

# CHAIRMAN'S LETTER

Dear Shareholder,

Bajaj Finserv is the holding company under which there are three key financial sector businesses: (i) lending through Bajaj Finance Ltd. (BFL), which is itself a listed company; (ii) general insurance, under Bajaj Allianz General Insurance Company Ltd., or BAGIC; and (iii) life insurance, under Bajaj Allianz Life Insurance Company Ltd., or BALIC. The insurance businesses are unlisted. In addition, there are wind farm assets in Maharashtra with an installed capacity of 65.2 MW.

In brief, how did the three operating entities perform in FY2019?

## Lending: Bajaj Finance Ltd. (BFL)

BFL has continued to deliver outstanding results. Here is a summary:

- Consolidated assets under management (AUM) grew by 41% to ₹ 115,888 crore.
- Consolidated total income rose by 45% to ₹ 18,502 crore.
- Consolidated profit before tax (PBT) increased by 61% to ₹ 6,179 crore.
- Consolidated profit after tax (PAT) grew by 60% to ₹ 3,995 crore.
- Impairment of financial assets at a consolidated level was ₹ 1,501 crore. At 0.63%, BFL's consolidated net NPA was among the lowest across all NBFCs.
- As on 31 March 2019, BFL's capital adequacy on a standalone basis was 20.66%, which is well above the RBI norms. Tier I adequacy was 16.27%.

## 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 insurance, marine, and various forms of corporate insurance. In an extremely competitive and dynamic market, it has built a strong retail franchise and retained a leading position among private insurers. BAGIC's results for FY2019 were as follows:

- Some 20 million policies were issued, versus 13 million in FY2018.
- Gross written premium (GWP) increased by 17% to ₹ 11,097 crore.
- Net earned premium for FY2019 grew by 15.7% to ₹ 7,010 crore.
- The combined ratio was 96.7%. A combined ratio below 100% indicates that a company is making profits from insurance operations — and is considered as a sign of soundness of any general insurer.
- PAT decreased by 15.3% to ₹ 780 crore in FY2019, mainly on account of losses from the catastrophic Kerala floods, impairment on investments in a large systemically important NBFC, and additional investments to increase growth in retail channels.
- The solvency margin was 255% — well above the normal regulatory requirement of 150%.
- Return on average equity was 16.2%. This was 6.8 percentage points lower than the previous year, and entirely on account of lower PAT in FY2019.

## Life Insurance: Bajaj Allianz Life Insurance Company Ltd. (BALIC)

BALIC was able to drive a balanced and sustainable product mix, with a view of de-risking its business from volatile market movements and, in the process, showed impressive growth during the year. The key results for FY2019 were:

- Rated individual new business premium increased by 24.7% to ₹ 1,742 crore.
- New business premium grew by 14.7% to ₹ 4,923 crore.
- Renewal premium grew by 19.7% to ₹ 3,934 crore.
- GWP rose by 16.9% in FY2019 to ₹ 8,857 crore.
- Profit after tax was ₹ 502 crore.
- AUM grew by 8.9% to ₹ 56,620 crore as on 31 March 2019.
- BALIC had a solvency ratio of 804% as on 31 March 2019 — well in excess of the regulatory minimum of 150%.

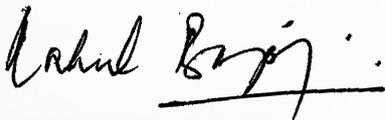
All the three businesses have operated well. Therefore, congratulations are in order for the performance in FY2019. And here's to even better performance in FY2020.

Having completed 80 years of age and having been Chairman from the inception of the Company, I believe, the time has come for me to hand over the baton to someone more appropriate. I have thus decided to step down as Chairman. I believe, Mr. Nanoo Pamnani, who is already the Vice Chairman of your Company, will make an excellent Chairman.

I sincerely thank you for the unstinted support that you have always extended to me and I am sure you will continue to provide the same for the new Chairman as well.

Wishing you and your Company all the best in the years ahead.

Yours sincerely,



Rahul Bajaj  
Chairman

16 May 2019