisations and over 30 functional offerings across lending, insurance and investments.

Offers digital technology services and solutions to Bajaj group companies, as well as to external clients.

Bajaj Markets recorded a revenue of ₹ 391 crore and a loss of ₹ 52 crore during FY2023 (₹ 207 crore and ₹ 87 crore respectively in FY2022). BFS and BFL have so far infused capital of ₹ 809 crore in this venture.

Bajaj Finserv Health Ltd. (Bajaj Finserv Health)

Bajaj Finserv Health is health tech venture that aims to transform the healthcare sector in India. It offers a range of healthcare solutions and services. The mission is to provide platform for customers to manage their health 360°, which includes wellness, OPD and IPD. In India, insurers only provide IPD coverage which is not value creating for customers as well as insurers.

The Company has started servicing retail as well as corporate employees and has 0.9 million paid users, which includes employees of 353 large corporates.

It has built a network of over 120,000 doctors, more than 6,000 diagnostic points and over 1,800 hospitals where Outpatient (OP) transactions can be done on cashless basis. It has already done over 0.34 million health claims in FY2023. It has also developed a consumer facing app which allows customers to manage their plans, access network of healthcare providers, book appointments and store their health records for future reference. Bajaj Finserv Health is also a Wave 1 partner of the Digital Health Mission of the NHA.

Bajaj Finserv Health recorded a revenue of ₹ 185 crore and a loss of ₹ 188 crore during FY2023 (₹ 88 crore and ₹ 129 crore respectively in FY2022). Bajaj Finserv has so far infused capital of ₹ 460 crore in this health tech venture.

Renewable Energy and Conservation of Environment

Bajaj Finserv owns and operates 138 windmills in Maharashtra with total installed capacity of 65.2 MW. During FY2023, the Company continued generating green energy, thereby contributing to conservation of the environment. Apart from revenue from sale of power generated by these wind farms, BFS also earns revenue from renewable energy certificates (RECs).

Due to favourable winds, the windmills generated 8.32 crore units in FY2023, which was 9% higher than the FY2022 generation of 7.64 crore units. Revenue generated from renewable energy in FY2023 was ₹ 23 crore versus ₹ 29 crore in the previous year. The reduction is mainly due to limited REC trade during FY2023.

Bajaj Finserv ESG

We, as an organisation and group of companies, are more resolute than ever, to embed our environmental, social and governance (ESG) priorities into the DNA of our core operations across people, practices and processes because real sustainability for us lies in staying committed to responsible and inclusive growth for all, for now and tomorrow. We have mapped our business responsibility strategy towards the realisation of a vision that inspires us to grow responsibly and commit towards effectively implementing our ESG objectives.

Our ESG initiatives are founded upon eight key pillars. These are:

- **High standards of corporate governance**

Conduct and govern business with integrity in a manner that is ethical, transparent, fair and accountable is at the heart of a successful business. We have built the foundations of the organisation on these principles. The Bajaj group's commitment to the highest standards of corporate governance practices predates the provisions of the SEBI listing regulations. It is also reflected in the strong culture of responsible business conduct for building long-term businesses and providing sustainable growth and meeting the interests of its stakeholders. Besides adopting high standards of governance, the group remains committed to prudent business practices in order to ensure that businesses are not exposed to undue risks.

- **Deliver financial services to millions of Indians**

Provide access to relevant financial products and services that meet the needs of larger society in a fair and transparent manner. Through our pan-India presence and vast network of offices and points of presence, we embrace financial inclusion as a core value to be driven across our businesses.

- **Preserve and protect the environment**

While as a financial services group, we do not produce harmful effluents, we strive to adopt environmental practices and processes that minimise the adverse impact of our operations on the environment. Further, we also provide financial product offerings that assist in the preservation and protection of the environment.

- **Empowering society**

Through our CSR activities, we endeavour to promote social welfare activities for inclusive growth, equitable development, and well-being of society, through focus in the areas of skilling, health, education, environment, women empowerment, infrastructure, rural development, community development and response to natural calamities. Our flagship programme, CPBFI, seeks to make graduates, especially first-generation graduates from small towns, employable in the financial services industry.

- **Customer centricity**

We constantly seek to innovate/invest in products, technologies and processes that enhance customer experience and promote professional, fair and transparent dealings.

- **Human capital management**

We aim to create a thriving, safe and inclusive workplace for its employees and providing merit based opportunities for professional development and growth while providing equal opportunity for employment across gender or ethnic background.

- **Information and cyber security including fraud management**

We adopt robust information security, cyber security and fraud controls to overcome various challenges and threats that can disrupt our business operations and endanger customer data.

- **Stakeholders' engagement**

We seek regular engagement with relevant stakeholders for enhancing the sustainable and responsible business practices.

Full details of the progress that we have made in these areas can be found in our Business Responsibility and Sustainability Report which is uploaded on our website at www.bajajfinserv.in

One Finserv – A Group-wide Platform for Human Capital Development

One Finserv is a major initiative adopted by us across our group companies to provide our employees with opportunities for growth and career development across our businesses. Started a few years ago, the development of One Finserv has entailed:

- Creating a common job evaluation structure so that jobs can be easily compared or ported across our businesses.
- Creating a platform for internal job postings under which almost all vacancies are advertised across the group; and employees in the group are free to apply if they are eligible.
- Identifying the leadership mindsets viz. founder's mindset, customer obsession, being responsible and talent building. These, along with leadership behaviours comprising dream to deliver, innovate to simplify, delegate and develop and doing the right thing form the basis of our talent management. All middle and senior management employees aspiring to be leaders are evaluated on these dimensions.
- Preparation of talent cards for each employee which identifies potential growth opportunities for employees within the group and also potential internal successors within the group.
- Creating learning and development journeys based on output of the talent assessment process, focused on the leadership mindsets and behaviours.
- Annual review of talent cards and assessments across the group.

Through the One Finserv initiative we seek to create a strong succession planning framework while addressing the growth and development needs of individuals.

CPBFI: The Flagship Skilling Programme of Bajaj Finserv

Our employability initiative, CPBFI, aims to upskill first-generation graduates from smaller towns and rural areas to gain the right aptitude and attitude for building a strong career in the financial services industry. The employability programme started in 2015, which we conduct in collaboration with our partner institutes, has thus far enrolled more than 30,000 fresh graduates across the country. FY2023 was another record year for CPBFI, with annual enrolments crossing 10,781.

The Company conducts a customised 100-hour certificate programme, viz. certificate programme in banking, finance and insurance (CPBFI) for graduate and post-graduate students. CPBFI comprehensively covers all aspects of employability, i.e. attitude, skills and knowledge. Unlike conventional skilling programmes, it prepares the students for more than 10 roles in the financial services industry. The programme also produces a unique talent pool of 'industry trained graduates' for the entire BFSI industry, which offers an excellent balance between cost and productivity compared to their traditional target segments.

With a certified alumni base of close to 16,000 graduates (of which 6,000 were certified in FY2023), a placement division has now been set up to provide career opportunities to CPBFI alumni.

Complete details of CPBFI and other CSR initiatives are elaborated in our CSR report which forms part of this annual report.

Financials of Bajaj Finserv

BFS: Consolidated Performance Highlights for FY2023

All-time high

- Consolidated revenue of ₹ 82,072 crore.
- Consolidated profit after tax of ₹ 6,417 crore.
- BFL consolidated profit after tax of ₹ 11,508 crore.
- BAGIC gross written premium of ₹ 15,487 crore.
- BALIC gross written premium of ₹ 19,462 crore.

Standalone financials

Standalone financials of the Company are given in Table 10 and the significant ratios in Table 11.

Table 10: Standalone financials of Bajaj Finserv

Particulars	₹ In Crore)	
	FY2023	FY2022
A. Income from wind farm activity	23	29
Administrative expenses	13	22
Profit from wind farm activity	10	7
B. Income from investments and others*	1,125	700
Other expenses	160	144
Profit before tax (PBT)	975	563
Tax expense	242	139
Profit after tax (PAT)	733	424

*Includes dividend received from subsidiaries of ₹ 949 crore (Previous year : ₹ 511 crore).

Table 11: Significant standalone ratios of Bajaj Finserv

Particulars	FY2023	FY2022
Current ratio	1.5	1.8
Operating profit margin %	85.0%	77.2%
Net profit margin %	63.9%	58.2%
Return on equity %	15.2%	10.4%

Return on equity has changed significantly due to increase in profit.

Consolidated financials

The consolidated financials are given in Table 12. These include the results of subsidiaries and joint venture and are prepared in accordance with the Ind AS.

Note on consolidated profit after tax:

Under Ind AS, the insurance subsidiaries have chosen to hold a large part of equity securities portfolio as Fair Value Through Profit and Loss Account. Unrealised Mark-to-market (MTM) gain/(loss) on investments (post tax) included in consolidated profit are given below.

Table 12: Consolidated financials of Bajaj Finserv

(₹ In Crore)

Segment revenue			Segment results: profit after tax		
Particulars	FY2023	FY2022	Particulars	FY2023	FY2022
Life insurance	20,305	17,469	Life insurance	274	244
General insurance	20,563	19,612	General insurance	995	987
Windpower	23	29	Windpower	10	7
Retail finance	41,406	31,640	Retail finance	6,041	3,700
Investments and others	1,703	996	Investments and others	(575)	(383)
	84,000	69,746	Profit before MTM gain	6,745	4,555
Less: inter-segment	1,928	1,307	MTM gain/(loss)	(328)	2
Total	82,072	68,439	Profit after MTM gain	6,417	4,557

Internal control systems and their adequacy

The Company has effective internal control systems, which have been found to be adequate by the Management of the Company. The Internal Auditors periodically bring to the attention of the Audit Committee any deficiencies and weaknesses in the internal control systems, if any. The Audit Committee reviews and monitors the remedial actions to ensure its overall adequacy and effectiveness.

Awards and Recognition

During the year, the Company, its subsidiaries and key personnel received several prestigious awards, some of which are given below.

BFL

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

BAGIC

- 'General Insurance Company of the Year' at 26th Asia Insurance Industry Awards in Singapore.
- 'Best BFSI Brand – 2023' at the Economic Times Brand Best Brand Awards 2023.
- 'Best Health Insurance Coverage of the Year' and 'Best Risk Management Strategy' categories at the ICC Emerging Asia Insurance Awards.

BALIC

- Won under the 'Highest Growth' category at the ASSOCHAM 14th Global Insurance E-Summit and Awards.
- Kincentric 'Best Employer Award' 2022, second time in a row and 'India Best Employer Club 2023'.
- Recognised for the second consecutive year as a 'Great Place To Work® India' for September 2022-September 2023.
- Rated as 'No. 1 Top Riser Brand', as per Kantar's India's 75 Most Valuable Brands report.

Bajaj Markets

- Won Gold for the Best Traditional as well as Best Digital Campaign in BFSI category at AdWorld Showdown by Inkspell Media.
- Won Silver for Excellence in Recruitment and Hiring in Freshers/Campus Hire category at the ET Human Capital Awards by ET HR World.

Bajaj Finserv Health

- ET Human Capital Awards for BYTE recruitment programme.

Cautionary Statement

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. Important factors that could make a difference to the Company's operations include global economy, political stability, stock performance on stock markets, changes in government regulations, tax regimes, economic developments and other incidental factors. Except as required by law, the Company does not undertake to update any forward-looking statements to reflect future events or circumstances. Investors are advised to exercise due care and caution while interpreting these statements.