

DIRECTORS' REPORT



The directors present their Twelfth Annual Report and audited financial statements for the year ended 31 March 2019.

Financial results

The financial results of the Company are elaborated in the Management Discussion and Analysis Report.

The highlights of the **Standalone Financial Results** are as follows:

(₹ In Crore)

Particulars	FY2019	FY2018
Total income	448.56	252.26
Total expenses	122.57	85.05
Profit before tax	325.99	167.21
Tax expense	18.82	25.59
Profit for the year	307.17	141.62
Earnings per share (₹)	19.3	8.9

Closing balances in reserve/other equity

Particulars	FY2019	FY2018
Securities premium account	929.18	929.11
General Reserve	1,197.14	1,197.14
Share based payments reserve	3.04	-
Retained earnings	951.98	673.93
Total	3,081.34	2,800.18

Note: Detailed movement of above reserves can be seen in 'Statement of Changes in Equity'.

The highlights of the **Consolidated Financial Results** are as follows:

(₹ In Crore)

Particulars	FY2019	FY2018
Total income	42,605.57	32,862.66
Total expenses	34,452.19	26,765.24
Profit before tax	8,154.74	6,098.71
Tax expense	2,780.89	1,922.36
Profit after tax	5,373.85	4,176.35
Profit attributable to non-controlling interests	2,154.81	1,526.09
Profit for the year	3,219.04	2,650.26
Earnings per share (₹)	202.3	166.5

Dividend

Your directors recommend for consideration of the shareholders at the ensuing Annual General Meeting (AGM), payment of a dividend of ₹ 2.50 per equity share (50%) of face value of ₹ 5 each for the year ended 31 March 2019. The amount of dividend and the tax thereon to the extent applicable aggregate to ₹ 39.79 crore.

For the year ended 31 March 2018, the dividend paid was ₹ 1.75 per equity share (35%) of face value of ₹ 5 each. The amount of dividend and the tax thereon to the extent applicable aggregated to ₹ 27.85 crore.

Share capital

The paid-up equity share capital as on 31 March 2019 was ₹ 79.57 crore consisting of 159,136,111 fully paid-up equity shares of face value of ₹ 5 each. During the Rights Issue of equity shares made by the Company in 2012, certain shares had been kept in abeyance as required by law. With resolution of a few cases during the year under review, the Company has allotted 1,014 equity shares of the face value of ₹ 5 each at the original Rights Issue price of ₹ 650 per share to the eligible shareholders.

There was no public issue, rights issue, bonus issue or preferential issue, etc. during the year under review. The Company has not issued shares with differential voting rights or sweat equity shares.

Classification of the Company as a Core Investment Company (CIC)

The Company having satisfied the criteria specified for being a CIC, not requiring registration with RBI pursuant to the provisions of section 45-IA of RBI Act, 1934, had applied to RBI in this regard on 26 June 2015.

In response to the above, RBI vide its Order dated 23 October 2015 has cancelled the certificate of registration to carry on the business of NBFC issued to the Company and has confirmed the eligibility of the Company as a CIC, not requiring registration with RBI, pursuant to the provisions of section 45-IA of the RBI Act, 1934. The Company is thus a CIC under the said provisions.

Operations

Detailed information on the operations of the different business lines of the Company and details on the state of affairs of the Company are covered in the Management Discussion and Analysis Report.

Inclusion in BSE SENSEX 50

With effect from 24 December 2018, the Company has been included in the BSE Sensex 50 of BSE Ltd.

Adoption of Confederation of Indian Industry (CII) Charters

Your Company, being a member of CII, has adopted the following Code/Charters:

1. Model Code of Conduct for Ethical Business Practices
2. Charter on Fair & Responsible Workplace Guidelines for Collaborative Employee Relations
3. Charter on Fair & Responsible Workplace Guidelines for Contact Labour.

Extract of annual return

The extract of annual return as provided under sub-section (3) of section 92 of the Companies Act, 2013, in the prescribed form MGT-9 is annexed to this Report.

Number of meetings of the Board

Six meetings of the Board were held during the year. Detailed information is given in the Corporate Governance Report.

Directors' responsibility statement

As required under clause (c) of sub-section (3) of section 134 of the Companies Act, 2013, directors, to the best of their knowledge and belief, state that:

- in the preparation of the annual accounts, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;
- the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 2013, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the directors had prepared the annual accounts on a going concern basis;
- the directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Details in respect of frauds reported by auditors under section 143(12)

During the year under review, there were no frauds reported by the Statutory Auditors to the Audit Committee or the Board under section 143(12) of the Companies Act, 2013.

Declaration by independent directors

The independent directors have submitted the declaration of independence, as required pursuant to section 149(7) of Companies Act, 2013, stating that they meet the criteria of independence as provided in section 149(6) of the said Act and regulation 16 of SEBI Listing Regulations, 2015.

The Board took on record the declaration and confirmation submitted by the independent directors regarding their meeting the prescribed criteria of independence, after undertaking due assessment of the veracity of the same as required under regulation 25 of SEBI Listing Regulations, 2015.

Directors' Remuneration Policy and criteria for matters under section 178

The Board, at its meeting held on 12 March 2019, have revised the sitting fees from ₹ 50,000 to ₹ 100,000 and commission from ₹ 50,000 to ₹ 150,000 payable per meeting to all non-executive directors (including independent directors) for meetings of the Board and/or committees thereof attended by them from 1 April 2019 onwards.

The salient features and changes to the Policy on directors' appointment and remuneration forms a part of the 'Corporate Governance Report'. The said policy is placed on the Company's website www.bajajfinserv.in

Particulars of loans, guarantees or investments

Information regarding loans, guarantees and investments covered under section 186 of Companies Act, 2013 are detailed in the financial statements.

Related party transactions

No Related Party Transactions (RPTs) were entered into by the Company during the year under review which attracted the provisions of section 188 of Companies Act, 2013. There being no 'material' RPTs as defined under regulation 23 of SEBI Listing Regulations, 2015, there are no details to be disclosed in form AOC-2 in that regard.

During the year 2018-19, pursuant to section 177 of Companies Act, 2013, and regulation 23 of SEBI Listing Regulations, 2015, all RPTs were placed before the Audit Committee for its approval.

The revised Policy on materiality of RPTs and also on dealing with RPTs has been formulated by the Board at its meeting held on 16 July 2014 and amended on 14 October 2014. The said Policy was further amended, inter alia, stipulating the threshold limits on 12 March 2019 and the same is placed on the Company's website www.bajajfinserv.in

Material changes and commitments

No material changes and commitments affecting the financial position of the Company occurred between the end of the financial year and the date of this Report.

Conservation of energy and technology absorption

The Company is engaged in wind-farm activities in addition to its financial services activities. A summary of the performance of the wind power division is available in the Management Discussion and Analysis which forms part of this Annual Report. Being essentially a financial services Company, no particulars regarding technology absorption are required to be given in this Report.

Particulars regarding conservation of energy are as follows:

- a) Steps taken to conserve energy and utilise alternate sources of energy:

The Company has installed a renewable energy (wind) project with a capacity of 65.2 MW. During the year under review, it generated 876 lakh units which it sold to third parties.

It, however, is unable to make captive use of wind energy, because new regulations do not permit the same where monthly demand is less than 700 KW. The Company has installed LED lamps in place of failed tube lights and CFL, thereby reducing energy consumption in lighting by around 11,405 KWh units during the year.

b) Capital investment on energy conservation equipment:

Not applicable, since BFS is a non-manufacturing Company and not coming under the notified industries covered under Energy Conservation Act, 2001. Also, energy demand/connected load of building utilised for the Company's corporate/commercial activities, etc. is less than 500 KW, which is the minimum threshold for applicability of the Energy Conservation Act, 2001.

Foreign exchange earnings and outgo

Total foreign exchange earned by the Company was ₹ Nil during the year under review, as well as during the previous year.

Total foreign exchange outflow during the year under review was ₹ 0.85 crore, as against ₹ 0.67 crore during the previous year.

Risk Management Policy

Information on the development and implementation of a Risk Management Policy for the Company including identification therein of elements of risk, which in the opinion of the Board may threaten the existence of the Company, is given in the Corporate Governance Report.

Corporate Social Responsibility (CSR)

Detailed information on the CSR Policy developed and implemented by the Company on CSR initiatives taken during the year pursuant to section 135 of Companies Act, 2013, is given in the annexed Annual Report on CSR activities.

Formal annual evaluation of the performance of the Board, its Committees, Chairperson and Individual Directors

Information on the manner in which formal annual evaluation has been made by the Board of its own performance and that of its Committees, Chairperson and Individual Directors is given in the Corporate Governance Report.

Subsidiary and Joint Venture

Following are the subsidiary and joint venture companies of the Company as at 31 March 2019

Name of the company	% Shareholding	Status
Bajaj Allianz Life Insurance Company Ltd.	74%	Subsidiary
Bajaj Allianz General Insurance Company Ltd.	74%	Subsidiary
Bajaj Finance Ltd.	54.99%	Subsidiary
Bajaj Housing Finance Ltd. (100% subsidiary of Bajaj Finance Ltd.)	-	Subsidiary
Bajaj Financial Securities Ltd. (100% subsidiary of Bajaj Finance Ltd. w.e.f. 10 August 2018)	-	Subsidiary
Bajaj Finserv Direct Ltd. (100% subsidiary of Bajaj Finserv Ltd.)	100%	Subsidiary
Bajaj Allianz Financial Distributors Ltd.	50%	Joint Venture
Bajaj Allianz Staffing Solutions Ltd. (100% subsidiary of Bajaj Allianz Financial Distributors Ltd.)	-	Joint Venture

Detailed information on the performance and financial position of each subsidiary/joint venture of the Company is covered in the Management Discussion and Analysis Report.

Directors and Key Managerial Personnel-Changes

A. Change in Directorate

i. Cessation as non-executive Chairman

Rahul Bajaj, (DIN 00014529), vide his letter dated 15 February 2019, has tendered resignation as the non-executive Chairman of the Company to be effective from 16 May 2019 after the Board meeting.

The Board places on record its sincere appreciation for the invaluable advice and guidance provided by Rahul Bajaj as the non-executive Chairman of the Company since its inception.

ii. Appointment/re-appointment of directors

(a) The Board at its meeting held on 23 October 2018, pursuant to the recommendation of Nomination and Remuneration Committee appointed the following as additional directors:

- Anami N Roy (DIN 01361110) as an Independent Director for a first term of five consecutive years with effect from 1 January 2019.
- Manish Kejriwal (DIN 00040055) as non-executive and non-independent director with effect from 1 January 2019.

(b) Further, the Board at its meeting held on 12 March 2019, after taking into account the report of their performance evaluation and the recommendation of the Nomination and Remuneration Committee, re-appointed the following Independent Directors for a second term of five consecutive years:

Name of Independent Director	Tenure of Second Term
Nanoo Pamnani (DIN 00053673)*	Five years from 1 April 2019
D J Balaji Rao (DIN 00025254)**	Five years from 1 April 2019
Dr. Gita Piramal (DIN 01080602)	Five years from 16 July 2019

* Consent of the members by way of Special Resolution is sought by the Company in compliance with regulation 17(1A) of SEBI Listing Regulations, 2015, for continuance of Nanoo Pamnani as an independent director of the Company beyond 26 February 2020, on account of his attaining the age of 75 years on 26 February 2020.

** Consent of the Members by way of Special Resolution is sought by the Company in compliance with regulation 17(1A) of SEBI Listing Regulations, 2015, for continuance of D J Balaji Rao beyond 1 April 2019, on account of his having already attained the age of 75 years as on 1 April 2019.

(c) Continuation as Director

As required under regulation 17(1A) of SEBI Listing Regulations, 2015, consent of the members by way of Special Resolution is sought by the Company in compliance with regulation 17(1A) of SEBI Listing Regulations, 2015, for continuance of Rahul Bajaj, (DIN 00014529) as non-executive director and Chairman of the Company beyond the age of 75 years with effect from 1 April 2019 up to 16 May 2019.

(d) Appointment of Chairman

The Board of Directors at its meeting held on 12 March 2019 appointed Nanoo Pamnani as Chairman of the Company with effect from 17 May 2019.

(e) Appointment as Chairman Emeritus

Rahul Bajaj has made a huge contribution to the spectacular success of the Company and the Group over five decades. Considering his tremendous experience, the interest of the Company to avail his services and benefit from his valuable knowledge and wisdom from time to time in an advisory and mentoring role in future as well, the Board of Directors at its meeting held on 12 March 2019, as recommended by the Nomination and Remuneration Committee, approved the appointment of Rahul Bajaj as Chairman Emeritus of the Company with effect from the conclusion of the Board meeting held on 16 May 2019. While giving his consent to act as such, Rahul Bajaj stated that he would not accept any emoluments (sitting fee and commission) as Chairman Emeritus.

Necessary details regarding their appointment and re-appointment as required under Companies Act, 2013 and SEBI Listing Regulations, 2015 are given in the Notice of AGM. The aforesaid appointments are subject to approval of shareholders at the ensuing AGM.

iii. Retirement by Rotation

The independent directors hold office for a fixed term not exceeding five years from the date of their appointment and are not liable to retire by rotation.

Companies Act, 2013, mandates that at least two-thirds of the total number of directors (excluding independent directors) shall be liable to retire by rotation and one-third of such directors shall retire from office at every AGM. Accordingly, Madhur Bajaj (DIN 00014593), director, being the longest in the office amongst the four directors liable to retire by rotation, retires from the Board by rotation this year and, being eligible, has offered his candidature for re-appointment.

Prescribed details of Madhur Bajaj, director, who is seeking re-appointment are given in the Notice of AGM.

B. Change in KMP

There was no change in Key Managerial Personnel during the year under review.

Detailed information on the directors is provided in the Corporate Governance Report.

Significant and material orders passed by the regulators or courts

During the year under review, there were no significant and material orders passed by the regulators or courts or tribunals, which may impact the going concern status of the Company and its operations in future.

Internal audit

At the beginning of each financial year, an audit plan is rolled out after the same has been approved by Audit Committee. The audit plan is aimed at evaluation of the efficacy and adequacy of internal control systems and compliance thereof, robustness of internal processes, policies and accounting procedures, compliance with laws and regulations. Based on the reports of internal audit function, process owners undertake corrective action in their respective areas. Significant audit observations and corrective actions thereon are presented to the Audit Committee.

Details of internal financial controls with reference to the financial statements

The Company has documented its internal financial controls considering the essential components of various critical processes. This includes its design, implementation and maintenance along with periodical internal review of operational effectiveness and sustenance, which are commensurate with the nature of its business and the size and complexity of its operations.

This ensures orderly and efficient conduct of its business, including adherence to the Company's policies, safeguarding of its assets, prevention of errors, accuracy and completeness of the accounting records and the timely preparation of reliable financial information.

The internal financial controls with reference to the financial statements were adequate and operating effectively.

Maintenance of cost records

Provisions relating to maintenance of cost records as specified by the Central Government under section 148 of Companies Act, 2013, are applicable to the Company and the same have been complied with for the financial year 2018-19.

Presentation of financial statements

As per notification no. G.S.R. 365 (E) dated 30 March 2016, issued by Ministry of Corporate Affairs (MCA) in exercise of power conferred to it under section 133 read with section 469 of the Companies Act, 2013, NBFCs having net worth of rupees five hundred crore or more are required to comply with the Indian Accounting Standards (Ind AS) in preparation of their financial statements and quarterly financial results for the accounting periods beginning on or after 1 April 2018 with effective transition date of 1 April 2017.

Further, MCA, in exercise of its power under sub-section (1) of section 467 of the Companies Act, 2013, amended Schedule III to Companies Act, 2013. Vide the amendment, a new division, viz. 'Division III' financial statement format was introduced for Non-Banking Financial Companies effective from 11 October 2018.

Accordingly, the financial statements of the Company for the year ended 31 March 2019 and corresponding figures for the year ended 31 March 2018 have been re-casted and prepared as per the revised Schedule III to Companies Act, 2013.

Consolidated financial statements

The directors also present the audited consolidated financial statements incorporating the duly audited financial statements of the subsidiaries and joint ventures, and as prepared in compliance with the Companies Act, 2013, applicable Ind AS and SEBI Listing Regulations, 2015.

A separate statement containing the salient features of our subsidiaries and joint ventures in the prescribed form AOC-1 is annexed.

Employee stock option scheme

During the year 2018-19, the Company adopted BFS ESOS on 19 July 2018 and since then there has been no change in the BFS ESOS. The BFS ESOS is in compliance with SEBI (Share Based Employee Benefits) Regulations, 2014 ('the SBEB Regulations').

Disclosures pertaining to the ESOP Scheme pursuant to the SBEB Regulations are placed on the Company's website www.bajajfinserv.in/miscellaneous

Grant wise details of options are provided in the notes to the standalone financial statements.

Statutory disclosures

- The summary of the key financial of the Company's subsidiaries and joint venture in form AOC-1 is included in this Annual Report. A copy of the audited financial statements for each of the subsidiary companies will be made available to members of the Company seeking such information at any point of time. The audited financial statements for each of the subsidiaries will be kept for inspection by any member of the Company at its registered office during business hours. The same are placed on the Company's website www.bajajfinserv.in
- Details as required under section 197(12) of Companies Act, 2013 read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are annexed to this Report.
- Details as required under section 197(12) of Companies Act, 2013 read with rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 forms part of the Directors' Report, will be made available to any shareholder on request, as per the provisions of section 136(1) of the said Act.
- A Cash Flow Statement for the year 2018-19 is attached to the Balance Sheet.
- Pursuant to the legislation 'The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013', the Company has a Policy on Prevention of Sexual Harassment at Workplace and has constituted an Internal Complaints Committee. There was no case reported during the year under review under the said Policy.

Corporate governance

Pursuant to SEBI Listing Regulations, 2015, a separate chapter titled Corporate Governance has been included in this Annual Report, along with the reports on Management Discussion and Analysis and General Shareholder Information.

All Board members and Senior Management Personnel have affirmed compliance with the Code of Conduct for the year 2018-19. A declaration to this effect signed by the Managing Director & CEO of the Company is contained in this Annual Report.

The Managing Director & CEO and CFO have certified to the Board with regard to the financial statements and other matters as required under regulation 17(8) of SEBI Listing Regulations, 2015.

The Certificate from the Statutory Auditors of the Company regarding compliance of conditions of corporate governance is annexed to this Report.

Business Responsibility Report

Regulation 34(2) of SEBI Listing Regulations, 2015, inter alia, provides that the annual report of the top 500 listed entities based on market capitalisation (calculated as on 31 March of every financial year) shall include a Business Responsibility Report (BRR).

Since BFS is one of the top 500 listed entities, the Company, as in the previous years, has presented its BRR for the year 2018-19, which is part of this Annual Report. As a green initiative, the BRR has been hosted on the Company's website www.bajajfinserv.in

A physical copy of the BRR will be made available to any shareholder on request.

Secretarial standards of ICSI

Pursuant to the approval given on 10 April 2015 by the Central Government to the Secretarial Standards specified by the Institute of Company Secretaries of India (ICSI), the Secretarial Standards on Meetings of the Board of Directors (SS-1) and General Meetings (SS-2) came into effect from 1 July 2015. The said standards were amended with effect from 1 October 2017. The Company is in compliance with the same.

Auditors

Statutory Auditor

Pursuant to the provisions of section 139 of the Companies Act, 2013, the members at the 10th AGM of the Company held on 19 July 2017 appointed S R B C & CO LLP, Chartered Accountants (firm registration No. 324982E/E300003) as Statutory Auditors of the Company from the conclusion of 10th AGM till the conclusion of 15th AGM, covering one term of five consecutive years.

The Statutory Audit Report for the year 2018-19, being unmodified, does not contain any qualification, reservation or adverse remark or disclaimer by the Statutory Auditors.

Secretarial Auditor

Pursuant to the provisions of section 204 of Companies Act, 2013, and the Rules made thereunder, the Company has re-appointed Shyamprasad D Limaye, Practising Company Secretary (membership no. 1587), to undertake the secretarial audit of the Company. The Secretarial Audit Report for the year 2018-19 as issued by him in the prescribed form MR-3 is annexed to this Report.

Pursuant to amendments under SEBI Listing Regulations, 2015 and SEBI circular dated 8 February 2019, a certificate on secretarial compliance report as required under regulation 24A is being submitted to stock exchanges as obtained from him for the year 2018-19.

The said Reports do not contain any qualification, reservation or adverse remark or disclaimer by the Secretarial Auditor.

Cost Auditor

Pursuant to section 148 of the Companies Act, 2013, and the Rules made thereunder, the Board of Directors had, on the recommendation of the Audit Committee, re-appointed Dhananjay V Joshi & Associates (firm registration no. 000030), Cost Accountants, to audit the cost accounts of the Company for the financial year 2019-20 on a remuneration of ₹ 60,000 plus taxes, out-of-pocket, travelling and living expenses, subject to ratification by the shareholders at the ensuing AGM. Accordingly, a resolution seeking members' ratification for the remuneration payable to the Cost Auditor is included in the Notice convening the AGM.

On behalf of the Board of Directors

Rahul Bajaj
Chairman

Pune: 16 May 2019