

**Consumer  
Durables Finance**



**Loans for Small &  
Medium Enterprises**



**Life Insurance**



**General Insurance**



**Wealth  
Management**



**Infrastructure Financing**







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## Board of Directors

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**Rahul Bajaj**  
Chairman

**Nanoo Pamnani**  
Vice Chairman

**Sanjiv Bajaj**  
Managing Director

**Madhur Bajaj**

**Rajiv Bajaj**

**D J Balaji Rao**

**S H Khan**

**Naresh Chandra**

## Management

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**Sanjiv Bajaj**  
Managing Director

**Ranjit Gupta**  
President  
(Insurance)

**Kevin D'sa**  
CFO and President  
(Business Dev.)

**S Sreenivasan**  
President (Finance)

**V Rajagopalan**  
President (Legal)

**Rajeev Jain**  
CEO, Bajaj Finance Limited

**V Philip**  
MD and CEO, Bajaj Allianz Life  
Insurance Company Limited

**Tapan Singhel**  
MD and CEO, Bajaj Allianz General  
Insurance Company Limited

**Arpit Agarwal**  
CEO, Bajaj Financial  
Solutions Limited

**Anand Gore**  
CEO, Infrastructure Finance

## Auditors

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**Dalal and Shah**  
Chartered Accountants

## Bankers

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**Citibank N A**  
**HDFC Bank**

**Registered under the  
Companies Act, 1956**

## Registered Office

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Bajaj Auto Limited Complex  
Mumbai-Pune Road  
Akurdi, Pune-411 035.

## Corporate Office

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Survey No. 208/1-B, 6th Floor,  
Behind Weikfield IT Park,  
Off Pune-Ahmednagar Road,  
Viman Nagar, Pune-411 014.

## Company Secretary

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**Sonal R Tiwari**

# Management Team



**1st Row**  
Sanjiv Bajaj, Ranjit Gupta

**2nd Row**  
Kevin D'sa, S Sreenivasan,  
V Rajagopalan

**3rd Row**  
Rajeev Jain, V Philip,  
Tapan Singhel

**4th Row**  
Arpit Agarwal, Anand Gore





## Chairman's Letter

Dear Shareholder,

This is the fifth year of your Company's operations; its fifth annual report; and my fifth letter to you.

FY2012 has been a very difficult year for the Indian economy. After clocking 8.6% GDP growth in FY2011, the nation seems to have slumped. Growth has fallen steadily in the first three quarters to 6.1% in October-December 2011. In all likelihood, we will achieve a growth rate of 6.5% to 7.0% in FY2012 – a far cry from 8.6% of the previous year, and further removed from the 9% plus growth that we witnessed over three consecutive years in FY2006, FY2007 and FY2008.

It is not only the slowdown in growth, but also the sclerotic pace at which decisions are being taken in New Delhi and in some state capitals, if these are being taken at all. After the 2G imbroglio, it would seem as if no major decision is being taken – because the political and personal risks of attracting publicised censure from the judiciary, the Comptroller and Auditor General's office, the Central Bureau of Investigation and the Central Vigilance Commission far outweigh those of inaction.

Add to this political uncertainties in the centre and in the states; high interest rates that have been only partially addressed by a 50 basis point cut in recent times; declining inflows of foreign direct and institutional investments; a burgeoning fiscal deficit, that is perhaps set to rise further; a widening current account deficit and a weakening rupee; worsening investment climate; and the fears of rising inflation. All these make for very difficult times.

Indeed, in my previous letter to you, when I wrote, “FY2012 may be a difficult year for the economy - one that could be beset with high inflation and rising interest rates”, little did I realise that things could be as bad as they currently are.

In such an environment, the good news that exist relate to your Company. Bajaj Finserv has done reasonably well. Let me touch upon its three major businesses: lending, life insurance and general insurance.

## Bajaj Finance Limited (BFL)

As in the previous year, BFL has performed very well. I am proud of how this company has done despite overall economic adversity. Here are some facts for FY2012:

- Total income was up 54% to ₹ 2,172 crore
- Profit before tax was up 63% to ₹ 602 crore
- Profit after tax was up 64% to ₹ 406 crore
- Deployment of funds was up 67% to ₹ 15,797 crore
- Assets under management was up 73% to ₹ 13,107 crore
- Receivables under financing was up 69% to ₹ 12,283 crore
- Loan losses and provisions were down 25% to ₹ 154 crore
- Capital adequacy as on 31 March 2012 stood at 17.5% – well above the RBI norms.

I expect BFL to do even better in the years ahead.

## Bajaj Allianz Life Insurance Company Limited (BALIC)

The negative effects of the regulations introduced by the Insurance Regulatory and Development Authority (IRDA) in September 2010 seem to have played out. The life insurance sector finally showed a positive growth rate of 2.7% in second half of FY2012, compared to (-)21.4% growth in the first half of the fiscal year, and (-)9.7 % in the second half of FY2011.

Even so, BALIC's gross premium written for FY2012 was 22% lower at ₹ 7,484 crore. Renewal premium reduced by 22% to ₹ 4,766 crore. And new business premium was 22% lower at ₹ 2,718 crore. The good news, if it is to be called such, is that the rate of de-growth is shrinking with each successive quarter, and that the new business premium for Q4 of FY2012 was more or less the same as a year ago.

Despite these difficulties, BALIC posted a shareholders' profit of ₹ 1,311 crore in FY2012. Of this, your Company's share stood at ₹ 970 crore. The figures for FY2011 were ₹ 1,057 crore and ₹ 782 crore, respectively. Accumulated profits as on 31 March 2012 were ₹ 2,350 crore, versus ₹ 1,039 crore as on 31 March 2011; and shareholders' net worth was ₹ 3,561 crore, compared to ₹ 2,249 crore a year earlier. Moreover, BALIC issued 1.05 million new policies in FY2012 and, on this score, ranked second among the private life insurers.

## Bajaj Allianz General Insurance Company Limited (BAGIC)

BAGIC is the second largest general insurance company in India in the private sector. The industry has been adversely affected since FY2011 due to the increasing provisioning required for motor pool losses. I am happy to note that even after absorbing this enhanced provisioning, BAGIC has maintained its solvency ratio at 156% for the year ended 31 March 2012 - which is not only above the temporarily relaxed limit of 130% but also above the normal regulatory requirement of 150%.

In terms of gross direct premium written in India, the general insurance industry posted a growth of 23.3% for FY2012. BAGIC grew at 14.9% to record a premium of ₹ 3,338 crore, and accounted for a market share of 6.3%. The company's net earned premium for FY2012 (excluding the motor third party pool) grew by 13.7% to ₹ 2,196 crore. During the year, BAGIC sold 5.9 million policies, 7.8% less than the previous year.

Notwithstanding headwinds, BAGIC recorded an underwriting profit of ₹ 86 crore in FY2012, before considering the share of losses from the motor third party pool; in the previous year, the figure was ₹ 27 crore. After netting out the share of losses from the motor third party pool, the underwriting loss was ₹ 178 crore in FY2012 as compared to a loss of ₹ 219 crore in FY2011.

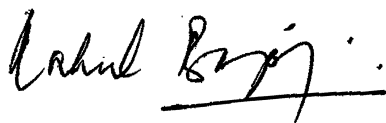
Profit before tax after motor pool losses for FY2012 was ₹ 194 crore, compared to ₹ 62 crore a year earlier. Profit after tax was ₹ 124 crore, versus ₹ 43 crore in FY2011.

As outlined earlier in this letter, I am deeply concerned about how FY2013 will play out for the nation as well as your Company. Almost everyone in the know believes that the portents are grim. The headwinds can get even stronger. Your Company will have to do better to remain where it is today – and much better to move ahead.

These are challenging times that will differentiate long-term winners from others. I am convinced that Bajaj Finserv has winners, be they in BFL, BAGIC, BALIC or elsewhere. Therefore, I urge upon every employee of Bajaj Finserv and its subsidiaries to work even harder in FY2013, and prove that we have what it takes to overcome difficulties, however arduous these may be.

We shall do well. Because we believe in our destiny. And that of our country.

With warm regards,



Rahul Bajaj  
Chairman



# Management Discussion and Analysis

Bajaj Finserv Limited ('Bajaj Finserv' or 'the Company') is the financial services arm of the Bajaj group. It is also the holding company under which various financial services businesses reside, which are:

- **Lending**
  - » Under Bajaj Finance Limited (BFL), earlier Bajaj Auto Finance, a company listed on the Bombay Stock Exchange and the National Stock Exchange
- **Protection**
  - » Life Insurance, under the Bajaj Allianz Life Insurance Company (BALIC)
  - » General Insurance, under the Bajaj Allianz General Insurance Company (BAGIC)
- **Financial Advisory and Wealth Management**
  - » Bajaj Financial Solutions Limited (Bajaj Finsol), which offers financial products and advises clients on financial and wealth management. The business was launched in FY2011

In addition, Bajaj Finserv has wind-farm assets, incorporating 138 windmills in Maharashtra with an installed capacity of 65.2 MW.

Before describing the performance of each of the businesses, it is useful to give a brief overview of the Indian economy. The rest of this chapter gives details on each of these businesses and their rationale.

FY2012 has been a very difficult year for the Indian economy. After 8.6% GDP growth in FY2011, growth has fallen steadily in the first three quarters of FY2012 to 6.1% in October-December 2011. It seems that the country will achieve a growth rate of 6.5% to 7.0% in FY2012 - far less than 8.6% of the previous year. Added to this are the various political uncertainties; high interest rates that have been marginally addressed by the recent reduction of 50 basis point; declining and uncertain inflows of foreign direct and portfolio investments; growing fiscal deficit; widening current account deficit and a weakening rupee; difficult investment climate; and rising inflation.

All these make for difficult times for businesses in financial services sector intermediation. Let us now move on to the key businesses of Bajaj Finserv.

## Lending

### Bajaj Finance Limited (BFL)

With assets under management of over ₹ 13,100 crore, BFL is one of the leading, diversified NBFCs in the country. It delivered excellent results in FY2012.

- Total income: up 54% to ₹ 2,172 crore
- Profit before tax: up 63% to ₹ 602 crore
- Profit after tax: up 64% to ₹ 406 crore
- Deployment: up 67% to ₹ 15,797 crore
- Assets under management: up 73% to ₹ 13,107 crore
- Receivables under financing: up 69% to ₹ 12,283 crore
- Loan losses and provisions: down 25% to ₹ 154 crore
- Capital adequacy as on 31 March 2012: 17.5% – well above the RBI norms
- Capital infusion: ₹ 305 crore and preferential share warrant money of ₹ 21 crore

BFL continues to focus in the three broad verticals, namely consumer finance, SME finance and commercial lending. The quality of its loan book continued to improve. It further strengthened provisioning standards, and is among the most prudent in the NBFC space, with net non-performing assets at 0.12% in FY2012. By remaining focused only on customer segments that it understands well, BFL expects to maintain its high asset quality in the coming years.

With continuing rise in the cost of borrowings during FY2012, Bajaj Finance focused on strengthening its asset-liability framework by raising longer tenor borrowings. As on 31 March 2012, the Company's total borrowings stood at ₹ 10,226 crore.

## Deployment snapshot

Table 1 gives the deployment mix for FY2012 compared to FY2011, while Chart A plots BFL's loan deployment over the last five years.

**Table 1: BFL's deployment mix**

(₹ In Crore)

Deployment	FY2011	FY2012	Change
<b>Consumer Finance</b>			
2-Wheeler and 3-Wheeler	2,034	2,671	31%
Consumer Durables	2,262	3,576	58%
Salaried Loans	–	207	NA
Personal Loan Cross Sell	382	586	53%
<b>SME Finance</b>			
Mortgage	1,672	2,985	79%
Business Loan	663	899	36%
Loan Against Securities	382	527	38%
<b>Commercial Lending</b>			
Construction Equipment Finance	694	891	28%
Vendor Finance	1,346	2,480	84%
Infrastructure Finance	–	975	NA
<b>Total</b>	<b>9,435</b>	<b>15,797</b>	<b>67%</b>

**Chart A: Loan deployment**

