# "Bajaj Finserv Limited
# Q2 FY '25 Earnings Conference Call"
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**MODERATOR:** **MR. RAGHVESH – JM FINANCIAL**

**Moderator:** Ladies and gentlemen, good day, and welcome to Bajaj Finserv Limited Q2 FY '25 Earnings Conference Call hosted by JM Financial. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing the star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Raghvesh from JM Financial. Thank you, and over to you, sir.

**Raghvesh:** Thank you. Good morning, everyone, and welcome to the 2Q FY '25 Earnings Conference Call for Bajaj Finserv Limited. First of all, I would like to thank the management of Bajaj Finserv Limited for giving us this opportunity to host the call. As always, we'll have opening comments from the management team, post which we'll open the floor for Q&A.

From the management side today, we have Mr. S. Sreenivasan; CFO, Bajaj Finserv; Mr. Tapan Singhel, CEO, Bajaj Allianz General Insurance Company; Mr. Tarun Chugh, CEO of Bajaj Allianz Life Insurance; Mr. Ramandeep Singh Sahni, CFO of the General Insurance Business; Mr. Vipin Bansal, CFO of the Life Insurance business; Mr. Ashish Panchal, CEO of Bajaj Finserv Direct; and Mr. Devang Mody, CEO of Bajaj Finserv Health.

With that, I would hand over the floor to Mr. Sreenivasan for his opening comments. Over to you, sir. Thank you.

**S. Sreenivasan:** Thank you very much. Good morning, everybody. I welcome everyone to the conference call to discuss the results of Bajaj Finserv Limited for Q2 of FY '25. As before, in this call, we will largely be concentrating on the consolidated results as well as the results of our insurance operations for BAGIC and BALIC and where material, the stand-alone results of your company, BFS, Bajaj Finance, which is another major subsidiary of ours, has already had its conference call or if there are any high-level questions on BFL, we're glad to take that as well. I will also take you through some of the key developments in our other subsidiaries, including our AMC, our marketplace business as well as our health care business.

Before we proceed with the results, with respect to the news article published in the mainstream media on 22nd October and the disclosure that we made regarding the intimation by Allianz to us that they are considering an exit the insurance joint ventures, there is no significant additional information that I can provide you at this stage. We will make the disclosures as and when things evolve and as required under the applicable law. Therefore, I would request you in this call to focus on the operations of our companies, and we will be glad to provide any clarification that you need in those aspects.

The only thing I would say that in the last several years, we have built 2 solid businesses in Life and General Insurance business, and we have always had 74% equity stake. And this will continue to be there. Bajaj will continue to be the dominant shareholder in these business in the times to come.

Any statements that may look like forward-looking statements are just estimates and do not constitute an assurance or indication of any future performance result. As required by the regulation, as you are aware, BFS prepares its financials in compliance with Indian Accounting Standards or Ind AS. The insurance companies are not yet covered under Ind AS. They have prepared Ind AS financials only for the purpose of consolidation. Accordingly, for BAGIC and BALIC, the stand-alone numbers reported are based on non-Ind AS accounting standards or Indian GAAP, as we call it, as applicable to insurance companies.

Our results, the press release accompanying the results and our investor deck have been uploaded on our website.

**I will now start with the results.**

It has been a very good quarter for growth across all our businesses. Our consolidated revenue grew 30% for the quarter. And for the half year, it is 32% Y-o-Y. We ended the quarter with INR33,703 crores of total revenue. The profit after tax was up 8% Y-o-Y for Q2 and 9% Y-o-Y for H1. Further, we have a surplus funds in Bajaj Finserv of INR3,546 crores, which is 28% higher than last year.

Coming to the individual businesses. BAGIC's gross written premium for the quarter - , the headline number is down 20%, - but it is predominantly because of spill over of a large order of Govt. health business, from Q2 to Q3. We hope this will get stabilized in Q3. Nevertheless, the underlying growth for BAGIC is still significantly above market. BAGIC had a profit after tax of INR494 crores, which is 6% higher as compared to previous quarter and a combined ratio of 101.4%.

The life insurance continues to deliver market-leading growth, growing the individual rated new business at 34% Y-o-Y. The NBV or the new business value was higher by 3% Y-o-Y, and NBM or New Business margin is down by 3.8%. NBMs have dropped across the industry, and we will explain the reasons soon. Gross written premium was higher by 23% Y-o-Y and our AUM stood at INR123,178 crores which is higher by 25%

Coming to the consolidated results of BFL, strong growth was seen -at 29% on AUM. Total income up 24%, 13% growth in profit after tax. The gross NPA 1.06% and net NPA 0.46% continue to be among the best in the industry. And with a ROTA (Return on total assets) of 4.48%, which translates into an ROE of 19.08% annualized.

Our newly listed subsidiary, Bajaj Housing Finance ended with 26% growth in AUM at 102,569 crores and 18% growth in net total income while the profit after tax of INR546 crores was higher by 21%.The credit performance continues to be exceptional at just 12 basis points of net NPA and 29 basis points of gross NPA. The ROTA of 2.5% given that it is low risk, low margin business is quite satisfactory, and it translates into an ROE of 13.03%.

Coming to some of our smaller businesses, the stock broking business, which is under Bajaj Finance had a very good quarter again, 78% growth in revenue from operations at INR121 crores. The profit after tax is up by 185% at INR37 crores. The AUM at INR5,430 crores denote largely the margin trade finance AUM. Our stock broking business has registered an ROE of 12.03%. This emerging start-up company of ours has already reached a level of profitability we are comfortable with the same, we'll see good run rate of growth in the coming years.

The marketplace and tech services business – Bajaj Finserv Direct again registered 30% growth in the revenue from operations. The profit after tax is down to a loss of just INR 6 crores for the quarter as against INR18 crores in the same quarter of the previous year. And the Healthtech and TPA services has revenue from operations stood at INR233 crores for the quarter. We are not comparing the previous year because of the acquisition of Vidal and therefore the year-on-year growth is high, but it's not comparable.

The profit after tax of the Healthtech business was negative INR32 crores which is well within our plan. And the cumulative capital we have infused in the business is INR1,086 crores. The asset management business again had an AUM close at about INR16,000 crores. It had a revenue from operations of INR10 crores. And as you may be aware, in the asset management business, the revenue comes over time as the asset build gradually over time.

**Coming to the highlights for each of the individual businesses, BAGIC**

General Insurance has seen muted industry growth across various segments. Given that, excluding crop and government health, which are more volatile, and particularly with the crop insurance that's been subject to significant price compression as well with a new 80-110 and 60-130 schemes, BAGIC's gross written premium actually increased 11% in this core business, which is higher than the industry growth of just 4%.

Combined ratio continues to be good, but it has been affected by NATCAT claims during the quarter. COR is at 101.4% as against 95.3% during the previous period. Excluding that, the combined ratio would have been below 100% at 99.7%. On account of the NATCAT claims, there is an underwriting loss of INR48 crores during the quarter versus an underwriting profit of INR37 crores, and we hope by the second half we do get an opportunity to recover that. The solvency margin is very strong at 312% as against the regulatory norm of 150%.

BALIC registered market beating growth. Market share has increased to almost 9% of the private sector as compared to a little over 8% in Q2 FY2024. In Q2,FY 2025 BAGIC ranked 6th among private players and 3rd on Retail NOPs. I think this is a very significant move over the last couple of years where BALIC has been acquiring new customers and growth in the number of policies in new business ranks at number 3 in the market for the quarter.

The new business value grew by 3%, notwithstanding the margin pressures. And predominantly, the margins were down across the industry because of the significant increase in the sales of ULIP's, which are lower-margin business for the industry as a whole. And we have seen from some of the other companies that publish their results that is an industry phenomenon. But given that the growth in NBV with these tailwinds is actually quite reasonable.

Coming to Bajaj Finserv Health, the integration work has commenced post-acquisition of Vidal Health and the consolidated revenue for the quarter is INR233 crores. Clearly, as a pure healthtech start-up, the amount of revenue is very encouraging and as we continue to integrate Vidal, we see lot of runways for growth for Bajaj Finserv Health.

Bajaj Finserv Direct, had just INR6 crores loss in the quarter. We do see very good visibility in the business for the next couple of quarters, we might actually breakeven. On a cash basis, we may breakeven a bit earlier as well.

Bajaj Finance's capital adequacy remained strong, 21.69% with Tier 1 capital at 20.9%. In respect of Housing finance, the IPO during the quarter was one of the most successful in the history of the Indian Equity market. We are now sitting on significant capital adequacy at 28.98%, which will help us play the emerging growth in the housing market well in the quarters to come.

With that, I hand over the mic to you for Q&A, and we look forward to questions on our businesses.

**Moderator:** The first question is from the line of Prakash Kapadia from Spark PMS.

**Prakash Kapadia:** A couple of questions from my end. On the health side, typically, when we are looking to scale up, what are the combined ratios on the retail and group side or what are thresholds for scaling that business, what has been your experience on the government side of the health business? Because if I try and look at our GDPI growth, in the first 6 months, it's degrown partly due to health TP and crop business not growing. So what will bring back GDPI growth in the medium term for us?

**S. Sreenivasan:** Before I hand it over to Tapan, I think if you look at BAGIC's history over the last 20 years, when we started business, people said don't do motor business. Everybody was very interested in the very attractive corporate business, which was under the tariff, very cushy tariffs in hindsight. But from the first year, we started making profit.

Similarly, over time, we have entered crop businesses, rural markets, government health etc. We have a very clear focus on underwriting profit through our combined ratio and risk management. This business is not just about GDPI growth. It is a combination of growth and how you maintain profitability, Further, risk is more critical to this business.

Now I hand over to Tapan to take on the question on the crop and the retail health business.

**Tapan Singhel:** As you look at our core growth excluding the bulky business it is much over the market which has grown by just 4%, and we have growth by 11% which is almost 3 times of the industry growth. So I think it is wrong to see that de-growth is happening. Further, if you look at it, the government health business has shifted to October, which was last year booked in this quarter. If you add that up, our growth, again, is very comfortable for the half year and for the quarter.

Further, if you're seeing at a micro level degrowth it is mostly what we are doing willingly. If you look at the TP de-growth – commercial vehicles lines of businesses, there's has been no TP price hike for the past 3 years and the combined ratio is shooting up. So we have voluntarily reduced our exposure there. If you look at, let's say, the retail health, we're growing at market rate because again the retail health combined ratio for the industry is under stress. So we are not really getting very aggressive there on that basis. Under Crop, there has been 40% - 50% fall in prices in crop for the market. So we have reduced exposure there also.

This has been a strategy for 23 years. It's nothing new or surprising. We've been consistent with it. Where we see stress in the markets, we reduce exposure. Where we see opportunity, we'll increase the exposure. That is why if you look at our combined ratio, it has always been among the best in the industry.

If you look at our return on equity (ROE) in the business, we have excess capital. Our solvency is highest at 312%. If we remove the excess capital, @150%, our ROE would be ,closer 30%. At 200% of solvency, our ROE is clearly over 20% consistently still better than most of the peers. So we have a business which is delivering an ROE, which is clearly on the higher side of 20% consistently without the excess capital.

It is a business, which has been able to manage in terms of opportunities still growing at a higher rate than the market. I hope that will answer your question.

**Prakash Kapadia:** Are we comfortable with the government health side of the business, what has been our experience?

**Tapan Singhel:** As I said, we never give any micro numbers. But broadly, as I said, if you look at the combined ratios as a company, it will still be among the lowest in the industry and the ROE over 20%. So as a company, we do a business that we feel has strategic importance for long-term growth of the company and we will look into that.

**S. Sreenivasan:** Just to add on what Tapan said, I think for the risk of repetition on previous calls, the P&C business is a business of how you manage your risk across P&C. And within that, in India, particularly, we have different types of businesses. There is retail business, there are government subsidized businesses, there are group businesses, there is a big tactical element as well because the market is very dynamic, the pricing changes very dynamically. And therefore, how fast you adjust and how you hold on to your basic risk parameters is what defines a good company, and that is what we try to do all the time.

**Prakash Kapadia:** Right. And any sense on the TP price hike? I know it's been almost the third year now, no hike from the government. So any sense what and when is there any possibility of TP price hikes?

**Tapan Singhel:** We should not be blaming the government; I don't think that's the right thing. See, the process of TP price hike is data is sent from the industry to the regulator. Regulator looks at it. And if the regulator feels that there's merit and they look at the micro level of the increase in certain section and decrease also in certain section, and they recommend it to the Ministry and on that, the Ministry looks at the merit and then takes the call. I mean this is the process. It's a really transparent process. The industry has represented to the regulator. The regulator would be seeing. If they find merit in it, they will push it. So that is how the process gets done.

From an industry perspective, there'll always be representation, but the regulator will look at the overall environment of the price of the commission, of the combined ratio and then see where the merit would be. And then they'll recommend on that basis. It's a process. As of now, I think for the past few years, they did not see merit in the increase. Let's see how it goes.

**Moderator:** The next question is from the line of Mahek from Emkay Global.

**Mahek:** So two questions. First, on the motor side. Motor business has been growing at a slow rate, any outlook on the second half of the year? And any change in strategy, which would be in the motor segment going forward? And secondly, I mean, how are the trends in the motor OD in terms of renewals versus the new auto sales, which is being done?

And my second question would be for BALIC. So in BALIC, the group protection segment has grown by 25%. So just wanted some color on how the credit life and GTI businesses are performing for the H1?

**Tapan Singhel:** So if you look at the motor business group, see, as I mentioned previously, the commercial vehicle segment is where there is a slowdown with stagnation in TP price hike and if you look at the frequency of accidents happening, has moved up in terms of the TP accidents compared to the time when COVID was there. And in fact, pre-COVID also it’s higher. With the frequency going up, this severity moving up on commercial vehicle space, that's why we have, as I mentioned earlier, slowed down our exposure in that line of business.

Now if you see a price hike coming in, then obviously, our strategy will change. If we don't see, then we would be cautious in that business. And that's why you see our growth lower than the market growth in motor. But as I said, this is fine with us. We do it for so many years. If we find some business doesn't make economic sense, then we slow it down. And if makes, then we increase it. So the future statements depend on do we see a price hike, or we don't see a price hike in terms of what we should be doing in motor. Over to you Tarun for the life question.

**Tarun Chugh:** So the question is around the group term side, the credit life side, particularly. I think directionally, we have been commenting on this every quarter, particularly last year, we were focused on derisking ourselves because we largely used to work with 2, 3 partners, and they used to consume a big part of our share. That head the task for us this year, we get on to more lines of credit life business and get more and more partners onboarded such that we can diversify ourselves. As a result, I'm happy to say that today we have about 80 partners. And within this, about 22 banks with who we already on the credit life side.

But having said that, while we've grown because of a smaller base last year, the color is different shades within this business. Some of the profitable parts of the businesses have degrown and some of the businesses which consume a little bit more time in growing and of course may not be as profitable as the rest are growing faster. Hence, this balancing act will emerge as we go.

As you may be aware that the credit life businesses for most insurers have slowed down, but I won't really jump in joy for the growth that we've shown yet, because of the base effect. I think we are just getting back to where we ought to be. On the whole, there is a lot more competition emerging in the credit life side. And as a result, margins for credit life will remain to date as we go by.

**Mahek:** Just a follow-up for Tapan. Just wanted to know how are we doing in the motor OD segment, the renewals versus the new car segment?

**Tapan Singhel:** It has been consistent. I think we improved on that. But again, if I look at the numbers from an industry perspective, we would be among the best.

**Moderator:** The next question is from the line of Supratim Datta from Ambit Capital.

**Supratim Datta:** My first questions are on the BAGIC business. So, Tapan, you highlighted the challenges in the retail health segment. Just wanted to understand if you could elaborate that what are the real challenges in this industry, and how do you see these challenges being resolved going forward? That would be my first question. And a second part of this would be if you could split the loss ratios in the health segment between retail group and government, that would give us some clarity about how things are moving in the segment.

Now the second question on the BAGIC business was, again, on the motor side. I understand that you have done fairly well on the motor business. You were early in the EV business and now you are slowing down there. But overall, the outlook for the EV segment as well seems to be weak based on commentary from some of the OEMs in the second half of this year.

So in this scenario, how do you see this book growing going forward? And what could you do to offset the slowdown? Are there any opportunities for market share gains or some of the share gain in certain OEMs? If you could give some color on that, that would be very helpful. I have a few questions on BALIC, but I'll get to that after this.

**Tapan Singhel:** I'll explain the different portfolios and the strategy behind that. But my humble request, and I have said this on the previous calls also and this call also, is that don't ask questions on micro level of claim ratio bifurcations. I would restrain my comment on those because the business is strategic. When you start giving micro level claims ratio, it opens up to the entire market. And that's what I have never done in the past also nor would I do that. Whatever is available in terms of the loss ratio, the intent is public disclosure of the GI business I think if you look at it, you can go to the website and get that.

But now let me come to the retail health and the challenges in retail health. So if you look at health, this is globally a phenomenon of the health business and India specifically, so the outgo happens at hospitals, and hospitals are not regulated in the Indian context. The inflation on the expenses at a hospital level, medical inflation and moves up much faster than the price which gets built in, in the retail health portfolio. And they're also quite a bit broad, which keeps on happening in this space.

Now if you increase the price too dramatically, then it hurts the end consumer because unlike motor, whereas a vehicle ages, your insured value comes on. So the price actually comes on. In health, as a person ages, the price starts moving up and the inflation also happening, starts moving up. So the price is a very sensitive part of the health portfolio from a customer perspective and rightfully so. While the problem in outgo is that you have a medical inflation, which keeps on moving much faster than the pricing which gets done and you also have products happening.

So the way the industry is trying to handle this is two-phased. One, a health exchange is being set up with the government, NHS in process. Every insurance company has plugged into that health exchange. And hospitals are a bit reluctant to plug in as yet, but talks are with them because that will bring in transparency in terms of claims. So the industry wants to pay claims as soon as possible, immediately, but the transparency of the documents or the procedures, we put on exchange, so there's a flow of claims happening. But there's reluctance from the hospital as of now, but conversations are on to see how we get them on board. So that would, one, bring in more transparency to the system, which would be better in terms of overall seeing how things move.

The other issue would be if you look at in terms of the expectation from the customers and the regulator to the industry is that you should be covering everything, every possible means of treatment. Any means of different segments of the society, and nothing should be missed out. You should be serving the customer in a way that they have the least of difficulty, which is a very fair ask from the regulator. But even if you put all that together, there's also cost of servicing to the customer, and that also moves up in terms of costs that the companies bear.

So when we put all this together, it is not something which you can easily say that it will, at any point in time, be able to generate a substantial amount of profit in terms of the business, which has to be. But it is a substantial amount of business, so you have to be there, and you have to make yourself more efficient, much better in terms of servicing a customer and build a good brand. So overall, this is a summary of the retail health that you asked me in terms of how it is and the challenges, which is there, and how the companies have to keep on overcoming at a company level, at an industry level and to be able to provide very good service to the customers. This is a very sensitive portfolio. It affects the individual in terms of their own health and also you have to be very sensitive toward that and provide the best to them.

If you look at Bajaj, we're the first to set up RMs at hospitals, people standing there for a customer to take care of them. We're also looking at the full RM servicing the customers. We also came out with very interesting products for senior citizens, which actually has a provision that there's a variable pay. If somebody falls ills or very emergency cases, press that, we send ambulances over, get them picked up, take them to hospital, get them treated and get them back.

We also came out with global health cover that, it is not that if you are getting treated in India, we will restrain this only to India. You can get treated anywhere in the world. So we have done a lot of innovation, and we're trying to bring the best product. And look at interesting businesses, models in which we try to see that it is not only just pure paying claims, but also ensuring that we are able to take care of the customers. So it's a constant improvement and a constant push, but this is, in short, is the retail health. On the motor, your question was, sorry, I missed that.

**Supratim Datta:** So, I was asking about the second half, how are you looking at growth given the commentary from OEM.

**Tapan Singhel:** That is why if you look at motor growth, overall, the industry has come down. So you have rightly seen. The sale of the vehicles has been down, and that has impact in terms of the growth of motor business. If

Right now, there is a stress on the sale of new vehicles happening. But as a company, we have a substantial share in the new vehicle sales. So I don't think I would see a huge difference from the current level of growth, which is happening, either plus or minus. But that is a forward-looking statement. It depends on how things move for TP price hike; how does the sale of vehicle move up. It is subject to sort of these parameters for the second half of the year.

**Supratim Datta:** Tapan, thanks a lot for the detailed explanation on the retail health side. If I could just ask two follow-ups here. So one is, do you see a need for different structures to emerge on the retailing side in terms of products, maybe something like a Kaiser Permanente, which is there in the U.S., some kind, that kind of a model to get better value distribution between the insurance company and the hospital? And two would be, do you see GST, there is talk around GST rates coming down. Would that be a relief enough to really drive growth or make this product a bit more attractive for insurance companies as such?

**Tapan Singhel:** GST will play a role and that has been the demand for the ministry a long time. And we're actually seeing positive feelers at least on the senior citizen and on the low sum insured coming right now, but let's see how it emerges, which I believe is good, at least for seniors, it really is good. It gets more expensive as you age. So GST relief at the senior citizen would actually make a huge difference because that is where the health requirement is very high also, and we are focusing on that.

And to your point, health business will emerge. It is in a constant state of churn, and we are seeing some good models of either Discovery in South Africa or to some extent, part of the US models you said. This churning will keep on happening and evolution will happen in the health portfolio, but one has to build it in a very long-term basis. In motor business, you can say no to renewals. In health, by regulation, you can't say no to a renewal. So you have to be very cautious of building a very good book, which sustains and stays like forever with you kind of stuff.

**Supratim Datta:** Got it. Just one question on the BALIC business, I understand ULIP's have grown very strongly this quarter. But given how the markets have been over the last 15 days and considering that some of the commentary from some of the consumer companies suggested there is steps building in the middle-income households. How do you see this ULIP growth sustaining going forward? And if it does not sustain, then how comfortable are you that to shift this growth to other products, if you could give some color on that, that would be really helpful.

**Tarun Chugh:** That's a good question. Yes, last quarter has been an abnormally good month in terms of top line. And hence, when top line comes with easier selling products, they do lead to a bottom line hit. So I'd be happier if we got a more balanced product. What you see is that we've been working on our product mix, trying to get it balanced all the way through.

Broadly, if I was to indicate the ballpark of ULIP, the way it has changed the market, so in the markets, the BSE Sensex crossed 82,000, our ULIPs were moving closer to a very high level of almost 16% of our product mix. And this, then we retrained our teams, got them focused on a broader set of customer needs. And we were able to actually control it, if I can use the word control, but I believe, balance is the best word here, through what remains our usual mix.

And if you go back and look at how are quarters were moved or how the years land up ending, we land up balancing a product mix over a period of four quarters in a year, but we do let customers and distributors tell the flavor of the month. And as markets are now cooling off a little bit, we will be back to a predominantly traditional product mix. That's where BALIC has always been. BALIC is largely a market leader in the mid-segments already.

Yes, I have been listening to the commentaries that there is an issue around the mid-segment. But at the same time, if you look at the way people have money in hand to spend, the way other indicators are moving, it's a mixed bag.

I don't think it's a clear indication that people are kind of cash trapped because spending on homes has gone up. Stamp duties have been higher. You see middle class coming out and spending a lot more on travel. So, it's not that, we are seeing any significant risk there. And our products usually are well-thought through.

It's a very high evolving product and do remain resilient to minor volatility of such bits. This would largely spin out more from the credit life business, but not necessarily in the long-term saving plans. Hence, we don't see an issue there. I think what you will see is our mix, getting more and more balanced to what we are usually accustomed to have.

And last year this quarter , where we had a significant ULIP, this time it's been quarter 2, but good thing is the best quarters of the year are yet to be kind of pronounced in the coming year. And as our mix balances out here, overall, I think the year should be a lot more comfortable. Now we don't have an issue on demand on longer-term traditional plans because traditionally, that is what the BALIC has been known for anyways.

**Supratim Datta:** Got it. Thanks a lot for this answer. Just one question, although by these additional products will become larger in the second half is what I understand. So there is also an impact from surrender charge, higher surrender charge and renegotiation of some of the commission contracts with your partners. So if you could give some color on that, how do you see that play out? What would be the impact on the higher surrender value? And how are negotiations with your partners going ahead, that would be helpful. So that's last one?

**Tarun Chugh:** That's a fair question to ask at this juncture. See, surrender value, yes, did put us in a dizzy, I'd admit it and has also put distributors in a dizzy because it's more than anything else because of surrender value, the cost of distribution, the cost of commissions has to come down. They have to plateau out in such a way that the first sales commissions have to come down.

I think the distributors have been quite in sync with manufacturers and they realize this and the fact that this was going on for almost like 6 months of discussion. This has already seeped into the bloodstream of the sector, and it had its time. So while there are some small aberrations here and there, but largely most distributors have either taken a commission cut or deferral. And I'm not just saying it for BALIC. I'm saying it for the entire sector. BALIC, of course, has led also from the front as always. And it is kind of getting shared.

And as we go ahead now, we will see more and more I'd say, plateauing out of commissions relatively and that should help persistency because you get your second year, third year higher commissions versus what they used to be earlier, only if you are more persistent. The more persistent you are, the lesser the probability of surrender. Hence, I think it has relatively been a very well-informed date. I'd also like to thank the regulator that they could come up with this. And because it was largely publicized, distributors have basically been in sync with the manufacturers as well.

**Supratim Datta:** Got it. Thank you.

**Moderator:** Thank you. The next question is from the line of Dhaval from DSP Mutual Funds. Please go ahead.

**Dhaval:** Thanks for the opportunity. I had couple of questions. Sorry, I missed the opening few minutes of S. Sreeni's commentary, but just on this news flow around Allianz looking at exit. Just I wanted to understand how we are thinking about sort of this event in terms of, let's say, if we were to buy funding of this event. I mean some perspective around that would be useful. How are we thinking about it?

And then the other question was relating to the Life Insurance business. Directionally, not maybe near term, we wanted to get closer to the listed peer group in terms of VNB margins. I just want to get some perspective that maybe our pace of change may have got derailed in the current year with the product mix and the regulatory changes, etc. So is that still on track in the next 2 years or so FY '27? Do you think we will be getting there or there is any change to that thought process? Those are two questions.

**S .Sreenivasan:** I'll take the first question. I think as you actually correctly said, you missed my opening remark in which I had said that we have made an announcement. It is Allianz's that is considering an exit. They have informed us. Beyond that, we have nothing more to communicate at this stage.

So there are no further questions that we'll take in this call as well. Your second question, I think Tarun will take it.

**Tarun Chugh:** Yes. So another good question. I'd say that, yes, some derailing for a quarter or two here and there should be the only outcome of this because like I was answering the previous one, distributors have realized that this is a situation where they'll have to bear as much of the burn of the manufacturers are and there has been multiple actions we've taken. So that should ease the impact.

Yes, directionally, we are committed to moving our NBM margins. We normally look at VNB, because NBM margins do not capture within as such. The NBV is what we look at and that is what you will see pulling in direction. A slight, I'd say, aberration for the quarter because -- more because of ULIP, not because of surrender value piece last quarter, but the trajectory remains up and we should be -- we are in shape to start moving in the direction of the rest of the companies among the top three or five companies that have been.

And you'll see us getting there because traditionally, as you may have seen, BALIC is a turnaround case. We have moved in from single digits to double digits already and now we are in the mid-teens. And nobody is keener than the team and me to ensure we get to where the rest of the players among the top cohorts that we have. The one we compare ourselves with, we are committed to getting there.

**Dhaval:** And sorry, Tarun, just if I may take a follow-up on this one. So like the market share change that has happened over the last few years, now we've got to a particular size, I mean, in terms of like a rolling 12-month AP market we share would be about 5% plus. So from that perspective, the incremental pace of market share change may moderate, and we are seeing that in terms of the steepness of the market share gain has started more moderating.

So how do you insulate the current position and then ensure that the gains still continue because historically, we've seen in case of some of the other companies like Tata AIA or Kotak and even in Max, they get to this point and then they start sort of losing ground and then again, there is 1, 2 years of correction. So just on growth to ensure that this VNB margin comes through, how are we sort of looking at navigating this size and ensuring that we don't falter on that?

**Tarun Chugh:** First of all, I must comment that I think you've done your homework quite well. And yes, other companies would have moved laterally and not necessarily the steepness would have continued. One need to understand that steepness is also a base impact. So when we were small, it was steeper. If you look at the number of thousands of crores we had, possibly that would remain similar. And hence percentages growth may not always remain the same as the size gets to be larger and larger.

What we are committed to is how is this market share coming? Is it coming from the more profitable products and more customer-friendly products? And are we growing our base of customers? Is our distributor capability enhancement in the right trajectory? We have all these input parameters that if we monitor, directionally, we shall remain only positive. The pace of growth of top line is essentially an outcome of all these things taken in conjunction and you shall see that.

Like for example, The numbers say what they say. I'm particularly very happy to let you guys know that we are now the third largest company in the life sector in terms of the number of policies we sell in the private sector. So we are punching way above our weight class there. And that gives us capability to upsell. As you know, Bajaj Finserv group is particularly known for such capability. And this is what we are always enhancing, we are getting into more households, are we getting into more cities.

Are we adding more distributors who are active? How does the quality of sale go? Because all of these, if they are there, directionally, the growth shall remain. Trajectory will be positive. We've always committed that we'll be twice the growth rate of the industry, and which is what we've always been mostly more than that. But it is important that with that the bottom line also moves faster, not the way it has gone this quarter, but faster than the top line.

**Dhaval:** Thanks and all the best.

**Moderator:** Thank you. The next question is from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

**Prayesh Jain:** So firstly, on BAGIC, we've seen the motor TP loss ratio for you and one of your core competitors, a significant improvement in loss ratios over the last couple of years. And so in that sense, what are the reasons that is kind of driving this loss ratio improvement? And secondly, when the regulator or the government kind of decides the tariff hike, is it more specifically linked to loss ratios or because of acquisition cost strategies for all companies, rather than driven by anything else?

In that sense, does the loss ratio play a meaningful role and the probability of price hike goes down, given the trajectory that we've seen? That's a question on BAGIC?

On BALIC, if you look at the industry where we are getting more granular with the agency channel and direct channel reporting very strong growth for even in your counterparts on the private side, how does the kind of structure with respect to the infrastructure capacity that the companies would have or the industry would have will have to change and the investments will continue over a longer period of time, keeping the costs elevated and the margins possibly could be restricted? Those would be my questions.

**S .Sreenivasan:** Tapan, would you like to take the first one on TP rate, how important loss ratio is and do you see it will trend and that evolving?

**Tapan Singhel:** Yes. So if you look at it, and I mentioned earlier in the call also, that it is a balancing of portfolios. I did mention that commercial vehicle, we have been kind of conservative on that line of business. If the mix changes, then losses should be changed. What we see is an overall loss ratio.

So if you are changing the mix of business, which is a higher loss driven to the mix of businesses which has lower losses, then overall, your loss ratio will improve. Like we said, if we don't see the price to be appropriate for certain class of business, we will become underweight. And the ones which are better, we keep on moving that mix accordingly, you see the change in the loss ratio also.

Secondly, if you see COVID times, actually, the frequency had dropped but was very unpredictable. So quite a few companies had dropped the ratio, looking at the frequency while we have still held it because of the unpredictability. Then the reserving can also put the unpredictability part to account overtime. So mostly, loss ratio movement will happen with your selection of business happening. I think that is how it reflects on the business.

Now another point on overall loss ratio, again, segment-wise, it's different for motorbikes. Some do require a price hike, some require a price decrease also, which have improved over time. And that is what the industry has recommended. Currently, if you extrapolate, then maybe six months from now, with all the cases coming in a year from now, it is going to move up.

So if the price hike has to happen, then you will take also into consideration the future movement based on the experiences currently. This is what the industry puts forward as their logic in terms of why the price at certain segments is not sustainable. And in certain segments, they should come down. So industry recommends both. I think the regulator has a view on how they look at it. So I hope this answers your question.

**Prayesh Jain:** Yes. So life insurance?

**Tarun Chugh:** Again, another good question. There was a time when we had more new verticals coming, more bank partners getting tied up with us. I mean literally in the last 6, 7 years, from near 3 or 4 banks, now we have close to 34 - 35 banks with us. So investment phase was significantly higher and usually it takes a little time to get to productivity levels. And we have been pretty much transparent in telling you that. We were setting up more new verticals than we were, repaying from these at that time. But as we are now stabilizing at least in terms of the amount of new businesses that need to set up, which tend to put a new hierarchy, new vertical, higher costs, higher systems. That is now not such a significant part of the growth.

Now where we expect the growth to come is as we read these relationships which have come with us, and it's more a horizontal investment now. So while we've added 40 branches this year, and we are now about 562 branches, the growth shall come in. Incrementally this is about 9% more branches that we used to have earlier. But these are horizontals. So these don't require new verticals, new hierarchy, new non-production costs and no new significant systems to be added on this. So we will be starting to see the cost ratios getting better as we go ahead.

And the other is, of course, more productivity is coming in. And we call it smart productivity where we are doing a balanced product mix that is going through with customers. Hence, you are not at risk of market volatility which is what you will see as we go ahead. And hence, the answer to the earlier question that come up, positive impact on VNB growth will start coming in because the scale will be there, but it doesn't need to be built from scratch anymore.

**Prayesh Jain:** Sir, it was more specific to agency and direct channels, while on the institutional side, I understand you would have built in a lot of capacity with respect to infrastructure, like the agency and direct channel where you will need to add manpower for servicing for major other elements of the business. Do you think by another 1 or 2 years, would we need further investment in manpower?

**Tarun Chugh:** Yes. See further investment in manpower is horses, of course, that will be required. I'm not saying it won't be required. But I think given the sanity around the product mix, given the fact that we are already scaled up, we don't need to invest in convincing people to become our distributors, it is more adding lesser non-productive costs. So if you're adding producers, that is the good investment too, right, than adding support staff to make it happen you do need a basic amount of actuaries, a basic amount of finance people, a basic amount of admin people when you're starting off.

But once you are adding distributors or you're adding or reducing part of manpower, that's only positive. In fact, I would say agency and direct channels are now getting to be a lot more profitable as we are seeing year-on-year with the product mix getting stabilized and not swinging to one direction. That is what is going to help us grow our VNB more and more.

**Prayesh Jain:** Thank you so much and all the best.

**Moderator:** Thank you. The next question is from the line of Sanketh Godha from Avendus Spark.

**Sanketh Godha:** On general insurance, I have a question. See, you highlighted in the call that you are seeing pricing pressure in crop and maybe in commercial lines like fire. So will you attribute this largely to EOM? So this will continue till next year because even compliance needs to be compliant by next year. So the pricing and the profitability of this segment might be under pressure for the sector as a whole, is the first question.

And counter question to the same is that if EOM is point which is leading to the pricing pressure in the commercial line, then it should have been ideally delayed in the favor of motor business because the payouts are higher. So naturally, the price war or at least payout war would have moderated in that business. But what we understand from you is that we are seeing a different trend there. So I just wanted to understand how you are looking at this space. That's on general insurance.

One thing on general insurance, if you can quantify non-motor long-term business in our portfolio in GDPI. On Life, I know you indirectly answered that question on the VNB margin. But given we ended first half at 9.2% and are now going through the surrender rule, what kind of an NBV margin should we see, reportedly last year, it was at 14.6%. Whether is it possible to get closer to that number or we will be off, given we have a product mix challenge and then also the regulatory headwinds.

So if you can give a bit of color on the margins would be useful. And second data-keeping question is the negative operating variance in the EV. It is related to what?

**S .Sreenivasan:** Yes. I think the first question was on crop insurance, the EOM and others, I think Tapan or Raman can take it. And the second was a little bit more technical question on Life, I think Tarun can take that.

**Tapan Singhel:** Thank you. Now if you look at the first statement is, we don't feel any pressure on anything, I think, because we are growing much over the market and we have a combined ratio, which is among the best in the market. In terms of number of policies last year, we sold 3.60 crores policies, which should be good. So I don't think we'll feel pressure on anything. It is business, strategic and it will move well.

If I take you back to a couple of years, back in the call, the question that I would always get asked is nobody is doing crop business. You're doing crop business. It doesn't make sense for others. Then I would keep on saying, no, we will see that. And if you look at the results in crop, we did phenomenally well. And then obviously the results are good. Everybody jumped into the business there. And then the results, the margins get narrowed. It's a natural part of any business across the globe. It is not only insurance, but any business also where people would see margins, they would come in.

EOM does play a role because it is very clear. The EOM has to be. But for Bajaj Allianz, I think we have been safely under the EOM norms and still are very comfortable. So we are among one of the well-run companies.

So I don't think there's any pressure on EOM to make decisions from our perspective. Some players in the market may have, that is their outlook, their call. They would figure out what is good for them and what is best for them. And accordingly, they will strategize and try to acquire business. But business movements happen based on how people see where the profit margins are, what is the competence, service the customer, what they can deliver based on that. And that moves.

But if you look at the GI business globally also, there's nothing which remains permanent forever. It's cyclic. Some part of the business will have discounting happening. Some part of business will have hardening of rates happening. And it happens cyclically. If you look at GE insurance market also, they have softening and hardening. It's part of our business. So I think these circumstances do not put pressure on us because it's a part of the business.

And how do you be agile to figure out and have the vision to see what would be the right business mix to have, and you keep on making those business mixes and growing your business. And ensuring that you serve your customers well, develop good ROE, innovate and do that. So that's part of business. I don't think we should read too much or see permanency in any part or any strategy.

**Sanketh Godha:** Tapan, the reason I was asking that question was that whether this, other than the cyclicality, has EOM has also played a role in pricing pressure?

**Tapan Singhel:** Let's say, I can't talk for other companies. For us, EOM has no pressure as I told you. And you would be knowing that since you have studied it so well. We are much below 30%, and we're comfortable. And we don't have any breach. So our decision making will have nothing to do with the pressure of the EOM. Now for me to comment on somebody else's strategy is not fair because they would be using the best strategy for their company, and I respect all my friends in different companies.

I'm sure they are thinking through what is best for them. But if you ask me, if I had to do a strategy in terms of making, business call just to correct EOM, that, in my view, would be a very short-term strategy. I would not do that. I would make strategies to run my business well for a very long term. The insurance is a long-term business. It is not fly by the night business. If you enter the insurance business, have a vision for 100 years, minimum, when you're thinking on doing something.

So just making a strategy to correct EOM in short term cannot play out. It will always be very short term. It will always hit you again on a very short-term basis. So, I would personally not do things just to correct EOM on a short-term basis.

**Sanketh Godha:** Raman, if you can answer the long-term non-motor business to our GWP contribution?

**Ramandeep Sahni:** So I'll answer that indirectly. See, while we don't disclose such granular numbers like Tapan said, but I'll give you an indicative number. If you look at our advanced premium growth, which is largely driven by the long-term businesses, that has grown at 20%. So that indicates that we are still growing in those lines of business at a healthy pace.

**Sanketh Godha:** My question was not with respect to motor. I was keener to understand non-motor long-term business.

**Ramandeep Sahni:** Okay. That will be closer to, I remember the number was closer to INR1,000 crores, but for this year, some of the businesses has slowed down in that segment. So I'm assuming you're asking in context of the new regulation. So for H2, I think that number for us will be closer to about INR 500 crores.

**Sanketh Godha:** On Life…

**Tarun Chugh:** So I'll just get it on the life bit, Sanketh. So there are two questions. I'll answer the first, and Vipin will take on the next one, on the EV. But just on the VNB margin, directionally, I have in a way, already answered it. But just to be a little bit more specific, within a year, you would see that we have a higher swing within our peer set. And usually, the first 2 quarters are more sedate. And Q3, Q4 tend to be getting better because second half is usually skewed towards better product, better product mixes as well sometimes.

As well as a lot of the hiring that we do, usually happens in Q1 and Q2, and the productivity really start kicking in only Q3, Q4. So I don't have any major concerns on the exact numbers. The team is committed to delivering better than this. But as we are closing out on all negotiations and discussions around the deferrals, commission reductions, I think we'll be a little better placed to put a kind of a broad theme that is it going to be better.

Because everything is now getting discussed and closed at the stage, we remain positive is all I'll say because you asked a question on the regulatory bit and the direction of the NBM.

**Sanketh Godha:** Right. But is it fair to assume that this could be potentially 100 to 150 basis points lower compared to what we reported last year, given the product mix and the regulatory challenge?

**Tarun Chugh:** See, if I was a scaled-up company with margins having peaked out, yes, I would be concerned. But our margins are only just popping up in the last 2, 3 years. So I don't think for us to beat this number is tough despite because our trajectory was a lot steeper versus our peer set. So our aim is to get to that direction. Let me just say that to you at this juncture. I'll ask Vipin to comment on the technical piece. Vipin?

**Vipin Bansal:** So Sanketh, your question was on operating variance. I think there are no major items. I think on a Value IN force (VIF ) of close to about INR9,300 crores, an amount of INR50 crores variance to explain some of it is purely the way your persistency moves. Some of it is there and unit cut goes I feel for some products. Better persistency can cut both sites. It's a very small variance. And I don’t think that worries us, honestly, on this side at this point of time.

**Sanketh Godha:** The reason I was asking, Vipin, was that given our persistency has improved across the whole, and we are at a better scale, operating leverage should also play out. Is it largely related to mortality was my concern.

**Vipin R. Bansal:** If your question is mortality, that's not the reason for this variance.

**Moderator:** The next question is from the line of Nischint Chawathe from Kotak Institutional Equities.

**Nischint Chawathe:** This is essentially on a little bit understanding of the surplus capital or surplus cash that we have versus the deployment that we are looking at over the next couple of quarters, so if you could just help us sort of understand that. I believe you said somewhere closer to around INR3,500 crores of surplus cash are what we are sitting with, and maybe if you could help in terms of how that is getting deployed in various business?

**S .Sreenivasan:** This is at the BFS level. And as you know, the last few years, depending on the solvency increase, of both BAGIC and BALIC, they have been paying out dividends. BFL also now has been a consistent dividend payer for the last few decades. So that is the primary source of cash flow. And however, we'll continue to build on that as we go along. We have demand primarily from the mutual fund business and from our health care business for some amount of capital.

At the moment, we are not envisaging capital requirements for our marketplace business. As we go into the future plans over the next few quarters, we will give you that situation, but we are not seeing that at the moment. And if we have any surplus capital, we may put a bit into our venture funds as well. So this continues to be our plan. But over time, we should see the cash surplus grows.

We also have a commitment over the next 7 or 8 months to contribute to the draft issue warrants for BFL, the balance 75% is due. We would be investing in that, that's about INR900 crores.

**Nischint Chawathe:** And very rough ballpark, the investments that we're looking at in health and AMC, I mean, if any number that you could give?

**S .Sreenivasan:** As of now, we are not looking at more than about of INR500 crores to INR600 crores over the next 1.5 years until March '26 but we will know more clearly by February.

**Nischint Chawathe:** Both the companies together?

**S .Sreenivasan:** Yes, yes.

**S .Sreenivasan:** **This is based** on the last year’s AOP, current is due in February, so I cannot give a commitment now, but this is what it looks like based on the industry margins.

**Moderator:** Ladies and gentlemen, this was the last question for today's conference call. I would now like to hand the conference over to Mr. Shreyas.

**Shreyas Pimple:** Thank you to all the participants for joining the call. And a special thanks to the Management team of Bajaj Finserv for giving us the opportunity to host the call. Thank you.

**Moderator:** On behalf of JM Financial, we conclude this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

**S .Sreenivasan:** Thank you.

**Tapan Singhel:** Thank you. Thank you, everybody.