"Bajaj Finserv Limited Q4 FY'25 Earnings Conference Call"

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MODERATOR:	**MR. AJIT KUMAR – JM FINANCIAL INSTITUTIONAL SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Bajaj Finserv Limited Q4 FY'25 Earnings Conference Call hosted by JM Financial Institutional Securities Limited.

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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ajit Kumar from JM Financial. Thank you and over to you.

Ajit Kumar: Thank you. Good afternoon, everyone, and welcome to the Conference Call of Bajaj Finserv Limited to discuss 4Q'25 Results.

First, I would like to thank the Management of Bajaj Finserv Limited for giving us the opportunity to host the call.

As always, we will have the "Opening Comments from the Management Team," post which we will open the floor for "Q&A."

From the management side today, we have Mr. S. Sreenivasan – President, (Insurance and Special Projects), Bajaj Finserv Limited, Mr. Ramandeep Singh Sahni – CFO, Bajaj Finserv Limited, Mr. Tapan Singhel – MD and CEO, Bajaj Allianz, General Insurance Company Limited, Mr. Tarun Chugh – M.D. & CEO, Bajaj Allianz Life Insurance Company Limited. Mr. Anckur Anil Kanwar – CFO, Bajaj Allianz, General Insurance Company Limited, Mr. Vipin Bansal – CFO, Bajaj Allianz Life Insurance Company Limited, Mr. Ashish Panchal – Whole-Time Director and CEO, Bajaj Finserv Direct Limited and Mr. Devang Mody – MD and CEO, Bajaj Finserv Health Limited.

With that, I would like to hand over the floor to "Mr. S. Sreenivasan for his Opening Comments." Thank you and over to you, sir.

S. Sreenivasan: Good morning, everyone. This is the Conference Call to discuss the Results of Bajaj Finserv Limited for Q4 FY'25 and the Year Ended FY'25.

I will now hand over the call to the "Group CFO, Ramandeep, who will take you through the "Highlights of the Performance."

Ramandeep S Sahni: Thank you, Sreeni. Good afternoon, everybody. We welcome everyone to the Conference Call to discuss the Results of Bajaj Finserv Limited (BFS) for Q4 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 through Bajaj Allianz General Insurance (BAGIC) and Bajaj

Allianz Life Insurance (BALIC) and where material, the standalone results of Bajaj Finserv (BFS). Bajaj Finance (BFL) and Bajaj Housing Finance (BHFL), our other material subsidiaries have already had their conference calls and hence we would pursue only high-level questions on BFL and BHFL.

To start with some of the hygiene points, as a word of caution, we affirm that any statements that may look forward-looking statements are just estimates and do not constitute any assurance or indication on any future performance result.

Let me just start by giving a update on the **Basis of Accounting**-:
As required by the regulations, Bajaj Finserv prepares its financials on Ind AS basis; however, the insurance companies are currently not covered under Ind AS. So, they prepare Ind AS financials only for the purpose of consolidation. Accordingly, BAGIC and BALIC standalone numbers reported are basis non-Ind AS accounting standards referred as Indian GAAP, as applicable to insurance companies.

I also confirm that our press release accompanying the results and investor deck have been uploaded on our website last night.

Now let me give a brief update on the **status of the Allianz's exit from the Joint Venture Agreement**: BFS and the insurance companies are currently in the process of getting regulatory approvals from both CCI and IRDAI and there is no further update on the matter as we stand today.

Let me now give a "High-Level Update on the Consolidated Financial Results for Quarter 4", which we have also put in the press release issued yesterday:

To start with, the consolidated total income for BFS grew at 14% to 36,596 crores, up from 32,042 crores for the same period last year. Similarly, the consolidated PAT has also grown by 14% to Rs.2,417 crores, up from Rs.2,119 crores for the same period last year.

With respect to BAGIC:

The gross return premium de-grew by 13% to Rs.4,326 crores versus Rs.4,962 crores for the same period last year. Excluding the bulky crop and government health businesses, the GWP for BAGIC for the quarter was flat, close to Rs.3,800 crores. The profit after tax de-grew by 4% to Rs.363 crores versus Rs.380 crores for the same period last year. The ROE is at about 12.3% versus 14.3% for the same period last year. Combined ratio at about 104.8% versus 101.6% for the same period last year.

Moving to BALIC:

The gross written premium grew 13% to Rs.9,237 crores, up from Rs.8,184 crores for the same period last year. For BALIC, the profit after tax de-grew by 61% to Rs.41 crores, down from Rs.106 crores last year. The value of new business, however, has grown 14% to Rs.549 crores, up from Rs.480 crores for the same period last year.

And finally, on BFL:-

The consolidated total income grew 23% to 11,917 crores, up from Rs.9,714 crores for the same period last year. The consolidated PAT grew 17% to Rs.4,480 crores from Rs.3,825 crores for the same period last year and the ROE is stable at close to 19%. So, this is just a summary of the results which were published in the press yesterday.

Now, I will **deep dive into each of the companies** to give you further texture on the performance.

To start with **BAGIC**: Effective 1st of October '24, as was mandated by IRDAI, the premium on long-term products was to be accounted on “1/n basis”, where ‘n’ is considered to be the contract duration. So, as compared to the earlier philosophy of recognizing premium upfront from long term contracts perspective, the law now required us to amortize the premium over the contract duration and hence Quarter 4 and FY'25 numbers are not comparable with prior years. The change in the accounting, however, has no bearing on the underwriting profits and PAT for the year, but it impacts the gross written premium and combined ratio for the period.

As highlighted earlier, the GWP for BAGIC decreased by 13% during the quarter to Rs.4,326 crores, down from Rs.4,962 crores for the same period last year. The degrowth is largely impacted by two elements; one, being the timing variance from the booking of the bulky crop and government health business; and the second one is what I referred earlier, the change in the accounting on long-term products. If we exclude the impact of volatility in the tender-driven crop and government health business and the impact of “1/n” regulations, the growth for BAGIC is about 8% for the quarter as compared to the reported degrowth of 13%. Similarly on a full year basis, the growth excluding crop and government health and the impact of “1/n” regulation for BAGIC is 12%, which is about 3% higher than the industry growth of 9%.

Further, it is heartening to see that the growth on core business lines of BAGIC, such as commercial lines including fire, marine, engineering and liability and on motor and retail health. The growth for BAGIC has been far better than industry for both the quarter and the full year. Group health, however, continues to be a tactical play with pricing continuously under pressure.

The underwriting loss for BAGIC for the quarter stood at a nominal Rs.3 crores as against a loss of Rs.76 crores for the same period last year. This underwriting result we believe will be by far the best in the industry. The combined ratio, however, stood elevated due to the accounting anomalies, which

I explained a little while earlier at about 104.8% in Quarter 4 versus 101.6% for the same period last year. However, if we exclude the impact of '1/n' regulation, the combined ratio stood at 103.1%. The elevated combined ratio is attributable to degrowth in GWP and uptick in the motor business during the quarter. While elevated, we believe that the combined ratio reported by BAGIC will still be amongst the lowest in the multiline market.

The profit after tax for the quarter stood at Rs.363 crores, down from Rs.380 crores last year, a decline of 4%. But this was primarily attributable to realized gain on investments, which was lower in this quarter because of market conditions compared to the same period last year. However, if we eliminate the impact of the mark-to-market changes on investments, the PAT has grown at a healthy 21%.

The AUM for BAGIC, which represents cash and investments as of 31st March '25 stood at Rs.33,115 crores as against Rs.31,196 crores for the same period last year, an increase of 6% inspite of paying a very healthy dividend for FY'24 and the market volatility.

BAGIC continues to deliver superior ROE on an annualized basis at about 16% versus 15.2% last year. And if we exclude the impact of surplus capital, which is taking solvency at 200%, the ROE is supposed to be even healthier at upwards of 22% for BAGIC.

On the customer front, BAGIC relentlessly drives the theme of "Caringly Yours" on the foundation of customer obsession through innovations in customer experience. And accordingly, BAGIC continues to have the lowest grievance ratio in the industry and the highest NPS consistently year-on-year. In a market which is intensely priced competitive, this operating result we believe displays BAGIC's commitment to a balance and profitable growth on back of deep and broad distribution and prudent underwriting while focusing on best-in-class customer service.

In summary, despite market constraints, a decent result from BAGIC in terms of growing higher than industry on core retail business and commercial lines and maintaining strong profitability metrics.

I will now move to BALIC:

During the quarter, BALIC's new business growth was muted, which is in line with the industry, largely impacted by the new surrender regulations and the stock market volatility. During the second half of the year, BALIC launched 'BALIC 2.0' with a focus on sustainable and profitable growth while restructuring products to comply with revised product regulations. Simultaneously, it restructured most of the other products as well, focused on balanced product mix and focus on cost for operating leverage.

The early results from BALIC 2.0 are visible through three outcomes for the quarter:

The *first* one being the VNB growth of 14% from Rs.480 crores to Rs.549 crores despite the RWRP being flat and group protection degrowing by 4% during the quarter.

The *second* one being retail protection growth of 84% also backed by increase in share of higher protection ULIP’s & focus on riders.

And the *third* and the most important being the NBM expansion by almost 4% at a strong 22.1% for the quarter as against 18% reported for the same period last year.

On the back of continued strong renewal premium growth of 29%, BALICs GWP grew 13% during the quarter. The consistent growth in renewal premium reflects the improvement in persistency over the last five years.

Overall, on an RWRP basis, the mix of business for Quarter 4 stood at: par with 21%, non-PAR savings at 27%, term at a very healthy 6%, annuity 6% and ULIPs at about 40%.

BALIC has been increasingly enhancing focus on protection business and hence retail protection grew by 63% to Rs.393 crores in FY'25 versus Rs.241 crores of premium in FY'24.

BALIC is also building on the data and analytics for direct sales through upsell and cross-sell initiatives. It has led to BALIC's presence in 407 cities with dedicated verticals for various customer segments.

On the Institutional Business side, the Company continues to expand its network of partners and grow existing partnerships. BALIC now has reasonably a large number of bank assurance tie-ups which should help it reduce any concentration risk.

On the persistency front, we have largely maintained position in line with the previous year.

The profit after tax for Quarter 4 stood at Rs.41 crores versus Rs.106 crores in the same quarter last year. This is lower due to realized gains as we saw for BAGIC as well, and on account of higher tax provisioning.

BALIC ended the quarter with an AUM of Rs.1,23,734 crores.

Overall, a mixed quarter for BALIC, but on the right trajectory of sustainable and profitable growth here on.

Finally, both insurance companies are financially among the most solvent in the industry; BALIC with 359% solvency and BAGIC at 325% solvency, and hence both the companies are well poised to weather any external adversity.

I must, however, reiterate that insurance is a long-term business, and we remain steadfast in our commitment to drive profitable growth, create sustainable value and always prioritize interests of the policyholders.

Let me now move to our Lending Businesses, BFL and BHFL:

To start with on **BFL** – A very good quarter on all metrics including business volumes, AUM, OPEX and credit costs. The number of new loans booked in Quarter 4 was up 36% to over Rs.1 crore as against Rs.80 lakh in the same period last year.

BFL added about 47 lakh new customers during the quarter with customer franchise now standing upwards of Rs.10 crores.

The Company's diversified business model has enabled it to record a strong AUM growth of 26% at Rs.4,16,661 crores as of 31st March '25 as compared to Rs.3,30,615 crores as of 31st March '24.

The net interest income grew by 22% to Rs.9,807 crores as against about Rs.8,013 crores in the same period last year.

The OPEX-to-total income improved to 33.1% as against 34% in the same period last year. Net loan losses and provisions for the quarter were about Rs.2,329 crores. The Company made an additional provision of about Rs.360 crores on account of ECL model redevelopment in Quarter 4. Adjusted for this, the loan losses and provisions for the quarter were about close to Rs.1,970 crores.

In Quarter 4, the net increase in Stage-2 and Stage-3 assets was only about Rs.289 crores. Stage-2 assets increased by Rs.784 crores and Stage-3 assets decreased by Rs.495 crores. The Company has indeed started seeing improvement in early vintages across all portfolios.

The GNPA and NPA stood at 96 bps and 44 bps respectively as of 31st March 25 as against 85 bps and 37 bps as of 31st March '24, which we believe is amongst the lowest in the industry.

Profit after tax grew 17% during the quarter from Rs.3,825 crores to about Rs.4,480 crores. Both the return on assets and return of equity remain steady. The capital adequacy remains strong at 21.93% as of 31st March '25 and Tier-1 capital was at about 21.09%

Bajaj Finserv App has now 7 crores net users and Fin AI transformation is progressing well for Bajaj Finance.

You would have also heard about the corporate actions declared by Bajaj Finance last evening, which include a share split, bonus shares and a special interim dividend. The bonus issue and special interim dividend reflect the Company's strong financial position, robust reserves and a positive growth outlook.

Moving now to Bajaj Housing Finance, the mortgage subsidiary of Bajaj Finance, a very good quarter on an overall basis; AUM grew by 26% to Rs.1,14,684 crores in March '25, up from Rs.91,370 crores for the same period last year.

Growth was very well distributed across all the business segments of Bajaj Housing. The home loans AUM grew by 22%, loan against property grew by 28%, lease rental discounting grew by 24% and developer finance grew by 49%.

The net interest income grew 31% to Rs.823 crores as against Rs.629 crores for the same period last year. Operating efficiencies improved significantly with OPEX to net total income at only 21.7% in the quarter as against 27.1% in the same period last year. The loan provision was Rs.30 crores in the quarter as against Rs.35 crores for the same period last year. Healthy asset quality was maintained with the GNPA and NNPA of 29 bps and 11 bps respectively at March '25 as against 27 bps and 10 bps for the same period last year.

Profit after tax grew by 54% to Rs.587 crores for the quarter as compared to Rs.381 crores for the same period last year.

Both ROE and ROA were steady. Capital adequacy remained strong at 28.24% as of March '25 and Tier-1 capital was at 27.72%.

In summary, another very strong quarter for both our lending companies, Bajaj Finance Limited and Bajaj Housing Finance Limited.

Now, let me give you an update on our platform companies, which is Bajaj Finserv Health Limited, also referred as eBH and Bajaj Finserv Direct referred to as Bajaj Markets and Bajaj Finserv Asset Management Company.

Let me start by Finserv Health:

The numbers for the previous year are not comparable year due to the acquisition of Vidal Healthcare in Quarter 1 '25. Hence, the previous numbers have not been provided in the investor deck. In Quarter

4, FY25, Bajaj Finserv Health carried out 28 lakh health transactions versus about 23 lakhs in the immediately preceding quarter, which is Quarter 3 of '25.

Bajaj Finserv Health continued expansion of provider network which includes about 87,000 doctors, about 4,500 lab touch points & about 15,000 hospitals. Utilizing this network strength and its tech platform, BFH is able to offer integrated OPD, IPD and wellness experience to both our retail as well as corporate customers.

Moving to Bajaj Markets: During the quarter, Bajaj Markets attracted about 8.6 lakh consumers on its digital platforms. BFSI lending disbursements, including secured, unsecured and both through BFL and outside partnerships for the quarter stood at 1,865 crores for the quarter as against 1,636 crores for the same period last year. Bajaj Markets have been achieving new milestones regularly. Some of the highlights of which are, six new partnership additions during the quarter, taking the overall unique partnership count to 96 in number. Bajaj Markets also have been achieving cash profits consecutively now for two quarters. There has been no capital infusion in the Company since March '22, showing capital efficiency of the Company.

Now, an "Update on the Bajaj Technology piece": The vertical closed a new GCC deal and two deals in the Middle East during the quarter. It has also published two solutions from the cloud practice in AWS marketplace which demonstrates the AWS expertise the Company has built over a period of time.

Now, moving to the "Asset Management Company": The asset management Company ended the year with an AUM of upwards of Rs.20,000 crores which is up 17% from the immediately preceding quarter, which is Q3 of FY'25.

We believe the Bajaj Finserv AMC is the fastest to cross the Rs.20,000 crores mark in less than two full years of operations. The non-group share of AUM stood at a very healthy 84% of the total AUM.

This was the update on the performance of all our companies.

Before we open the questions, considering the paucity of time, I would request the audience to kindly keep their questions brief so that we can cover more questions during the call. With this, I invite questions from the audience.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask the question may press * and 1 on their handset telephone if you wish to remove yourself from question que you may press * and 2. Participants are requested to used handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question que assemble. We will take our first question from the line of Avinash Singh from Emkay Global. Please go ahead.

Avinash Singh: Yes, good afternoon. Thanks a lot for the opportunity. Two questions. The first one is on BAGIC. Now, your capital position is very, very strong and also there have been some changes regarding the cross-border insurance regulation and all. Do you see, any changes in your retention strategy from here, because I mean, if I see typically, you have been writing crop as explained earlier but your retention has been lower despite the fact that your capital position is very strong and now, they'll kind of add the margin, are there some changes required to this cross-border reinsurance and all. So, do you see yourself kind of changing your retention strategy or increasing your retention going forward? That's my question on BAGIC. And on BALIC, now, a lot of regulatory changes are already kind of behind in terms of your Surrender regulations or EOM going forward I mean and also that the markets are now more sort of I would say balanced than the buoyancy it had in last year. What kind of product mix and corresponding the trajectory of VNB margin you see from here onwards? Thanks.

Ramandeep S Sahni: I will request Tapan to take the first one on retention please.

Tapan Singhel: Thank you Raman. So, I think in your question lies the answer. You mentioned that with the CBR rules changing and you also mentioned our strong capital and strong solvency which we have. So, I think that is where the answer lies. Strong capital or strong solvency. It doesn't really matter, if the CBR rule changes none of the fact gets more difficult, we have enough to be able to retain also and we have enough writing competence and which we have demonstrated over so many years to write good risk. On retention if it makes sense, then it's good to retain. If you look at the overall results, I think it is perfectly fine as of now, the balance is pretty good in terms of what we retain, but as you rightfully said, if there is a shortage of capacity because of strong capital base, Bajaj Allianz will still continue doing good and will be able to handle this very well.

Ramandeep S Sahni: Avinash, I will just add to that. On our retention, if you see in the past, it has been on the lower side vis-à-vis the others in the market because of the bulky businesses we've been writing, especially in the last two years, we've written a lot of crop and government health. That is one reason. The second is we write a lot of commercial business also and there you see that the growth we've been registering on commercial lines, which are some of the large risks. There also, because of the risk being very large, our retentions are on the lower side. That's one reason you see some anomaly vis-à-vis others in the market.

S. Sreenivasan: Avinash, just to add to what Raman and Tapan said, basically the aggregate retention for a composite insurance Company is just a summation of the parts. We have multiple lines of business, the product mix changes, and we have always been strong in the larger corporate and the commercial lines. Therefore, line-by-line if you see I don't think our retention is lower at any time, but the mix of multiple businesses, some with lower higher retention will eventually determine what the net retained premium is. We will move to Tarun for the product mix and the margins question.

Tarun Chugh: Yes. Thanks, Raman. Avinash, you're right. Regulatory changes are largely behind us. In terms of product mix, you'll see more in line with what you saw in Q4 with a higher growth in protection. As far as group protection is concerned, we believe we are all waiting and watching how the interest rate change impact happens and whether we have higher growth in lending, and that is what is going to decide how credit life really grows and that will impact the industry equally. We are now well positioned because we are well diversified, not just dependent as we used to be a couple of years back in any one segment. So, that should help us. In terms of VNB margin project trajectory, we believe that's a good point. You saw the change expansion already in Q4. Beyond what you heard Raman talked about, we have also taken significant calls on cost structures, looking at more productive investments, removing wastage, inefficiency and in some places significant cost cuts. This is helping us leverage to an extent. You saw that operating leverage show up in Q4. We expect VNB margin trajectory to be far steeper and hence a high growth in VNB margin versus what you would see in the revenue side. I hope that answers your question.

S. Sreenivasan: I will just add to what Tarun said, Avinash. While one is obviously structurally doing more term & more group, which is margin positive on an aggregate basis, but we are confident from BFS level that the actions that BALIC has taken, also structurally improved the margins of the other lines of business. Therefore, that may fully play out only in FY'27, but you should start seeing the benefits by second half of next year. So, with more than margins, we continue to concentrate on improvement in VNB and the growth in VNB being better than the growth in the rated premium.

Avinash Singh: Thank you. Thank you.

Moderator: Thank you. We will take our next question from the line of Swarnabh Mukherjee from B&K Securities. Please go ahead.

Swarnabh Mukherjee: Hi, sir. Thank you for the opportunity. For BAGIC, I just wanted to understand the combined ratio outcome. I just wanted to understand the combined ratio outcome because the loss ratio while it has been benign, can see that motor, TP and fire loss ratios are lower. So, if you could give some comments on that? And on the expense side, again, there has been quite an increase. So is this primarily coming due to the fact that most of the growth this quarter has come from the broker segment and correspondingly outgo has been higher. So, if you could just break down that, that would be very helpful for BAGIC? On BALIC, first of all, Congrats on the outcome, I think very strong numbers which you have reported compared to what we are reporting historically. wanted to understand that right now how much of cost overrun is baked into the margin like if we were to absorb later on, what could be the possibility, if you could give some color on the structural nature of the margin for our product mix? And secondly, if you could call out the reasons for the operating variance and assumption changes in the EV Walk. And then just a small question on Bajaj Health. There is a segment mentioned international where I think a lot of large shares of claims are coming. Just wanted to understand our nature of offerings here, who will be the customers if you could give some color and whether the claims outcome is unfavorable?

Ramandeep Sahni: So, we will start with BAGIC first, I will just try to answer that and hand over to Tapan or Anckur thereafter. I think what's relevant and what I mentioned earlier also, if you look at the underwriting loss for the quarter it is very very low at only about Rs.3 crores, almost close to zero. So, what you're seeing as elevated combined ratio is actually an outcome of GWP not being there in the quarter because of the 1/N regulations and the anomaly in the crop and government health distribution of premium during the year. So, I think that's causing a stress on the expense ratio for the quarter because that's the way the combined ratio is calculated. But I think when you see the underwriting loss, it's a Rs.3 crores. That I thought I will just highlight that before I hand over to Tapan or Anckur.

Tapan Singhel: I think you have covered it very well.

Swarnabh Mukherjee: Just a follow up in terms of commissions, etc., there is nothing very incremental even due to the channel mix change?

Ramandeep Sahni: No. So, I think what has changed and what I highlighted earlier also was that the growth on motor and retail health has been on the higher side for the quarter and there obviously on new sales, the commissions are on the high side. So, the mix of new has moved up and that's where the commission is looking high. So, it's only a mix variant, there's no incremental payouts which we are doing. This should get normalized when you look at the whole year numbers.

S. Sreenivasan: And the overall EOM is well below the regulatory allowance. So BAGIC has the leverage subject to market conditions and the businesses they want to pursue and if things are improving, I think they have the levers available to them to go back into growth into the preferred segments. Okay. We will move to BALIC, Tarun or Vipin?

Vipin Bansal: So, I think the first question on overrun. So, all the overruns are accounted when we report our VNB margin. So, I didn't understand the question, but all that we incur, even if there are overruns, all of them are accounted for and they're reflected in our VNB margin. In terms of operating variance, there were fewer new segments that we started writing a year and a half back and some of them have produced a little lower persistency than what we had generally experienced while they are still profitable to similar other products, these are new segments that we have been testing. And on ULIP side also beyond 61st month, we have seen some surrenders and all of that coming, maybe that's because of market upside. I think those are the reasons. Purely on mortality, if that was your intent, on the mortality side our experience is in line with expectations. So, there are no variances there.

Swarnabh Mukherjee: Okay. Understood. If you could highlight on the international business?

Devang Mody: On international side, if you see our stated strategy in India is to have lot of volume, and we handle considerable volume, and our aim will be to convert that transaction volume into capabilities which we can probably offer to international insurers. In that direction, we already have two customers internationally. As we speak, in last quarter, we have serviced those two insurers. Our focus just now is less on business development but more to harden our capabilities which can be utilized by international insurers. We do fair bit of transactions there. But because in international markets, OPD is 70% of total value disbursed by insurers and we have obviously over a period of the last six years created lot of capability around OPD. That's why the number of transactions is very high internationally. But we are just scratching the surface. As it is widely known while India is 16% of global population, India is less than 1% of healthcare spend of the world. Now, while these statistics are very colorful, we are very optimistic given that we process a lot of volumes in India, our competency set in technology in AI would create a proposition for international market as we continue to create this capability and service our customers, we will be able to actualize the benefit of these revenue streams. I hope I have explained what you are looking at unless you have any clarification on this.

Swarnabh Mukherjee: Yes, sir. Just one small query was that, in terms of profitability, if I had to think about the domestic versus the international piece, how will it stand?

Devang Mody: So, in terms of profitability, obviously, international is significantly higher, but actually it's not a very apple-to-apple comparison. The investment in creating capabilities is completely absorbed by domestic business. So, it's not an apple-to-apple comparable. It's like international business for us is actually cream part of the overall business architecture and profitability in longer term also will always remain higher in international business. All of us know that India is a very extremely cost conscious as well as competitive market. So going forward also we believe that international will be significantly higher on profitability. But the market size there is tremendous. So, it's not that we are pricing ourselves too high. It's just that those markets have the ability to pay more. The key for us is how do we create capabilities on what we internally call as sandbox in India, and how we are able to convert that into capability which can be sold internationally. Profitability will always remain higher internationally.

S. Sreenivasan: I think just to add what Devang said, the 2.8 million claims that we serviced, it's a fairly sizable number, that kind of volumes you never get internationally in some of the countries. Therefore, this is the bread-and-butter of our business that is the one which helps us as it grows, we will continue to invest in capability and we want to make a gold standard product in terms of technology service, in terms of integration, digital, AI, all of them linked together with the data science built in for handling abuse management and various other things in terms of understanding the medical field better and better as we do more transactions. I think it's a very long-term business. Over the next 15 - 20 years, we believe this is going to be a very large play in India. Today, we have a lot of fintech’s, some hospitals, there are insurance companies, there are people and all of them doing bits and pieces of these. But as we see the next 15-years, we see the size of the opportunity being very large. And once we build the capabilities over the next few years, we think we should probably be in a better position than many others because we have the brand to match it up as well.

Swarnabh Mukherjee: Understood, sir. Thank you so much for the detailed answer. Thank you and all the best.

Moderator: Thank you. We will take our next question from the line of Madhukar Ladha from Nuvama Wealth Management. Please go ahead.

Madhukar Ladha: Hi, good afternoon, everyone. Just had a couple of questions. First, on BALIC, the margin improvement has been very good. Congratulations on that. But in terms of growth, I see that growth is slowing down, which is as per what we had discussed earlier as well. But moving on into FY26-27, how do you see APE growth and VNB growth panning out, some sort of sense over there will help us. Second, on the operating variance and assumption change, I understand all of this is related to persistency or is there any other element of mortality or expenses also? So those are my questions on BALIC. On BAGIC, the underwriting performance has been quite good this year. However, if we look at GWP growth, it's a little bit slower. I am guessing losing out on market share in a few segments. Any comments around how do you look at that? I sense the growth in motor also has been a little lower than the industry. So, some color around market shares would be helpful. Thanks.

Tarun Chugh: Yeah, to start off. I think the VNB margin I know this is the second time we're getting this response from these questions. Yes, the VNB margin is looking good and honestly that was to be expected. We've been saying this as a guidance in our last two calls that we will be making a significant strategic shift, which we did make and we have ensured that our VNB margin is now moving up in the direction, but as Sreeni said, while we look at margins, there is a lot of noise in the margins from the group business, hence the VNB is what we will be focusing and talking about more. In terms of growth, BALIC has been, in the last five years, the fastest growing Company in the country; we've had a CAGR of 30%. And we consciously took a pause, when the entire sector just changed the traditional plans only, we relooked at every plan that we had; ULIPs, Tulip which is a term ULIPs that we have nowadays and traditional plans as well and we looked at redesigning, restructuring our products entirely. So, while. 50% of the products changed in the market, we changed 100% of our products. This was to result and I think it was a call which on hindsight has gone correct because we did foresee that with so much of surrender value changes happening and 50% of the products changing, 3 million advisors, all bancassurance branches, having to undergo training, there will be a slowdown in the sector for the second half, which is exactly the way it panned out, hence we timely chose this time to plan more on a far more significant one-time structural change, which we've done. Now, that change, on anything that we had to do on margins, is behind us. Now, we have to work on frugality, ensuring that we are cost-efficient and that will ensure that the direction of VNB margins remain high. So, your second part of the first question is on, will the margins be growing, or will the top line be growing? As far as the top line is concerned, if I just get into a little bit more detail, the bancassurance business has picked up from where it left, and the transition has been a lot smoother. Proprietary sales have signaled a little bit more time, because we changed all the ULIP plans as well, which nobody else changed. And that was a significant part of the product mix, which has of course resulted in them going a little slower, although it remains still the fastest growing business for us. The agency side has required to have a lot more discussions with advisors because we changed the compensation and that I think will be taking a little bit more time to settle in. So, the growth we expect, which has been muted for particularly agency, shall remain slightly muted even in Q1. But having said that, for us, it is unique because we were one of the fastest growing in last year, and H1 as well; we grew by 31% and while our peer set was far, far lower. So that high base effect will also come in. So, we will have to look at it and put in perspective from that. And as Sreeni mentioned, H2 onwards you'll see growth for top line also starting to come up significantly. But you should expect overall for us a higher growth in VNB in this coming year, and I think that's the message I would like to leave you with. Your second question is on variances. Although very clearly Vipin has touched on it, but just to mention because you were specific, there is no impact of mortality or expenses on these variances.

Madhukar Ladha: Okay, great. Thank you for the detailed answer. And on BAGIC?

Tapan Singhel: Yes, on BAGIC, if you look at the overall numbers, we were a bit surprised on your comment that we have lost market share. If we look at the year's numbers and Raman explained the '1/N' impact, that is why this is, and we have a disproportionate higher share of the market of long-term business. So, I think that is what gives you this perception. IRDAI publish segment wise numbers. If you look at it then I think, be it commercial lines, be it motor, be it retail health, be it government health, the only two lines of business where our share would be lower than the market; one would be crop insurance which we had mentioned earlier that if you look at this time in crop and I remember a couple of years back, everybody was shying away from crop and to the question we were answering is that crop business, we understand and we do it and we will continue doing it and then when people saw that we did it well, everybody is into the crop business currently and obviously when we see lot of intensity in some business and pricing is not what we feel is appropriate. There we go slow a bit. So, crop insurance I think we would have a lower market share, and, in miscellaneous, it is because the cattle business we have gone slow because lending has gone slow not because we have slow intensity with lending on that business. Barring, these two, I think we would have been ahead of market in all lines of business. So, that is where the actual question is. Anckur or Raman, do you want to add anything?

Ramandeep Sahni: Maybe I can just talk about it; I think one thing which is playing out is the proportion of long-term business for us versus the market has been on the higher side. So, on an average the long-term business which is impacted by the 1/N regulation for us was 7% of our GWP, for the market it has been 3%. That's why the numbers look a little odd, but Madhukar like Tapan highlighted, if you look at the full year numbers, the growth on GWP has been about 5% both for us and the industry. If I exclude the impact of government health and crop, we have grown at about 8%, industry is growing at about 7%, we've grown 1% higher. If I actually negate the impact of '1/N', we have grown at about 12% and the industry has grown at 9%. Now if I break that further into retail segments, which is what you were referring to, on motor, in fact our growth has been in line with the industry; industry has grown at 7.9%, we've grown higher at about 8.5%, on retail health industry has grown at 8%, we've grown at about 13%, commercial lines, which is a summation of fire, marine, liabilities, all of that put together - industry is flattish; it's grown only 1%, we've grown at 8.5%. So, what Tapan highlighted actually, the stress is looking only from the 1/N part and also the loss of some business on crop which we mentioned earlier, we will do that business only if it makes commercial sense and we know most of the people are doing it only to get arbitrage on EOM today. So, to answer your question, I think from a top line perspective, we've outperformed the market almost in all segments this year.

Madhukar Ladha: Ok Understood Thanks a lot

Moderator: Thank you. We will take our next question from the line of Manish Dhariwal from Fiducia Capital Advisors. Please go ahead.

Manish Dhariwal: Good afternoon. Am I audible? Yes, please go ahead. Thank you for this opportunity. So my question was at two levels. One, the group has taken this decision of buying the 100% of the two insurance businesses and now your approvals and all, the thing has sunk in, earlier, it was going to happen sometime, now it's happened, now you ensured the execution part is happening, I wanted to understand over a period of, say, about three or four or five years, it's a long term question, how would the flavor of these two businesses undergo a change like you did mention about some international forays, which I am sure earlier there may be some restrictions, Allianz being a partner, already being a global player, so if you could just give us some long-term perspective on both the insurance businesses that you run?

S. Sreenivasan: Sure, I think when we look at the opportunity spectrum in both the insurance businesses, it is very large, while both the businesses continue to remain very competitive, and we expect more competition to come in the future. In the long run, it is a game of balance sheet size, capital and brand. We have already done the hard work over 20-years and if you see most of the people who are coming in recently are finding it more difficult because of the level of competitive intensity to get to the minimum scale that is required for a viable insurance business. As far as the decision of Allianz to exit is concerned, it is a decision of Allianz to exit, and we have executed the SPA and it does give us the opportunity now to use the Bajaj brand and the capabilities that we have at the Bajaj Group to play the opportunity spectrum in insurance business. Clearly, in a joint venture, there are always restrictions, there are shareholding patterns and there are difficulties in dilution, there may be difficulties in various acts, strategic initiatives that you may want to take, if it is not viable for both the shareholders to go ahead with that. We think there are three or four things that we mentioned. The first is, we now have 100%, a lot more leeway to look at strategic opportunities which may involve dilution, maybe we can look at other business initiatives including for example in the GIFT City, we can look at the pension business, potentially, we can look at international foray as well because this is a sign of a very large amount being put up as domestic capital and we have fair confidence that this capital will yield the shareholders a very good return over the years to come. So, there are many levers that will play out and we are not short-term players, and we are a more than 100-year-old group and therefore we have the patience and resilience to be able to play it with the aid of the surplus capital and the power of the brand that we have or we lacked a little bit in flexibility we get that as well now.

Manish Dhariwal: Yes. Yes. Thank you. Thank you. And some bit of favor on the health business, the way like the number of transactions is increasing, Vidal acquisition happened, so steps are happening, like more and more hospitals and the footprints expanding, when are you seeing this to emerge a meaningful business say three years, four years, five years where the numbers actually make an impact on the balance sheet?

S. Sreenivasan: Yes. Let me take that first before I pass it on to Devang. As I said earlier, we believe healthcare services, the entire spectrum of healthcare from tooth-to-tail is going to be a significant industry in India. We have a significant proportion of the population which requires government schemes to be able to support healthcare. We also see that the insured population is much smaller because of the higher price and the fact that insurance today covers only hospitalization and there is a missing middle, and all of these are continuing to grow. Therefore, we believe there's a long-term opportunity. We already have made the most difficult part of building the network for the OPD services. It is easier said than done because it's a significant amount of effort capital and time and then you have to build a model out of it, with the TPA, with our insurance Company in BAGIC and the OPD capability and the initial foray into international business that we already have, we believe we have all the tools available now, but we need the volumes to be able to further sharpen our capabilities. So, we are very confident as BFS. The value may/may not come from the traditional way of measuring profits in terms of profit and equity, but in the long run value will emerge because of the size of the opportunity and how long we remain invested in the business and our intention is to be remaining invested in the business.

Devang Mody: I think your question was about relevant for numbers. Of course, we are very proud to have very large companies in the group which contribute a substantial portion of consolidated revenue. See, our view as a group about health businesses, health remains one of the largest spend item for Indian consumers and it will only grow further in percentage spend of Indian households in coming years, point #1. Point #2, health has right for disruption in our view with injection of new technologies specifically AI, because there are certain nuances of health business which are very suitable for usage of AI. Globally, health thrives on unstructured data because every patient is different. And third point is, India has tremendous population and hence in technology word if I say humongous training data. This can be put to use to service Indian consumers and also to monetize those capabilities globally, but it has longer gestations, so number relevance is a matter of spreadsheet work. What we are focused on is that we add value to Indian ecosystem and take those capabilities globally to add value to some of our international customers. So, it's a longer journey, but as a group, in my view we are extremely suitable because we are long-term players in anything we do to solve this problem over a period. So, it's a very contextual question. An answer would require a lot of spreadsheets, and we are not focused on that relevance on spreadsheet.

Manish Dhariwal: Thank you. Thank you. That helps.

Moderator: Thank you. Ladies and Gentlemen before we take the next question would request participants to keep their questions brief as we have other participants waiting for their turn. We will take the next question from the line of Umang Shah from Banyan Tree Advisors. Please go ahead.

Umang Shah: Thank you. Sir, just one question on BALIC. How much of our APE would be coming from the largest banca partner that we work with?

Vipin Bansal: So, the largest one contributes to about 22% of our business.

Umang Shah: Sure, sure. And sir, with that player now looking to acquire an insurance Company that we compete with, would you be looking to reduce your presence there or would that business be coming at a lower profit than other channels?

Tarun Chugh: See, we we're talking of Axis very clearly here, right? The player has had an investment already and they were declared promoters of that Company, which was the intent I guess from them for a long time. And they were very clear when they added us as a partner that they would be going ahead and adding a lot many partners in the bank itself for life insurance. And despite the fact that they already have their own Company, we are still maintaining 25% plus/minus 1% here and there of the market share in the bank. And as far as margins are concerned, we don't talk about margins individually for players. These are bilateral transactions.

Umang Shah: Sure, sir. Thank you so much.

Moderator: Thank you. We will take our next question from the line of Sanketh Godha from Avendus Spark. Please go ahead.

Sanketh Godha: Yes. Thank you for the opportunity. Sir, I have two, three questions on BAGIC first, Sir, if we look at our tender-based business, is almost 25% of our total GWP. See, honestly, the predictability of the growth of this particular number looks very difficult for us to estimate. Sir, I just wanted to understand how confident you are which is 25% of your business will repeat again next year and suppose if you don't win then you have a game plan probably to substitute that business with some other line of business. Just want to understand the thought process and the continuity on growth given tender-based business is 25% of our total GWP. That's one thing. And second is on reinsurance acceptance because the rates are little better, so there are couple of insurance companies which have already alluded that, they might be little aggressive with respect to accepting as a reinsurance business which could help in GWP growth. So, do you have any thoughts on those lines of the business? And lastly on data keeping on BAGIC, can you give two, three figures advanced premium number, duration of our bonds and yield-to-maturity on the bonds? Yes, that’s from BAGIC

Tapan Singhel: Let’s look at when we talk of bulky business, tender business, whether it comes, doesn't come. You understand the nature of the insurance business, it comprises of two, three parts and it is an inherent part of business; one is retail, second would be tender based. Tender-based is not only in terms of when you talk of government or you talk of crop, it's also there in commercial lines of businesses. A lot of large risks also are tender based in the Indian market. And if you look at the segmentation, the tender-based business in the total industry portfolio would also be close to about, if I am not wrong about 30% or so or more, 30%, 35%. Now, if you're a Company with among the largest number of customers in India, if you are a Company which is top three including government companies in India in terms of top line, if you're a Company which is among the best in India, you will reflect what the market is. If the tender business is close to about 30% - 35% business and you have 25% tender-based business I think it’s perfectly fine. Because you can't be a large Company and say that I will not have tender-based business at all. Now the second part of the question is that how will it play out? Now, we have been doing it for so many years. I don't think that something is new, some tenders we win, some tenders, we lose, its inherent part of business. Sometimes if we lose lot of tenders then for that part of business market share may drop for some time, like we did in crop this time and we found the tenders being very aggressive in terms of the pricing, which was about 30%, 40% lower, we reduced our presence. We never exit any business and we are always there, we are still on a leading crop insurance even today and we will be there and we will keep on participating in that. As a large player, you would be present in all lines of businesses, you would be having a substantial market share in all lines of business. And what makes sense in terms of our underwriting principle, that is where we will be disproportionately higher where it does not make sense will be lower in the market and this keeps on changing, it is not like written on stone. It keeps on changing, but this is inherent nature of business. That's something which one does not have to really be surprised about and we look at each line of business separately, each product separately and each we should write well and serve the customers very well. If you look at our grievance ratio and these are publicly available data at IRDAI, we have been among the least grievance ratio in the country for so many like over a decade, every quarter, every time. This is a principle of business. That was your first question. Second question was on BALIC?

Sanketh Godha: I was asking about a couple of companies are doing more reinsurance acceptance compared to what we've been doing in the past.

Tapan Singhel: What people are talking about is not reinsurance acceptance, it was writing commercial lines of the businesses. See, reinsurance companies, make treaties and that is just kind of a plan in way of projecting the balance sheets. There's no question of reacceptance by the companies. Now they will look at commercial lines of businesses. But as Raman mentioned, if we look at last year, industry was growing at about less than 1%, we were doing at 8%, eight times industry growth in commercial lines of business and we have been doing that. So why would we slow down? I think whenever the pricing is right and where we can serve the customers well, we understand the risk, we would have a disproportionate market share there. So, I don't think that any change of stance would happen. Thank you.

Sanketh Godha: Got you. And that data keeping question advanced premium, duration of bonds and YTM?

Anckur A Kanwar: Advanced premium is closer to Rs.2,500 crores.

Sanketh Godha: And duration of our bonds?

Anckur A Kanwar: It is around 5.5.

Sanketh Godha: And current YTM?

Anckur A Kanwar: The realized rate is slightly in excess of 8% it is 8.03%

Sanketh Godha: Okay, Perfect. Thanks. And may be one question on BALIC. See, this strategic shift probably impacted meaningfully the agency channel as you alluded and that's almost till the first half it was more than 40% of our GWP. You are fairly confident that the reset is already done, or it will take some bit of more time and therefore the growth probably in this channel will be little back ended or you believe that in FY26 agency might be a little muted because of the strategic shift what we have done on the BALIC side. So just 1 question and if you can give your contribution of Axis Bank? That's the second one, yes.

Tarun Chugh: I will answer the second one first, Axis is 22% of our business and overall, if you notice that most of our peers their largest bank is upwards of 40% to 50% to 60% as well, and it was a studied strategy that we shall not be dependent on one banca partner and I think that's how the banca partner also wants it. So, I think that strategy has played out quite well and we'd like to have all businesses to grow at their healthy pace and not be overdependent on one. Coming back to agency, agency is a 1,50,000 agents' business and we've been looking at changing the product mix for some time and finally we've landed up doing it in the second half of the year. It required a lot of reset and that reset is in place. We are seeing positive green shoots come in, in terms of activity, productivity, which are the usual bits of first indicators, engagement from agents has been reasonably on the uptick. We added about 57,000 agents last year and we opened 60 offices, largely these offices are used by the agency itself. We are continuing to grow in the way we are hiring more agents. So that is only going to be positive as we go ahead in time. In terms of growth rate, I did mention that we did have significant growth in the first half last year. In fact, even agency in H1, grew by 23%. So that higher base is going to impact I would say mathematically, the expected growth rate from the agency, which is obviously going to be muted in the first half. And in second half, you should see a significant climb back in, again, because mathematically it was bad for the entire sector, but even otherwise my indicators would be more on number of agents getting active, the segment of agents getting active, how many policies are they doing, whether they're consistent or not, all the usual distribution parameters which you look at and they're all in I would say the green shoots are visible and directionally, we are feeling a lot more confident because don't forget agency has been our mainstay all this while and agency shall remain a very strong part of our growth engines.

Sanketh Godha: Perfect. Perfect. That answers my questions. Thanks.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question for today. I now hand the call over to Mr. Ajit Kumar from JM Financial for closing comments. Over to you.

Ajit Kumar: Thank you to all the participants for joining the call and special thanks again to the management team of Bajaj Finserv for giving us the opportunity to host the call. Anything else, Sreeni sir, you want to add?

S. Sreenivasan: No, nothing else. I think first half we still believe the geopolitical and external environment will continue to be, we need to watch, it can be volatile, but we are very cautiously optimistic about H2 of the coming year when we should come back to growth. So, we are using this opportunity on finAI, in BFL and looking at our OPEX cost in BALIC and the margin profiles restructuring the business on the surrender charges and in the case of BAGIC, we are waiting to continue our calibrated growth with the focus on strong underwriting performance. Platform businesses, we want to see them achieve more scale in terms of number of transactions, both Finserv direct and the health business. The mutual fund can be depending on how the market is. The AUM growth can be a bit volatile, but we believe that we continue to differentiate in terms of each of our funds and we will continue to build on distribution and the systems from here. So, this is largely what we are looking at over the next 12-months.

Moderator: Thank you, sir. On behalf of JM Financial Institutional Securities Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.