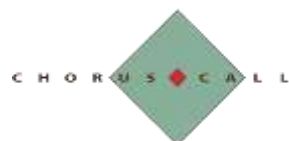




“Bajaj Finserv Limited
Q1 FY '26 Earnings Conference Call”

July 25, 2025



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MODERATOR: **MR. AJIT KUMAR -- JM FINANCIAL**



Moderator: Ladies and gentlemen, good day, and welcome to the Bajaj Finserv Limited Q1 FY '26 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 * then zero on a 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, sir.

Ajit Kumar: Thank you, Muskan. Good evening, everyone, and welcome to Q1 '26 Earnings Conference Call of Bajaj Finserv Limited. First, I would like to thank the management of Bajaj Finserv Limited for giving us the opportunity to host this 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, MD and 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, MD 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 Ramandeep sir, for his opening comments. Thank you, and over to you, sir.

Ramandeep Singh Sahni: Thank you. Good evening, everybody. We welcome everyone to the conference call to discuss the results of Bajaj Finserv Limited (BFS) for quarter 1 FY '26. As before, in this call, we will largely be concentrating on the consolidated results as well as the results of our insurance operations, Bajaj Allianz General Insurance (BAGIC) and Bajaj Allianz Life Insurance (BALIC), and where material the stand-alone results of Bajaj Finserv.

Bajaj Finance (BFL) and Bajaj Housing Finance (BHFL), other major subsidiaries of ours have already had their conference calls, and hence, we would pursue only very high-level questions on both BFL and BHFL. To start with a few 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 of any future performance results.

Let me also give an update on the basis of accounting.

As required by the regulations, BFS prepares its financials in compliance with Indian accounting standards referred as Ind AS. And the insurance companies are, however, not covered under Ind AS. They have prepared Ind AS financials only for the purpose of consolidation with BFS. Accordingly, for BAGIC and BALIC, the stand-alone numbers reported are based on the non-Ind AS accounting standards referred as Indian GAAP, as applicable to the insurance companies.

I also confirm that our results, press release accompanying the results, and our investor deck have been uploaded on our website within half an hour of our results. I would like to draw your

attention to our enhanced investor deck where additional insights have been added based on feedback from a few investors. We do hope you appreciate this and look forward to your feedback, if any.

Now let me give a brief update on the status of the Allianz's exit from the joint venture agreements with BALIC and BAGIC. Approvals for the acquisition of 26% stake in each of BAGIC and BALIC by BFS and the promoter group companies have been received from both the Competition Commission of India and the Insurance Regulatory and Development Authority of India. Approval for name change, however, is in process.

As indicated earlier, the acquisition may be in one or more tranches, of which the initial first tranche shall be for the minimum of 6.1% stake, which needs to be paid within 6 months of IRDAI approval. The outer timelines for the acquisition of the entire 26% stake stands on 16th October 2026 as per the SPA.

Upon completion of the initial first tranche, the existing joint venture agreements between the company and Allianz SE in respect of both BALIC and BAGIC shall stand terminated, with Allianz having reduced rights until they hold 5% stake, below which their rights will fall away. Let me now give you a high-level update on the consolidated financial results for quarter 1, which have been published in our press release on 25th July 2025.

The consolidated total income for the group grew 13% to INR 35,451 crores as against INR 31,480 crores for the same period last year. Consolidated profit after tax grew at a good 30% to INR 2,789 crores versus INR 2,138 crores for the same period last year. This number is a all-time high quarterly PAT for Bajaj Finserv. It's important to note, however, the PBT growth for Bajaj Finserv on a consolidated basis was at 21%. The delta between 30% PAT growth and PBT growth of 21% is attributable to a higher tax on dividends in Q1 of last year, which was due to higher dividends largely received from BALIC and BAGIC.

In respect of BAGIC, the GWP grew 9% to INR 5,202 crores versus INR 4,761 crores for quarter 1 of last year. Ex-crop and Government Health business, the GWP grew at 10% to INR 5,107 crores versus INR 4,664 crores for the same period last year. PAT grew by 15% to INR 660 crores, compared to INR 576 crores in the same period last year. ROE was up at a healthy 21.4% compared to 21.3% for the same period last year. The combined ratio was down to 103.6% versus 103.7% last year.

In respect of BALIC, the GWP grew 9% to INR 5,479 crores versus INR 5,018 crores for the same period last year. The PAT grew at a very healthy 76% to INR 171 crores versus INR 97 crores for the same period last year. Value of new business registered a 39% increase, moving up to INR 145 crores, up from INR 104 crores for the same period last year.

In respect of BFL, for consolidated net total income, it grew at 21% to INR 12,610 crores versus INR 10,418 crores for the same period last year. Consolidated PAT for BFL grew at 22% to INR 4,765 crores versus INR 3,912 crores. The ROE stood at a healthy 19% versus 19.86% for the same period last year.

Let me now deep dive into each of the companies to give you a texture on their performance on a stand-alone basis.

With respect to BAGIC, as we have discussed earlier, effective 1st October '24, as was mandated by IRDAI, the premium on long-term products was to be accounted on 1/N basis, where N is the contract duration. And hence, the Q1 numbers for the current year are not comparable with the prior year. The change in the accounting, as we know, however, has no bearing on the underwriting profits and PAT for the company, but impacts the reported GWP and combined ratio for the period.

As highlighted earlier, the GWP for quarter 1 for BAGIC increased by 9% on an overall basis to INR 5,202 crores. However, if you exclude the bulky tender-driven crop and government health business and we eliminate the impact of the 1/N regulations, the growth for BAGIC has been a very healthy 15% for the quarter as against the industry growth of 14%.

The growth was largely attributable to all the core business lines such as commercial lines, which include fire, marine, engineering and liability and motor and retail health. And in all these lines, the growth was higher than the industry. The underwriting loss for the period stood at INR116 crores versus an underwriting profit of INR 16 crores for the same period last year. The combined ratio stood at 103.6% versus 103.7% for the same period last year. Again, excluding the impact of 1/N regulations, the combined ratio is lower at about 102.5% and as compared to last year on a comparable basis, down by a good 1.2% for the same period. Underwriting losses and combined ratio have been impacted by higher acquisition costs with focus on preferred business segments where the commissions are expected to be on the higher side.

While higher than 100%, we believe that the combined ratio for BAGIC will still be amongst the lowest in the multiline market with ROE reasonably above 20%. Profit after tax for quarter for BAGIC stood at INR 660 crores versus INR 576 crores, an increase of 15% attributable to better investment performance. AUM represented by cash and investments as of 30th of June '25 stood at a healthy INR 35,199 crores versus INR 31,651 crores for the same period last year, a healthy increase of 11%.

BAGIC continues to deliver a superior ROE consistently. The annualized ROE for Q1 FY '26, as mentioned earlier, is about 21.4%. However, if we exclude the impact of surplus capital, which is assuming solvency at 200%, the ROE is expected to be upwards of 25%. On the customer front, BAGIC relentlessly drives the theme of Caringly Yours on the foundation of customer obsession through innovation and customer experience.

Accordingly, BAGIC continues to have the lowest grievance ratios in the industry and the highest Net Promoter Score consistently year-on-year. In a market which is intensely price competitive, this operating result, we believe, displays BAGIC's commitment to a balanced and profitable growth on the back of a 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 the industry on core business lines and maintaining strong profitability metrics.

I will now move to BALIC.

BALIC 2.0 was initiated in the second half of last year with focus on sustainable and profitable growth. This was backed by changes in product structures and cost rationalization. Happy to state that the outcomes in Q1 are as expected, while top line growth was muted, in line with our expectations, given the change in strategy. The VNB and NBM growth is on planned trajectory. The results of BALIC 2.0 are visible through 3 outcomes:

Number one, VNB growth of 39% despite a flattish growth on retail weighted received premium for quarter 1 and group protection degrowth of 7%, which is largely attributable to slowdown in lending growth, especially in the MFI space.

The second one being NBM (new business margin) expansion by about 4.2% at strong 11.1% for the quarter as compared to 6.9% for the same period last year.

The third one being retail protection growth of 53% with a 9% contribution to the overall retail weighted received premium.

On the back of continued strong renewal premium growth of 28%, BALIC's GWP grew 9% during the quarter. Persistency dips were, however, observed in the 13-month bucket in line with the industry because of the base effect of higher ticket size in Q1 FY '25, largely because of the business written in Q4 FY '24 due to the income tax changes, which had significantly higher persistency.

Overall, the retail weighted received premium mix for quarter 1 was balanced and stood as follows: participating business at 22%, non-par savings at a healthy 19%, term at a very healthy 9%, annuity at 5% and ULIPs at 45%. BALIC has been increasing its focus on retail protection business, which grew by 53% to INR 110 crores in quarter 1 current year versus INR 72 crores in the quarter 1 for the same period last year.

BALIC continues to focus on use of data and analytics for direct sales through upsell and cross-sell initiatives. It has led to BALIC's presence in 367 cities with dedicated verticals for various customer segments with an aim to be amongst the largest direct channels in the industry.

On the institutional business side, the company continues to expand its network of partners and grow existing partnerships. BALIC now has a reasonably high number of bank assurance tie-ups, which should help it reduce its concentration risk. Profit after tax for quarter 1 for BALIC stood at INR 171 crores as against INR 97 crores for the same period last year, a growth of 76%, largely attributable to higher investment income, largely supported by gains in equity investments.

BALIC's AUM for the quarter ended at INR 1,31,052 crores. Overall, the quarter for BALIC is in line with the expectation and on the right trajectory of sustainable and profitable growth, a journey which we embarked upon in H2 of last year.

Finally, both the insurance companies are financially among the most solvent in the industry, BALIC with a solvency of 343% and BAGIC at 334%. And hence, we 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 the interest of our policyholders.

Let me now move to our lending businesses, Bajaj Finance and Bajaj Housing Finance Limited.

For Bajaj Finance, a good quarter on business volumes, AUM, opex and profitability. The new loans booked were at 13.49 million in quarter 1 as against 10.97 million in quarter 1 last year, recording a growth of 23%. The company expects to disburse over 50 million new loans in the full financial year FY '26. BFL added about 4.69 million customers to its franchise during the quarter. The company expects to add about 14 million to 16 million new customers to its franchise in the full year FY '26.

The company's diversified business model has enabled it to record a strong AUM growth of 25% at INR 4,41,450 crores as on 30th June '25 as compared to INR 3,54,192 crores for the same period last year. Net interest income grew by 22% to INR 10,227 crores as against INR 8,365 crores for the same period last year. Opex to net total income improved to 32.7% as against 33.3% for the same period last year. Net loan losses and provisions for quarter 1 were at INR 2,120 crores, up by 26% from the same period last year.

GNPA and NNPA stood at 1.03% and 0.86%, respectively, as on 30th June as against 0.86% and 0.38% for the same period last year, which continued to be amongst the lowest in the industry. Profit after tax grew 22% during the quarter, up from INR 3,912 crores to INR 4,765 crores. ROA and ROE remained steady. The capital adequacy ratio remains strong at 21.96% as of 30th June. Tier-1 capital was 21.19%. Bajaj Finserv app now has 7 crore net users and the FINAI transformation is progressing well.

Moving now to Bajaj Housing Finance, a balanced quarter with AUM growth of 24%, driven by moderation in real estate market and intense competition resulting in higher attrition. Growth was very well distributed across business segments; however, home loans AUM grew by 21%, loan against property grew 30%, lease rental discounting grew a healthy 29%, developer finance at a healthy 32%.

Net interest income grew by 33% at INR 887 crores as against INR 665 crores for the same period last year.

Operating efficiencies continued with opex to NIM flat but at a healthy 21.2% as against 21% for the same period last year. Loan losses and provisions were at INR 41 crores. Again, we believe it to be the lowest amongst peers. Healthy asset quality was maintained with GNPA and NPA, which stood at 0.3% and 0.13%, respectively, as on 30th June as against 0.28% and 0.11% as on 30th June last year.

Profit after tax grew by 21% to INR 583 crores for the quarter. ROA and ROE were again steady. Capital adequacy ratio stood at 26.94% as on 30th June, and the Tier-1 capital was 26.43%.

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

Now to give an update on our platform companies, Bajaj Finserv Health Limited, also referred as eBH and Bajaj Finserv Direct, referred as Bajaj Markets and Bajaj Finserv AMC.

In quarter 1, Bajaj Finserv Health Limited carried out 5.8 million health transactions, up from 2.05 million in the same period last year, accelerated significantly through a few large government contracts and the commencement of OPD business with several insurers in quarter 1.

Bajaj Finserv Health continued expansion of the provider network, which includes 130,000-plus doctors, about 15,500-plus hospitals and about 4,000 lab touch points. Utilizing this network strength and its tech platform, eBH is able to offer integrated OPD, IPD and wellness experience to both retail as well as to corporate customers.

Moving to Bajaj Markets. During the quarter 1, 4 new partners were added, leading to a total unique partner count moving up to 100 in all. Bajaj Markets lending, which includes secured, unsecured, both from Bajaj Finance and other partnerships, disbursements, for the quarter stood at INR 1,210 crores as against INR1,789 crores last year. Loan organic visits have increased by 61% during the quarter from the same period last year.

Top line for the company has, however, fallen to INR 92 crores from INR 135 crores for the same period last year, which is attributable to decrease in loans, as I mentioned earlier, and transacting customers during the quarter on account of a scheduled change in Bajaj Markets digital journey for the benefit of the customers. We believe that the growth will get reinstated from quarter 2 onwards.

There has been no capital infusion in the company since March '22, showing capital efficiency of the company. An update now on Bajaj Technology, 7 new logos were won across various markets, and the company achieved AWS advanced tie-up partnership during the quarter.

Now moving to the Asset Management business. The AMC ended with an AUM of a very healthy INR 25,011 crores as on 30th June, which was up by 23% from the immediately preceding quarter and 107% up from the same period last year.

We believe Bajaj Finserv AMC is the fastest to cross the INR 25,000 crores mark in less than two full years of operations. The non-group share of AUM for the AMC stood at a healthy 83% of the total AUM.

This was from my side on the performance of the company. Before we open for questions, considering the paucity of time, I would request the audience to kindly keep their questions brief so that we can cover more queries during this 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 question may press * and 1 on their touchtone telephone. If you wish to remove yourself from question que you may press * and 2. Participants are requested to use handsets for asking the questions. Ladies and gentlemen, we will wait for a moment while the question que assemble. The first question is from the line of Swarnabha Mukherjee from the B&K Securities please go ahead

Swarnabha Mukherjee: Hi sir, Thank you for the opportunity. I have two quick questions on one each on BAGIC and BALIC. So, in BAGIC I wanted to understand that we have seen some strong growth in areas like motor TP and fire where we have been hearing that the competitive intensity remains very strong. So just wanted to know your thoughts on what are you seeing in the market?

Are you going after favourable micro markets where you expect the profitability to be better than what we would normally expect in case of a highly competitive intensity. That is what I wanted to ask from you regarding BAGIC. And maybe anything you can talk about motor TP price hike related that will also be very useful.

And in terms of BALIC, I just wanted to understand that I think this is possibly the third consecutive quarter that I think the agency channel seems to be degrowing on a year-on-year basis. So just wanted to understand that given that how you have steadily improved on the margins and VNB, growth is better than the top line growth.

So, I think, definitely this does not hint towards a productivity drop in terms of how VNB is generated. So, if you could give us some colour on how the underlying product mix would be on the agency side, keeping this in perspective. So yes, those would be my two questions.

Ramandeep Singh Sahni: I'll first request Tapan to take the first question.

Tapan Singhel: Thank you, Mr. Mukherjee. If you look at our company, I think competition has always been there. Since the introduction of free pricing in 2007, which is now over 17-18 years ago, the combined ratio for the industry has been hovering between 115% to 120%.

So, this is nothing new. In the general insurance business, there's nothing called winner takes it all because even with the largest market share company we got 14%-15% growth, which means that there'll be enough micro segments at all points of time in which you can still look at good business. So competitive intensity, as I mentioned will always be there. If you look at our portfolio in fire for example, we are one of the dominant players in the market in the large space.

On TP, for the past 3 to 4 years, there has been no price hike at all. So, –that is what industry has been asking for it, and there would be in our belief some action happening on that. We believe in some time; some details should be there on the price hike. I hope I've been able to answer your question.

Swarnabha Mukherjee: Yes, yes, sir. Just a quick follow-up, if I may.

Tapan Singhel: Please go ahead.

Swarnabha Mukherjee: Yes. So, sir, at one point of time, Bajaj General is known for their best-in-class operating profitability, combined ratio has been for many years under 100%. But now we are seeing that this number generally creeps up ahead of 100%, maybe 101%, 102%.

So, should we think this as a steady state given how situations are there? I mean offline, I understand that there is an impact of 1/N. But overall, should we expect that maybe this will continue to remain elevated? Or is there any scope that we can go back to less than 100% scenario over the next 2, 3 years?

Tapan Singhel: See as an endeavour for our company, we always seek to maintain a combined ratio close to 100% is what I've always mentioned over time. And that's what it remains, and that is what our endeavour shall always be, because our belief is even the market may be at whatever combined ratio, the discipline for business must be there because good companies with high discipline are the ones which serve customers very well.

And this you can look at data across also, you'll find that companies with a good discipline of doing business, their grievance ratio is among the lowest in the industry. And if you look at our company and you pick up from the time IRDAI is publishing grievance ratio, you'll find that Bajaj despite having such a large customer franchise, with yearly issues close to 4.83 crore policies and being the largest policy issuer in the Indian market in terms of number of customers. Our grievance ratio has been among the lowest continuously every quarter, every decade. So, this clearly shows that a good company with good discipline serves customers very well. So that is why our endeavour is not to lose sight of running a company well despite how the market behaves.

Now will it be below 100? Will it be over 100? I think that as the business and things progress, which will be there. But will always be close to 100. That has been our endeavour, and that is what we keep on pushing for.

Swarnabha Mukherjee: Sir, very helpful. If you could respond to the question on life insurance.

Tarun Chugh: In the H1 call last year, as Raman also clarified that we have very clearly taken a stand that after the surrender value related changes, we were going to take a pause for some time and focus largely on profitability-driven growth. And that is what we have stuck to. And I must say, with the results which are totally as per plan, and you have seen that the margins have gone up and VNB growth has been substantial.

In terms of a specific point on agency, including this year's agency numbers, agency has a 5-year CAGR of 25%. So, it's a healthy growth despite this year, we have particularly taken a pause for a specific reason. Agency did most of the heavy lifting of the changes that we did in terms of cost reduction, in terms of product shift, in terms of a focus on term, including deferment of commissions and span increase at the agency level as well.

This has hence shown very encouraging results and agency's trajectory on profitability is quite good. In terms of specific product mix, we don't really talk about channel-wise product mix. But

given the fact that on an APE basis, our term mix is at 11% for the company. The ballpark for agency would be far higher than what it used to be in terms of percentage.

The significant shift, particularly in agency is more focused on term plans, remain focused on mid-market India, remain focused on creating more distributors. We expect for agency another 3 months impact on the growth because of this change. And then we should come back to seeing a healthy growth in agency. I've tried to answer more than your question so that I'm sure there will be residual questions on this line.

Swarnabha Mukherjee: Yes sir, you are very clear and in interest of time, I will take follow-ups offline. Thank you so much and all the best sir.

Moderator: Thank you. The next question is from the line of Supratim from Ambit Capital please go ahead.

Supratim: Thanks for the opportunity so my first question is on BALIC. Now we have seen the product mix shift with the share of protection going up by 300 basis points, but the margin delta corresponding to that product mix shift seems to be 400 basis points. Just wanted to understand, is it only product mix driven or as the product structure themselves changed? And what has been this change that has allowed the product level margins also to expand?

That would be my first question. On the motor TP side, I think you already alluded to some extent on this question, but just wanted to get a bit more clarity on this. So, on motor TP, we have seen previously you were conservative but for 1 year now, there is growth that has come back, and the loss ratios there also seem to be better than what we were expecting.

So, what is happening there? And which are the segments where you are seeing this improved profitability and growth potential? If you could give us some colour on this? And whether this trend can sustain into the future, how do you think about that, that would be very helpful.

Ramandeep Singh Sahni: I'll request Tarun to take the first one on BALIC, please.

Tarun Chugh: I think that's a very good question. And I think you're following up quite well on the performance, Supratim. The margin delta is healthy. And I think we're going to be one of the highest deltas in the industry this year. And I think we should expect that to directionally remain positive as we go forward in our growth journey. If you're saying that it could have been more, let me answer that first.

Very clearly, the first quarter is the least productive quarter, as there's fixed cost that sits on it. From that perspective it is low. The product mix of course, with term coming in, gets to be a very useful piece from a profitability perspective. 30% of our customers in agency now are added through term. We have changed product structures significantly and I'd like to underline that significantly, whether it's ULIPs, or non-par plans as well.

I think that is what is going to aid the further delta in agency as we grow and for the company as well. So largely, I think it's a mix of these. In addition, we've also looked at cost reductions, which is going to help in the margin delta. I hope I've answered your question.

Supratim: Just one follow-up. Could you let me know what is the rider attachment rate now in this quarter versus what it was last year?

Tarun Chugh: So, we have largely focused significantly on one, the shift to term. The rider attachment is going to be a phased growth, if I may say so. But it is already quite healthy. We were near zero, but now it is at 17% attachment of riders across all businesses.

Ramandeep Singh Sahni: I request Tapan to take the next one on TP growth.

Tapan Singhel: Yes. when you're a large player in a GI business and you're into all lines of businesses, there will be times in which you will move some business up and some business will slow down. So let me take you back. When you say we were doing crop business, I think at that time everybody is saying that crop is something that they would not be doing at that time. And now, everybody has jumped into crop business. And if you see our crop business, it has reduced compared to what it used to be in earlier times.

So, I think lines of businesses would fluctuate based on how we see markets move and how do we strategize ourselves in terms of where we want our position to be. There's no such hard line that it will continuously be the same year-on-year. That is the orchestra that you must play when you're a large player into every line of business. So that is why you will see the shifts happening.

Now to give you a precise answer in terms of what in TP we would be doing, that I don't think I would be talking about on the call. But yes, what you have observed is that you have seen our motor TP market share move up. At the same time, as I mentioned to you, you will see our crop market share over time come down. But is it permanent? No, if things change, again, we'll change our strategy of what business we write.

Supratim: Ok fair enough, Thank you.

Moderator: Thank you. The next question is from the line of Nischint Chawathe from Kotak please go ahead.

Nischint Chawathe: Thanks for taking my question. Maybe I can go back to Life and the question on essentially the Term business. I'm not sure whether you've convinced us in terms of what could be the reason for the margin expansion basically driven by Term business. And on the face of it, it appears that your Term business margin is probably 2x, 3x of what maybe some of the other peers are reporting.

So just curious, which channels you are selling this product through? And if you could give some colour on ticket size and sum assured over here. I believe you also said that almost one third of the customers acquired through agency are in Term, which means probably this will be a higher ticket policy. So just some more colour on this will be helpful.

Tarun Chugh: Okay. I'm surprised you're not convinced, but anyways, that's for you to figure out. As far as term details you would like, we moved up our average premium for the face-to-face channels, which is very different from online channels at approximately INR 30,000 to INR35,000 depending upon which channel is selling it.

In terms of which channels are selling, I'd say it is agency and institutional business. We are significant players on aggregators as well. The proprietary sales channel is relatively focusing more on non-term, but is now starting off a specific term vertical, which is going to be focussed on selling largely Term.

Nischint Chawathe: And is there any increase in ticket size? I mean, I didn't know what the ticket size...

Tarun Chugh: Yes, there is a 9% increase in ticket size.

Nischint Chawathe: Got it and the direct channel primarily focuses on savings is what you said.

Tarun Chugh: Yes. So, they are by itself quite profitable. They focus on our segments that we want to focus on. Their mix of term is still taking some time to pick up, especially as they're making profit on the other pieces.

Nischint Chawathe: Just moving on to BAGIC, in the health side, if you could give us a breakup of loss ratios between group and individual?

Tapan Singhel: No, we don't do that. And I think this question I've answered many times. And I don't get into micro loss ratio declaration because that will give away our business strategies.

Nischint Chawathe: No problem. Just curious, I mean, your loss ratio has gone up, I believe, even despite the fact that, retail business share has gone up. So, is it something that on a like-to-like basis, retail business has become one having a higher loss ratio this year?

Tapan Singhel: That is asking the same question again. When you understand loss ratios, then what I can tell you is look at retail loss ratios across the industry, look at GMC loss ratios, look at government health loss ratios, look at percentage of businesses and then you can figure out broadly why loss ratios would move up and down.

But when your retail businesses move up, then obviously, loss ratios would decrease. That's a very natural phenomenon to do so. So, these are obvious answers. But if you ask me to give micro details or exact loss ratios, I never do on a call.

Nischint Chawathe: Sure. No problem. Not on the numbers, but I was just looking at the directional colour.

Tapan Singhel: Directionally, obviously, as I said, our endeavour is always to have the best combined ratio over time that we shall continue doing so.

Ramandeep Singh Sahni: To add to that, if you look at our growth in GMC versus retail over the last 12 months, you'll get the answer because like Tapan is explaining, it's a product mix play, which is causing this ambiguity. And as we all know, the more you do retail health, your loss ratios ought to improve.

Nischint Chawathe: Yeah, got it. But as I see it, your loss ratio has probably inched up a little bit year-on-year basis. That's where actually my question was.

Ramandeep Singh Sahni: So, you should look at the last year growth numbers also because some of the spillover of earnings comes from last year, right?

Nischint Chawathe: ok got it. Those were my questions and all the best.

Moderator: Thank you. I remind all the participants to press * and 1 to ask the questions. The next question is from the line of Sanketh Godha from Avendus Spark.

Sanketh Godha: Thank you for the opportunity. First question is on BALIC. Basically, so as you said, the second half reversal should happen in the growth because the base naturally will be favourable for you. So, if that happens, then given last 3 quarters, we have been in single-digit growth zone to negative zone. So how much growth we can expect to play out for the full year in life insurance even given the second half reversal is expected to happen, that's point number one.

And with respect to the growth only, if you can even give a colour on group protection business, which has been a bit of a struggle, just wanted to understand that, too. And lastly, on Life, the margin delta, what you witnessed is almost 4 percentage in the first quarter compared to the previous first quarter.

So is it fair to say that your 14.5% what you exited for the full year, we can experience a similar number to play out for entire year given growth will come back, your restructuring will play out and even the term will be improving. So, is it fair to say that you can fairly exit at a similar delta change for the full year number 2? Those are 2 of my questions on BALIC. Maybe one -- I have one on BAGIC, which I will ask afterwards.

Tarun Chugh: Sure, Sanketh. Insightful questions. Thank you for them. The H2 growth, yes, will be significantly comfortable is what I can say. The industry has slowed down. And while our slight degrowth is visible, it actually comes on the base of a very high growth we had last first half. We grew upwards of 31% and depending on the quarter, 31% to 34% that you could possibly have seen.

So that growth rate, has been impacting our, so to say, growth trajectory as may be visible, and which is why I'm guiding you to look at the 5-year CAGR. As far as H2 is concerned, I expect our growth to be in full bloom. I cannot give a forward-looking statement, as you are aware, Sanketh. So that's where I'd like to say on the growth part, you asked me three questions. I'll come to the other two.

Group protection has been a struggle, yes, largely because the loan disbursals, particularly in the MFI space, which for us is almost like one third of our credit protection business. That degrowth has been substantial for the industry. Now from one third, it's down to about 20% approximately.

We expect all lines to now pick up as we see the second half even for group protection. But of course, I must put fingers cross to that because it's directly linked to a sector which we don't control. And if credit uptake does happen, which is expected given the actions of the regulator, inflation movement, interest rate movement downwards, that should assist and we are betting on that and should, of course, help group protection numbers to go up.

Your third question is on the delta. Again, I can't make a forward-looking statement. But yes, you should expect that all the impact that we've taken, particularly the efforts we've taken on cost reduction, on product structures like I answered a previously on Supratim's question that

we have done not only product mix changes, but even structure changes significantly, distribution payouts and all of that.

The cost reduction has gone well. It's already set in, if I would say. And I think it's already playing out on a quarterly basis. That should help. Term, you did, of course, say that the term mix would go up in the future. I would not really point you in that direction. I think the changes we've made already are quite significant. As I explained, 30% of agency customers already are Term customers. I think that's a healthy mix.

Beyond that, we do know that term being a risky business, we are very careful. We do not want to be mindlessly growing there. We're very strong. We take care of the quality of lives that we write and the pricing that we follow there. And hence, I think you should expect Term to largely remain in this ballpark and not go up any further. So, I should not give you more hope there.

Sanketh Godha:

Perfect and maybe two simple questions on BAGIC. Just wanted to understand your outlook on tender-based businesses, maybe in the current year. I know it's a difficult question to answer whether you win the contracts or not. But given it is INR 5,000-odd crores last year for you, whether a similar number can be expected in government tender-based businesses in the current year. It's more from a growth point of view, I'm asking this question. And second, a data keeping one, if you can quantify your capital gains in the quarter, it will be useful.

Tapan Singhel:

Okay. So, thank you for the question. It's an interesting question because see, if you look at general insurance business, and I think I've told this many times in the past also, it's a risk business. There are two things that you would never watch in terms of progressive move on that. First is, if, let's say, certain catastrophes happen, certain huge losses happen, then those times, the loss ratios move up, for some time as well there is a hard market and a soft market, and the market would move on that basis.

Second is on businesses. So, let's say, if you look at tender business. Now what's our endeavour? Our endeavour is always to be at the right price, if we get a tender, good. If we don't get a tender, so be it. We are not somebody who in desperation would do business just for the sake of pushing up top line. Having said that, consistently, we look for sustainable growth over a long time, we have been organically grown company with no acquisition. And we have reached the top three in terms of top line also. But the pressure just for top line, we would quote any price to bring it will not happen. So, whether it will happen or not, depends on how other players look at it. If you look at the crop business, as I mentioned earlier, I see a huge competitive intensity there. The price at which some of the tenders are going, we are not comfortable with that. So, we're perfectly fine to let it be because we have seen, as I said earlier, cycles. It again comes back at the price that we would want.

So, I cannot give an exact answer in terms of how much tender business we shall be getting going forward, but I'll give you an answer that we shall be prudent in our pricing, and we shall keep our philosophy of trying to see that we run the business well. That doesn't change. If it comes in a price range in which we feel it is comfortable for us to run the business and serve the customer well, we should be getting it. Otherwise, if it is not there, it's perfectly fine to let it go for some time.

Sanketh Godha: Got it, perfect and on the capital gain part.

Anckur Anil Kanwar: So Sanketh, on capital gains, we have booked a capital gain of around INR450 crores coming from both debt and equity. The larger part of the growth is from the debt book.

Sanketh Godha: Got it and Anckur, if you can quantify unrealized portion in our balance sheet now?

Anckur Anil Kanwar: Those are around INR 1,200 crores.

Sanketh Godha: Sorry, come again...

Anckur Anil Kanwar: INR 1,200 crores.

Moderator: Thank you, the next question is from the line of Shobhit Sharma from HDFC Securities.

Shobhit Sharma: Hi, thanks for the opportunity. I have a few questions on BAGIC, then I will move to BALIC. So firstly, on BAGIC side. Sir, in the combined ratio, if you can help us understand what has led to a significant increase in the net commission and the expense ratio? Secondly, coming to the motor TP side, there is a significant reduction in the loss ratio.

So, can you help us understand what has led to this lower loss ratio? Was there any one-off this quarter? And how should we think on a full year basis for this? And on the crop side, do we expect loss ratio to revert to our historical levels? These are my questions on BAGIC, then I will ask on BALIC.

Tapan Singhel: Okay. So, let's look at crop. The loss ratio will depend on how the weather performs, that is how it is. If the weather was good, then obviously, the loss ratios are lower. If it doesn't perform well, then it goes up. But if you look at an average and the price point at which it is right now, I think to our view, that's below the average losses. From our perspective, I think the tenders at which we had quoted earlier, those price points were comfortable. So, we don't see on an average basis, much movement from what we have had in the past on the crop business.

On the acquisition cost movement, when you acquire a business which is comfortable and profitable, there would be a strain on acquisition costs. And as retail business moves up, you would see that same happening there. And that's why you see a bit of movement. But that would obviously be because you're trying to acquire more business, which has a lower loss ratio. And that's why you see a bit of movement there.

On TP, I think you should look at TP loss ratio in a year, it's a long period, not on a quarterly basis. It depends on how the claims get settled, how the results get released. But overall, you should see on a yearly basis, how it moves and not on a quarterly basis.

Shobhit Sharma: Sir, any colour around your motor book, if you can give the mix of the book, whether it is heavy on commercial vehicles, private car, which would be grateful.

Tapan Singhel: Okay. As I said I don't share micro segmentation. But broadly, if you look at the company strategy, we don't exit any line of business completely, and we don't really go for any single line of business, we move all businesses significantly, some we reduce, some we increase. So, in

motor also, be it 2-wheeler, 4-wheeler, commercial, we would be in that space in a reasonably well-positioned manner.

There would be some variations which will go up and down, which will happen like 2-wheeler initially, we had some resistance because of the Bajaj brand from some of the 2-wheel manufacturer, but that is not there now. So, you see our 2-wheeler business has moved up from that perspective. But that was not because of the intent, but because of the brand resistance in the market.

But, over time, people realize that on the data, everything is secure, and that resistance comes down and our movement has happened in 2-wheeler also. But that is how it would be. But if you broadly look at it, we'll be into all parts of the motor business also.

Ramandeep Singh Sahni: Just to add there, maybe this can answer both your questions. See, the commissions have gone up, like Tapan rightly said, because of our preferred businesses going up. And there also, the -- as you know, on the new business, the commissions are on the higher side because you're paying upfront for 3 years and 5 years. And if you see our new mix, it's improved on 4-wheeler as against the market share of 7.3% last year, we moved to about 8.7%. And on 2-wheeler from about 8.9%, we moved to closer to 12%. So that maybe answers both your questions in some form.

Shobhit Sharma: Thanks, which was helpful. Coming on to BALIC, sir, overall, we have seen a healthy improvement in margins. But sir, can you help us understand the measures which we have taken on the cost rationalization side? And how should we think about it going forward? And secondly, can you please help us understand why there is a drop in the 13- and 49-months persistency? Is it linked to any product or business segment?

Tarun Chugh: First and foremost, yes, on the cost side, the action actually taken has been a 360-degree action, if I can say so. I've talked of commission deferment and reduction. There has been a reduction in variable spends. There has been reduction in fixed costs, particularly the non-productive, if I can say, so non-producing layers of businesses.

We have relooked at processes in head office and looked at how we can re-engineer our processes, and that process is ongoing now that it's done and how we can replug some of these processes at low cost. We're going to renegotiate it with our vendors. What else would you want to know? I think pretty much all of it is here. A lot of the span increase has been consistent. I think the direction on being focused on cost remains. While at the same time, I must point out that we are present in a large domain in terms of our business, a lot of our business gets done in beyond 100 cities, beyond 200 cities versus what our cohort of competition in the market is because we remain a mid-market player, and that's where we want to stay.

As a result, their, cost productivities, of course, will relatively be higher when you compare with some bank-owned companies. I think that still gives us a good benefit because a lot of these customers are more relationship oriented than it maybe sometimes in top cities. But we will remain concentrated on our costs.

Your next question was on the latter cohorts. Yes, there are a few experiments we run, Shobhit, where we are always trying to expand our presence in mid-markets, customer mid-market segment. And some of these experiments at various points in time, if the second premium did not come, those have moved on.

And good thing is now these cohorts are slowly moving to the latter half, and that should move out of the 61st soon, the way it's going. That said, our 25th-month persistency is up, our 37th-month persistency is up, and our 61st-month persistency is also improving. And all businesses are focused in looking at auto pay as a significant move. Not only are we focusing on the flow, but even on the stock of customers that we must have to ensure that persistency remains at a healthy level.

Shobhit Sharma: ok thanks for this and very all the best.

Moderator: Thank you. Ladies and gentlemen, as that was the last question for the day. I now hand the conference over to Mr. Ajit Kumar for closing comments. Over to you, sir.

Ajit Kumar: Thank you to all the participants for joining the call. Anything else, Ramandeep, sir, you want to add?

Ramandeep Singh Sahni: No, I just realized we shouldn't keep the call so late in the evening. We have less questions this time. No, nothing further to add. Thank you, everybody, for all the questions and making it at this hour.

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

Ramandeep Singh Sahni: Thank you, everybody.

Ajit Kumar: Thank you.