6 February 2025

To Corporate Relations Department. **BSE Limited** 1st Floor, New Trading Ring, Rotunda Building, P J Tower, Dalal Street, Fort, Mumbai 400 001	To Corporate Listing Department. **National Stock Exchange of India Ltd** Exchange Plaza, 5th Floor Plot No. C-1, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051
BSE Code: 532978	**NSE Code: BAJAJFINSV**

Dear Sir/Madam,

Sub: Transcript of Conference Call in respect of financial results for the quarter ended 31 December 2024

Ref: Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the 'SEBI Listing Regulations') r/w Clause 15 of Para A of Part A of Schedule III to the SEBI Listing Regulations

In furtherance to our letter dated 5 February 2025, this is to inform that the transcript of the investors conference call held on Friday, 31 January 2025, is enclosed below.

The same is also available on the Company's website at Microsoft Word - Bajaj Finserv transcript.docx

We request you to kindly take this on record.

Thanking you.

Yours faithfully
For BAJAJ FINSERV LIMITED

UMA OMKAR SHENDE

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"Bajaj Finserv Limited
Q3 FY25 Earnings Conference Call"
January 31, 2025

MANAGEMENT: **MR. S SREENIVASAN – CHIEF FINANCIAL OFFICER – BAJAJ FINSERV LIMITED**
MR. TAPAN SINGHEL – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – BAJAJ ALLIANZ GENERAL INSURANCE COMPANY
MR. TARUN CHUGH – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – BAJAJ ALLIANZ LIFE INSURANCE COMPANY
MR. RAMANDEEP SINGH SAHNI – CHIEF FINANCIAL OFFICER – BAJAJ ALLIANZ GENERAL INSURANCE COMPANY
MR. VIPIN BANSAL – CHIEF FINANCIAL OFFICER – BAJAJ ALLIANZ LIFE INSURANCE COMPANY
MR. ASHISH PANCHAL – WHOLE TIME DIRECTOR AND CHIEF EXECUTIVE OFFICER – BAJAJ FINSERV DIRECT LIMITED
MR. DEVANG MODY – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – BAJAJ FINSERV HEALTH LIMITED
MR. ANCKUR ANIL KANWAR – CHIEF FINANCIAL OFFICER DESIGNATE – BAJAJ ALLIANZ GENERAL INSURANCE COMPANY LIMITED

MODERATOR: **MR. RAGHVESH – JM FINANCIAL INSTITUTIONAL SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Bajaj Finserv Limited 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

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

Raghvesh: Thank you, Sajal. Good morning, everyone and welcome to the 3Q '25 Earnings Conference Call for Bajaj Finserv Limited. First of all, I would like to thank the management of Bajaj Finserv Limited for giving us the opportunity to host the call. As always, we'll have the opening comments from the management team, post which we'll open the floor for Q&A.

From the management side today, we have Mr. S Sreenivasan, CFO, Bajaj Finserv Limited; Mr. Tapan Singhel, MD and CEO, Bajaj Allianz General Insurance Company; Mr. Tarun Chugh, MD and CEO, Bajaj Allianz Life Insurance Company; Mr. Ramandeep Singh Sahni, CFO, Bajaj Allianz General Insurance Company; Mr. Vipin Bansal, CFO, Bajaj Allianz Life Insurance Company; Mr. Ashish Panchal, WTD and CEO, Bajaj Finserv Direct Limited; Mr. Devang Mody, MD and CEO, Bajaj Finserv Health Limited and Mr. Anckur Anil Kanwar, CFO Designate, Bajaj Allianz General Insurance Company Limited.

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

S Sreenivasan: Thank you Raghvesh and good morning, everybody. I welcome everyone to the conference call to discuss the results of Bajaj Finserv Limited for the third quarter ended 31st December 2024, let me first welcome Mr. Anckur Kanwar, who is taking over as CFO of Bajaj Allianz General Insurance Company from tomorrow. He has been with us for over 6 months now as a CFO Designate and he will officially take over as a CFO from tomorrow.

As per the press release published yesterday, I would also like to inform that I would be handing over the reins of the CFO position to Ramandeep from 1st February. Ramandeep is a familiar face to all of you. He has been a part of this call for several years. I would continue to be in a leadership role in BFS as President Insurance and Special Projects.

I would like to thank all of you who have participated in the quarterly calls moderated by me for the last several years, for the support, encouragement and valuable queries that has kept us on our toes. And my congratulations to Raman for the CFO position. So I request you to join me in wishing Anckur and Raman all success in their new assignments.

As before in this call, we will largely be concentrating on the consolidated results as well as the results of our insurance operations through BAGIC and BALIC and where material the standalone results of our company BFS. Bajaj Finance has already had its conference call on 30th. However, if there are any high-level questions on BFL, we would be glad to take that as well.

Before we proceed with the results, in regarding to the intimation by Allianz to us that they are considering an exit from the insurance joint ventures, there is no significant additional information that I can provide you at this stage as all the discussions are still at a preliminary stage and not yet finalized. We will make the disclosures as and when things evolve and as required under the applicable law. Therefore, I would request you in this call to focus on the operations of our companies, and we will be glad to provide any clarification that you need in those aspects.

Any statements that may look like forward-looking statements are just estimates and do not constitute an assurance or indication of any future performance result.

As required by regulation, while BFS prepares its consolidated financials in compliance with IndAS, the insurance companies are not yet covered under IndAS. They have prepared IndAS financials only for the purpose of consolidation. Accordingly, for BAGIC and BALIC, the stand-alone numbers reported are based on non-Ind AS accounting standards or Indian GAAP, as we call it, as applicable to insurance companies.

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

Let me now move on to the highlights for Q3 FY '25. Our consolidated total income was up 10% at INR32,042 crores as against 29,028 Crores and the consolidated profit after tax showed a 3% increase at INR2,231 crores as against INR2,158 crores in the same quarter of the previous year. However, under the IndAS, the insurance subsidiaries have chosen to hold a large part of the equity securities portfolio at fair value through profit and loss account and also a certain amount at fair value of other comprehensive income.

Therefore, the growth of the profit after tax excluding the unrealized mark-to-market gain and loss and including the realized equity gains booked under OCI for the quarter was 23% and for the 9 months was 13%. So overall, the core operating results of our company, we believe, have been very satisfactory for the quarter.

During the quarter, BAGIC recorded a top line growth of 46%. However, if we were to exclude the volatile crop and government health, there has been a degrowth of 2%.

Previously, all long-term policies, which includes certain types of health policies, some long-term dwelling policies and certain other types of policies that BAGIC writes were accounted as premium on the assumption of the risk. However, from this quarter, these gross premiums are to be deferred over the life of the policy. This shall have an impact on top line numbers for the Company. This shall also impact Combined ratio for the Companies. But in terms of the underwriting results and profit after tax, this is profit neutral.

Excluding the impact of the above accounting regulation and the volatile business , BAGIC has registered growth of 6% for the quarter.

Further, BAGIC recorded a profit after tax increase of 39% at INR400 crores versus INR287 crores and the ROE stands at 14% versus 11.1%. The combined ratio for the quarter is 101.1% versus 102.9%. Overall, BAGIC's combined ratio performance continues to be satisfactory, and the profit growth is also quite strong.

BALIC's growth in terms of individual rated new business premium was quite muted in the quarter, mainly because of the change in the product mix and the change in the distribution arrangements that the company is making on account of the new surrender regulations.

The company is focusing now on creating a sustainable product mix over the years. And if there are any questions on that, the BALIC team will be pleased to add on that. Overall, the gross written premium increased by 16% at INR6,361 crores. The profit after tax was higher by 106% at INR222 crores versus INR108 crores, which was also aided by a tax reversal of about INR67 crores. Even excluding that, there has been a healthy increase in profit after tax. The new business value, increased by 1% from INR251 crores to INR254 crores, reflecting the efforts to adjust the product mix as well as the impact of the new surrender charges, which kicked in from 1st October of this year.

BFL had a very good quarter this time. Consolidated net income was up 26% at INR11,673 crores. The consolidated profit after tax was up by 18% at INR4,300 crores with an ROE of 19.08%. Given the general muted performance by the lending sector across banks and NBFCs, this result is very, very healthy.

Now coming to BAGIC.

The growth for general insurance industry during the quarter is 7.3% with private sector growing at 5% and public sector at 11%. The growth has increased slightly from the previous quarter, largely driven by the public sector players. Further as we spoke about the change in regulations, it is causing a bit of distortion in apples-to-apples comparison. So as we go forward, we'll continue to call that out for at least another couple of quarters.

The gross premium for BAGIC grew 46% to Rs. 6,626 crore v/s Rs. 4,536 crores in Q3 FY24 and excluding tender-driven crop business and the 1/n basis impacts, BAGIC's GWP grew by 6%. Hence, on top line, BAGIC continued its outperformance to the market.

COR stood at 101.1% in Q3 FY2025 v/s 102.9% in Q3 FY2024. Excluding 1/n impact, COR stood at 100.2% in Q3 FY2025

Underwriting loss stood at ₹ 43 crore for Q3 FY2025 v/s underwriting loss of ₹ 85 crore in Q3 FY2024

The investment income and other income for Q3 FY '25 increased 23% to INR577 crores v/s Rs. 470 crore in Q3 FY24. Assets Under Management (AUM), represented by cash and investments as on 30st Dec 2024 stood at Rs. 32,633 crore v/s Rs. 30,296 crore as on 31St Dec 2023 an increase of 8%. This includes this after paying a fairly healthy dividend of INR662 crores for FY '24. The company continues to generate good float, and this shall continue well for the future as well.

Our objective in BAGIC, again will continue to grow top line on the segments that we prefer, continue to focus on maintaining a quality insurance book with a combined ratio, which is better than market, with superior risk selection, balanced business mix by balancing profitability and growth at all times.

On the customer front, BAGIC relentlessly drives the theme of caringly yours and we continue to remain focused on customer obsession and in the investor deck you'll find several metrics related to NPS as well as our digital initiatives for improving customer experience. In a market which is intensely price competitive, we believe this displays BAGIC's commitment to a balanced and profitable growth on the back of broad distribution and prudent underwriting while focusing on best-in-class service.

Again, a solid result from BAGIC in terms of strong profitability and growth better than industry. We will again reiterate that this is a long-term business and a single quarter result because of the volatility in claims cannot be taken as an indicator of the future. So we continue to remain focused as long-term investors in the business and long-term value creation for shareholders.

Moving to BALIC. As I mentioned earlier, the overall growth in IRNB was less than the industry, and the muted growth can be attributed to recalibration of business, what we call BALIC Version 2, which started last year, but has actually undergone some changes due to the surrender charges regulations with focus on profitability. Our retail protection continues to grow strongly at 96% growth.

Withing the growing share of ULIPs, we are focussing on ULIPs, which have a higher margin with higher protection and rider attachments. We have made some changes on product regulations in line with what some of the major competitors are doing as well.

Further, we have to see in terms of group credit life protection business, that is a temporary fall because of the pressures on lending by the banking and NBFC sectors.

The renewal performance continues to be strong. BALIC's renewal premium grew 24%, resulting in GWP growth of 16%. And we are also heartened to see the number of new policies for BALIC growing by 13% to 5.56 lakhs in the 9 months of FY '25.

The NBV growth was lowered by the higher proportion of lower-margin unit-linked business, which we are consciously trying to bring down, it also had the effect of surrender charges regulation and the new non-par savings and traditional products that we sold in the quarter.

Retail Protection grew by 54% to Rs. 264 Crore in 9M FY25 vs Rs. 171 Crore in 9M FY24. For FY24 it stood at Rs 241 Crore, growth of 43% compared to Rs 168 Crore in FY23

We continue to be focused on data-led decision-making. Significant investments are being made on data and analytics through our direct sales, through upsell and cross-sell initiatives.

We now have a presence in 330 cities for our proprietary sales channels. And on the institutional business side, we continue to expand our network of partners and grow business with the newer partners we have acquired over the last 2-3 years.

BALIC ended the quarter with an AUM of INR122,000 crores.

Overall, while there have been pressures on top line, it is the start of a multiyear journey of improved profitability for BALIC. Again, both the insurance companies are among the most solvent in the industry with solvency in excess of 300% for both.

In terms of BFL and BHFL, since they both are listed and have had their calls. I would just briefly touch upon the results. A good quarter on volumes, AUM, Opex. Loan losses seem to have stabilized, and I think you'll get better flavour from the investor call that Rajeev had, and the company is committed to bringing down the loan losses in the next year. The ROA was steady at around 4.5%. The company booked the highest ever new loans of 12 million, adding 5.03 million new customers in the quarter.

And during this quarter, in November, we also announced the BFS 3.0, a Fin AI company, the details of which are available on our website. Strong growth on customer franchise and AUM growth.

In terms of Bajaj Housing Finance, the 100% mortgage subsidy of BFL, it continues to do well in a market where housing finance companies are always under pressure for margins. They have recorded a 25% increase in profit growth, a 26% increase in AUM, both solid results.

And the capital adequacy ratio is very strong post the IPO at 27.86%, and GNPA and NNPA continued to be very low at 0.29% and 0.13%, respectively. Overall, for the lending businesses, BFL and BHFL, a very strong quarter.

Update on our platform companies. Bajaj Finserv Health.

The numbers for the previous year are not comparable because of the acquisition of Vidal Healthcare and which is included in the results for the current year. In Q3 FY '25, Bajaj Finserv Health carried out approximately 2.3 million health transactions. The provider network continues to expand. It now includes 86,000 doctors, 4,000 lab touch points and 15,000 hospitals.

However, going forward, the focus will be a lot more on the payer network, which includes insurance companies, governments and employers.

Bajaj Markets attracted 8.2 million customers on its digital platform out of which approximately 0.98 lakh customers became customers. The disbursement for the quarter stood at a little under INR2,000 crores and it sourced 58,000 cards in the period.

The major achievement for BFS Direct in this quarter, a marketplace business is that the loss for the quarter is just INR3 crores, and we are seeing a very clear visibility on cash breakeven for the marketplace business of Bajaj Finserv Markets.

Bajaj Finserv Asset Management, notwithstanding the volatility in the markets, ended with an AUM of INR17,433 crores, which is about 8% higher than September 2024.

And during the quarter, they launched 2 funds recording an AUM of INR818 crores. The non-group share of AUM has reduced to 86% from 93% in Q3 FY '25, it signifies the dependence on the group for liquid funds has reduced substantially.

Before we open for questions, considering the paucity of time, I would request the audience to keep their questions brief so that we can cover more queries during the call. With this, I invite the question from the audience. And over to you, Sejal.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and 1 on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and 2. Participants are requested to use handsets while asking a question. We will now begin the question-and-answer session.

The first question is from the line of Mahek from Emkay Global. Please go ahead.

Mahek: First of all, congratulations to Ramandeep sir. My first question would be regarding BAGIC. Wanted to know what has driven the increase in the loss ratios for the motor TP segment? And if you could give us any color on the reserving experience. Secondly, other question would be on retail health side. IRDAI had kind of published a circular capping the price hikes in the health products to 10% for senior citizens. Wanted to know your comments on how this impacts your business and overall how you look it for the industry as well.

And my third question would be for BALIC. Can you give us some more details on how you have changed the product mix strategy post the implementation of the new surrender regulations?

S Sreenivasan: Yes. Tapan, would you like to take the first two questions and then Tarun.

Tapan Singhel: I think let me answer the health part and the loss ratio, I'll ask Raman to take that one on the TP part. IRDAI regulation on capping of price hikes to 10% for senior citizens, we welcome that regulation because if you look at the principle of insurance, it is to take care of societal need which is there, that's why insurance industry got created.

Now on senior citizens, if the price goes up substantially, it becomes unviable for them to insure, and they get left out on this basis. The way insurance operates is that you collect money from many to pay to a few. And that is why the regulator has given you an option that you can do price correction at all levels so that your overall portfolio looks good.

That is how the balancing has to happen. So it is not that if they do senior citizens, then you are stuck there because you have other cohort of book. If you look at the circular carefully, it also states that the insurance industry should collectively look at negotiation rates with the hospital. It's a very balanced circular, which is very customer focused on perspective of the senior citizens.

So I think it will be good for the industry. And the industry will balance pricing in a way that the senior citizens don't get marginalized and left out from the benefit of the insurance, that is the point of the circular if you look at it in totality.

Coming to the TP reserves, and if you look at the reserves, I've said this in earlier calls also. The best way to look at is that what are the release, in respect of reserves and the claim settlement ratio. Bajaj Allianz always had a very positive release in terms of the reserving and the settlement. The delta has always been very positive on that basis.

And the correction keeps on happening as we progress. So at no point of time will you have seen in 23 years of Bajaj Allianz that there would be a situation in which the reserving was less than the claim settlement. So it has always been adequately reserved, and it had always been done well. Now I'll hand over to Raman if you want to add something to this?

Ramandeep Singh Sahni: Yes. So, Mahek, if you recall Sreeni's comment in the opening speech itself, which said that ideally, from a GI perspective, we should not look at quarterly loss ratios , right measure is to look at this on a longer-term basis. If you look at some aberrations, which are there in the quarter, essentially it comes because there is a lag in the time of reporting claims and when the IBNR gets adjusted by the actuary. And hence, we often make this comment.

But if you look at it on a 9-month basis, our actual loss ratios are lower than what it was in 9 months last year. It's actually down from 79.5% to 77%. So it's just the aberration of the quarter, which gets settled in the subsequent quarters.

Mahek: **L**astly on the BALIC?

Tarun Chugh: Yes. So on the product mix strategy, that is a very specific question you asked. What we've done is, unlike the rest of the sector, which has changed largely the traditional plans only, we've gone ahead and relooked at the entire product mix. We looked at the entire product structures that we have.

We've gone ahead and changed practically all our products, including ULIP, par and non-par. As a result, what we've started doing in ULIPs is that a significant percentage of our ULIPs now are with built-in riders and higher protection. That is a significant change that we've brought in. And, of course, the traditional plans changes have been significant as well.

If you see all product mix of the previous quarters, we've have brought down our product mix in ULIP because while the rest of the sector has actually taken it up, which to an extent also contributes to our muted growth.

Mahek: Got it. Thanks so much.

Moderator: Thank you. The next question is from the line of Madhukar Ladha from Nuvama Wealth Management Limited. Please go ahead.

Madhukar Ladha: First question on BALIC. So we see the growth has obviously come off significantly in this quarter and the mix has also changed as against the significant growth in the last few quarters. So I wanted to get a sense of what the growth trajectory in the near term would shape up like.

Should we take this quarter as an aberration with sort of growth returning back to the 20%, 25% sort of level. What should we expect on the product mix then?

And then on the health side, I think there is a significant confusion in terms of what sort of and the way commission payout should happen. While I think GI Council & IRDAI want commissions to be paid out on a yearly basis. And if payments are made upfront then that is not allowed. I think a large part of the distribution community is still sort of not in favour of this. So how do you see this progressing? What approach have we taken and so some sort of colour around that will be useful. Those would be my two questions?

Tarun Chugh: So maybe I'll take the first one on BALIC and Tapan can step in for the health question.

We had indicated very clearly during our Investor Day that while we've had a, I'd use the word trailblazing growth, in the last 7 years. And particularly, if you look at the last 3 years, we've been the fastest growing across the sector with a CAGR of 27%. This quarter, while the changes were happening, we purposely took a pause and relooked at our entire product structures. With this change happening, it was obvious that the focus now is on profitability and profitable growth. And given the heft that the company now already has in terms of the size, it could be meaningful numbers. This is something I have kind of indicated in an earlier call as well.

In terms of how I see this going ahead, we did have a tough month in November, I think, purposely so because we had planned it like that after September. And the sector also had a tough month in November, but I think we had a tougher one largely because of our agency business, which is 150,000 agents getting retrained, getting reoriented to these kinds of products.

And of course, the fact that there was a surrender value impact on commissions, the sector on the agency side, particularly had an impact all through. Good news is that December, we are back to a slight mild growth. January also, we are broadly in sync with a lot of companies that we compare ourselves with. Agency, though, is still going to take some more time to settle into the new product mix and may take a few quarters before it starts coming back to its earlier growth trajectory.

Bancassurance and the PSF are largely getting back, but mostly in sync with the rest of the sector. I hope that answers your question. I'm not going to give any clear numbers because as Sreeni made it clear, we do not make any forward-looking statements.

Madhukar Ladha: And just on the VNB trajectory, so margins have improved sharply in this quarter, I'm guessing obviously because protection growth has been very strong. And any sense of what sort of a VNB growth target we can see over the next 3 years that could also be helpful or how much improvement could we see in VNB margins?

Tarun Chugh: Yes. Fundamentally, we've started looking at VNB and not necessarily VNB margins because VNB margins have some noise from the group credit life business, particularly. So when we are looking at VNB, you will see two things happening. One, of course, margins itself will start growing faster than what we see in terms of growth.

Rather VNB would start growing faster than what you see in top line growth because that is the way we have planned our product structures and not just a mix mind, its due to structures, which is a significant overhaul. And each of the products now, whether it's in the ULIP bucket, or others, all buckets they are profitable, and each will contribute to margins, which was not the case earlier, where usually the traditional plans are aimed to giving more margins, and ULIPs used to be a drag on margins.

Fundamentally, that is a big change we brought in, which basically with growth coming in will result in the trajectory of VNB being higher than the trajectory of growth. On the margins, although as I said, it has some noise, and I don't really track that as much. But I know a lot of you track. The BALIC is, of course, currently, as per plan, planned at a lower margin for the current year.

There's been a slight increase in margin versus last year. But you will see us going up higher because of the lower base. So I would rather say that we're not get any leeway because of the margin growth, but more because of the fact that we are focusing on the VNB growth. That's what we are more interested in.

Madhukar Ladha: Got it. Very clear. Thank you.

Moderator: Sorry to interrupt, Mr. Madhukar. I would request you to repeat your question regarding BAGIC. It was not clear.

Madhukar Ladha: Sure. So I wanted to get a sense of how distributor commission pay-outs are working in this new sort of scenario 1/n. I believe a lot of the large distributors still want upfront payment whereas IRDAI and GI Council are not in favour of this. And also it would adversely affect our EoM ratios.

So in this context, how do you see the sort of industry moving? And finally, given that EoM ratios are very high for a large part of the competition, so are we seeing any let down in competitive intensity? Do we thought of foresee that? Any sort of early signs on the health side, in particular?

Tapan Singhel: Thank you for the question. So I think in your question lies the answer. The regulations have been very simplified, be it product regulations, be it commission regulations. The commission regulations stipulate EoM, expense of management. Well-run companies who have EoM less than 30%, which is what they have to be there.

I don't think they have any stress in terms of how they look at commission pay-outs. The regulator does not stipulate how you pay commissions. It stipulates that you should be under the EoM, nor does the council stipulate how do you pay commission. So for Bajaj Allianz General Insurance company, the EoM is well below 30%. It's one of the well-run companies with an EoM well below 30%.

So I think the question is more relevant to companies who have EoM over 30%. I don’t think it's a good practice because at the end of the day, the policyholder also has a determination in terms of how your expense of management plays out. At Bajaj Allianz, as we see it's been one of the lowest Company in terms of expense ratios. So from that perspective, I don't think this has any impact on the Company.

If I look at the industry, the overall numbers for businesses which is long term is not so significant in the overall industry. Having said that, even there, I don't see much fall in terms of the business falling or the distributor not selling for overall industry.

So I would think for Bajaj Allianz is positive. And for the industry also, I don't see any negative happening overall.

S Sreenivasan: I'll just add something to what Tarun said on the life side. I think in the past, you have seen, as a company, we are very, very focused on being profitable while seeking to grow. And there have been many instances even in 2018-19, I think we took a call to bring down ULIP from 70% to 40% in order to stabilize our profitability and margins.

In the same way, you will find in BAGIC also quarter-on-quarter, year-on-year, there have been many changes that we made as we see the market economics develop. So clearly, the actions that life company is taking, Tarun and team are taking, are predominantly to weed out those segments of business, which are not likely to give us profit, at the same time, focusing also on rebuilding the right product mix, a more sustainable product mix.

We believe in the long run; the life business is all about balance. Balance across distribution, channels, products, risk between par, non-par, savings, term and ULIP and balance between profitability and growth. That will give us a longer roadway of consistent performance.

So I think as a general message, I'm saying this as this question will keep coming up because there is a temporary headwind because of the surrender regulations. And of course, at the current time, there are also cyclical headwinds in the form of lower disbursement. So aggregate margins may not reflect the actions that the company is taking.

So the next few quarters, you will see this evolve into, hopefully, a leaner, fitter, meaner BALIC, and that is the direction that the company we think will take.

Madhukar Ladha: Sure, sir.

Sir, just on the health insurance question, sir. My question was more with respect to sort of competitive intensity because a lot of these smaller players are running at EoM levels which are above sort of 30%, 35% for private and SAHI's. So in this context, paying upfront commission further increases those ratios. And loss ratios have also remained quite elevated on the health side.

In that context, do we see some sort of corrective action in terms of pricing, or some competitive intensity let down? Any early signs of that or your thoughts on that if you would expect anything like that. Plus now senior citizens pricing is also capped, if those cohorts age, you'll not be able to increase pricing beyond 10%.

So does that mean that pricing at an entry level also increases? So on the health context, some sort of understanding and clarity over here, I'd appreciate?

Tapan Singhel: Yes. So again, I think the question is a broad question for the industry. It's not specific to the company. I said for Bajaj Allianz General Insurance Company, it is positive. Whatever you have said, this company operates well below the EoM limit of 30%. So obviously, this doesn't have an impact for us.

For smaller companies, if they are over 35%, they have to correct themselves at 30%. They have to have a clear glide path and they have to deliver on that basis. The regulator is very clear on that. So obviously, they have to decide their strategy. I can't speak for them. In terms of senior citizen cap at 10% movement, it is that any increase in price should not be above 10%, and if you look at the overall portfolio, what percentage is senior citizen.

What percentage is the normal increase in price that should happen. And it spreads across the entire cohort. And then in that circular, you should also read the other part, the regulator clearly says the industry should come forward with an agreement with hospitals in terms of standardized rates and procedures. That will also have impact on the overall loss ratio. When you put all these things together, I don't think there's any apprehension in terms of business. I think it is good for the industry.

And the industry will come together to deliver on those parameters and bring it together. So I don't think it's something which is so off the mark, which is going to have an impact in industry in terms of getting negative or not going the right ratio. All of what you see in here is moving in the right direction.

And 30% EoM is a good limit to have, companies above that will have to correct themselves and bring to that.

So it's how you run a company, how disciplined you are, which really matters. So if you look at it from a skeptic perspective, it looks a bit odd. If you look at the overall picture, it's a very good thing for the industry. I don't think there's any negative in this.

Madhukar Ladha: Got it. Thank you.

Moderator: Thank you. The next question is from the line of Nischint from Kotak Institutional Equities. Please go ahead.

Nischint: First of all, congrats, Sreeni, Ramandeep and best wishes to Anckur. I think, firstly, on the life side, you seem to be making significant changes or probably overhauling the entire business. So just curious, does it mean that we sort of have a low probably maybe a single digit or lower than industry growth going forward in the next couple of quarters, probably the next year as well.

I'm just trying to understand the intensity of the change that you are making. And just on the surrender value guidelines, if you could quantify the change, some of your peers have done that. I mean the impact.

Tarun Chugh: No, that's a very good question. As far as the changes, yes, there are substantial that we've done. In terms of growth, there is enough and more for us to take. I will not get on to which digits, single, double. I don't think we're used to single-digit kind of growth, so don't worry about that.

We've always maintained a stand that we'll be growing far faster than the rest industry. And you'll see that happening. It's a temporary blip. And while I would say that the base effect for a few quarters will play out, but overall for the year as we see, growth will quite visibly be back.

So while the changes are substantial, and the rest of the sector has made changes because of surrender value only in traditional products. For them, traditional remains still the heavy lifter on profits. What we've done is we've changed the entire range of products that we have, including ULIPs and also gotten the kind of riders adding significantly, different to what BALIC has ever done earlier in life. So that is an additional change, which will take time to set in. But at the same time, whatever we get of that is only positive in terms of a trajectory on growth and profitable growth. So that's why we are a little different from the rest of the sector. In terms of growth, it doesn't worry me much.

Nischint: Got it. Just if you would quantify the impact of surrender value guidelines as some of your peers have done it?

Tarun Chugh: See, whatever the peers do it's not necessary that we have to follow. If you look at what we've -- in Q3, in fact, our entire margin has gone up slightly, but yes effect is there and particularly, we're seeing it in December. Hence, the impact we've now after discussions with all our bank partners, agents, deferral of commission, bringing commissions down in most cases, we've been able to get to a situation where this should be largely neutralized.

I think the rest of the sector has done just that. And we still have a lower margin. So you'll see a margin going up in any case.

Nischint: Got it. Just on BAGIC side. If I look at the long-term policies, what was the ceding policy over here? And how is the inward commission for long-term policies treated in the P&L?

Ramandeep Singh Sahni: So see, what we've tried to do is we've matched the outgo of commission with the inflow of commission. So because we were paying commissions upfront in most of the cases, our income also in terms of commission inflow is being received upfront so that there is a complete matching happening. If obviously, we were to defer it, then we will have to change the accounting practice, but we will always try to maintain the balance between the inflow and outflow.

Nischint: So as we speak in terms of payout have, we deferred it, or payout remain as it is? And in terms of accounting, we have deferred both the sites?

Ramandeep Singh Sahni: See, like the rest of the industry, we obviously contemplated and reached out to the distributors. While our need is very, very less like Tapan rightly highlighted, somebody running at a 23% EoM versus 60% of the industry running ahead of 30%, our need was far less. So we actually had an advantage versus the other.

But we did have conversations with the partners. But see, the reality of life was on one side where you're doing long-term motor business, market practice is you're paying commissions upfront. And hence, it was next to impossible for distributors to agree that we would end up deferring commissions on a certain line of products, while on the other you don't end up deferring it.

So the success rate for the industry has been very low on that. And hence, for us also, we've been largely paying upfront only. And against that, the commission is also on the RI side being recognized upfront.

Nischint: And just one final one for Tapan is, do you really see the non-life players coming together and negotiating with the hospitals the way, let's say, IRDAI is asking the industry to do? I mean, have you already seen any discussions on this in the IRDAI forums?

Tapan Singhel: Do you want me to answer the question as MD Bajaj Allianz or as Chairman General Council?

Nischint: Whichever way it is, I mean, I guess...

Tapan Singhel: So as a Chairman General Council, it will definitely happen.

Nischint: Sure. But it's something that the industry will look forward to is what you see?

Tapan Singhel: It has to. You have to understand one thing. See, what is the problem? Look at the media, in spite of the industry is doing so much and in fact, on the health portfolio, overall industry is not making money. If we look at the media news, it is so negative at times.

But what is the problem for health insurance? It is the medical inflation and no regulations on hospitals coming into place. And that is what the industry has been asking for that there's a 3-pronlonged approach on health. One is the premium. Other is the tax, which is GST. And third is the outgo in terms of hospital charges which is happening.

No hospital is regulated. And GST the industry has been asking for reduction in GST. So the entire onus comes on the industry then to take care of the whole portfolio and do the societal need of serving the society and putting it together. Because the other 2, the industry is demanding. Hopefully, they should, at some point of time, be considered.

Now if it is on the industry, then the industry has no option then to consider this as it pays the hospital close to INR1 lakh crores. it is necessary that the industry comes together and at least there's some correction on that basis to be able to deliver to society the requirement of a good health cover for the citizens of India. So from that perspective there's no other option, but for the industry to come together and do this.

Nischint: Got it. Thank you very much and all the best.

Moderator: Thank you. The next question is from the line of Shubhranshu Mishra from Phillip Capital. Please go ahead.

Shubhranshu Mishra: Just two questions. The first one is we have a business LINE the health card that we have. How is that progressing, if one can speak on the MAU and DAU for the health app. Second is any management transition we are expecting in the fourth quarter, any move from Bajaj Finance senior management personnel to Bajaj Finserv?

S Sreenivasan: I'll take the second question first. Immediately, we are not looking at it. I think Rajeev has put in a very clear message. But as a general rule, we do have across the group, a very strong platform for nurturing and developing talent. And we do have about 200 people across the group of the top three, four levels whom we constantly monitor.

We have talent cards for each of them. We map all our positions, the current ones and the ones coming out of LRS. And in the process people are identified and prepared to take on new roles. And if you see the transitions that have happened in the last few years on the finance side, for example, Vipin Bansal, who was with BFL moved as CFO of Life. Raman, who was in Life moved to General and now he is moving into Bajaj Finserv. I think over time, you will see more of these. This is the way we build our businesses. And we believe that as we go forward with the confluence of data, technology and regulation. And therefore, we would want people with multiple business experiences to be able to take on the challenges of the future.

So over the next 5 years, 7 years you will see this play out a bit more. So we become a more agile organization with a very strong core team of people across all our businesses, whether it is the investing business, whether it is the lending business, where it is the protection business or whether it's our platform businesses. I'll now hand over to Devang for the question on Bajaj Finserv Health app.

Devang Mody: I think your question was twofold. Number one, we have around 180,000 transacting users coming every month on app and around 450,000 transacting users coming on our web assets. Now why web asset is significantly higher because the way we have staged our business, our primary go-to-market is to be app in app within insurers app or seamless product experience because we power not IPD benefit for all insurers, but we power a lot of OPD benefit for insurers.

And hence numbers are significantly larger on web, which gets manifested as app in app, which is counted as web traffic on PWA framework. So those are slightly technical details. So to answer your point, that number is 171,000 per month in app and 450,000 per month on web. What we are more focused on is how many health transactions we are transacting because equally important is to deliver health experience digitally, where I've given you the numbers around 600,000 is the number per month.

Last quarter, we have done around 22 lakh transactions. So I think that's where our main focus for future growth is. And we would want to move as many as possible on our digital assets, and we would be outlier in the industry, to be able to do transactions digitally. When I'm saying digitally, the consumer contacts us before contacting the provider i.e. hospital or laboratory touch point. That is what our digital transaction numbers are all about. I hope I have answered your question.

Shubhranshu Mishra: Understood. If I can just squeeze in one last question. So the answer to the first question is a yes that Rajeev would make a move to Bajaj Finserv in the near term?

S Sreenivasan: So as of now, we have not taken a decision and Rajeev will continue with BFL. He has given a 15-month road map out of which 12 months are over. We will see that as time goes by.

Shubhranshu Mishra: Sure. Thanks.

Moderator: Thank you. The next question is from the line of Nidhesh Jain from Investec Capital Services. Please go ahead.

Nidhesh Jain: The first question is on BALIC. What is the rationale of reducing the share of ULIP as you've articulated the focus is on VNB growth and not on VNB margins. So why are we reducing the share of ULIP in the product mix consciously?

Tarun Chugh: I think it's an obvious answer, ULIPs do have a lower VNB margin than traditional plans, hence we are reducing focus on ULIPs.

Nidhesh Jain: Sure. I thought the focus is on VNB growth and not VNB margin. That's why I asked this question.

Tarun Chugh: Yes. Okay. So you want to now ask a question on VNB and not VNB margin. VNB, of course, has a few components and so does the generation of the margin. The cost absorption capability of ULIP is far lower. And hence, it does take time to be able to bear itself out in lean months and while it does give benefits on the gross margins as the months get a little bit bulkier like you see in JFM.

So we basically have to balance, as you heard Sreeni as well saying, we are getting on the product mix and the structures, which are attuned to be sold in the Indian market. Being at a 29-year median age, there is a certain amount of products that would, of course, sell more because of economic growth.

People will want to participate in the growth through equities and some who would want to save more. So when we play through those customer segments, that is not a simple equation, it does require you to work on one and not work on the other.

Nidhesh Jain: Sure. Second question is on BAGIC. So if you look at BAGIC, we have done quite well on profitability vis-a-vis sector. We are very well capitalized and customer metrics are quite positive in terms of customer satisfaction and have a very strong distribution. But if you look at last 4 years, 5 years, despite a lot of these strengths that we have, we have not been able to gain market share.

With the customer obsession that we have been displaying and the customer metrics are issuing, ideally, such kind of business should see a rapid market share gain in the retail segment. If you look at the float growth in last 5 years, the float has grown at 12% CAGR. So why, is the market share trend and float growth trend broadly in line with market and not significantly ahead of market?

Tapan Singhel: Okay. So I would like to look at it in a different way. First, if you look at BAGIC, it's in a top three company of India and organically grown. It has not acquired any company or done any merger acquisitions. In spite of that, it's organically grown. It has moved up organically in 23 years' time, brick by brick to become a top three company, first point.

Second point, at all points of time, the margin to the market in terms of combined ratio has always been over 15%. It is not a 15% profit percentage. It's a full 15% combined ratio perspective, which means that if the industry is at about 117%, BAGIC has been close to 100%. At times, industry is 120%, BAGIC has been at 98%, 99%.

So you give me any business in the world, which for decades has beaten the combined ratio by such huge margin and organically reached the top 3 position consistently moving up in terms of ranking in the market. Second point is you look at number of policies issued last year of all companies. You will see BAGIC issued close to 3.6 crores. I don't remember the complete number right now, but if Raman can correct me if I'm wrong. And even the larger in terms of top line, New India had issued 2.67 crores or 2.7 crores policies. In terms of number of policies issued, BAGIC was the highest in the Indian market.

So fundamentally, I think when you look at the positioning, and where it stands over a long period of time. Consistently to the difference of profit to the market that it has made in terms of combined ratio, the gap that it has kept at all point of time, to the expense ratio, and you heard Raman mentioned EoM of 23% whereas 60% of the industry is over 30%. The kind of discipline is maintained.

I think it was fundamental thing. It is balancing of all 3, it is not only about just pushing your weight and acquiring rapid in terms of position and moving up the market to one. It is doing right thing consistently over a long period of time, which delivers a good insurance company. This is how it has to be. Raman were my numbers wrong in terms of number of policies or they were close to right.

Ramandeep Singh Sahni: So very close to the exact numbers. I'll just add to this based on advanced premium, while you're taking a 5-year CAGR, I think the big issue for us, as you know in the past was the handicap on the 2-wheeler business, which is where the largest advanced premium or the float was getting generated.

Our market share on new sales in 2-wheeler, if I go just 3.5 years back, used to be close to 3.5%, 4%. And in this quarter, if you see that same number is close to 12%. So I think what you are referring to is the past. If you look at actually the advance premium growth for last 3 years, let's take this year, 9 months, it's 24%.

Last year was 26%. The year before that was 19%. So I think that handicap which was there earlier is now behind us. And if you see the recent trend of advanced premium growth has been very, very healthy and that trajectory continues.

Nidhesh Jain: Sure. That's it from my side.

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

Sanketh Godha: See, I have two questions on BAGIC. Both are related to third-party. See, if I look at other players in motor TP, the loss ratios are meaningfully very low compared to what you guys are reporting. I just wanted to understand that is it to conservatism we are following. And therefore, likelihood of a release is very high going ahead or is it the product mix incrementally have changed in the favour of products where the claims are a little higher than normal. That is leading to the higher TP loss ratio?

And second, the point I wanted to ask is that you seem to be growing very well in OD and probably gaining market share also at least in the current year. But TP seems to be off compared to market share gain point of view. So any specific reason for the divergence in the growth trend?

Or is it largely hero tie-up is playing out in OD as a strong growth on a low base. That's my question on OD basically.

And second on general insurance, have you seen pricing improving in commercial lines already? And if that is the case, then likely benefit of it coming in FY '26 or calendar '25, how do you see it?

S Sreenivasan: Sanketh, before I pass it on to Raman and Tapan, broadly, I'll tell you how our TP reserves work. Because of the long-tail nature of the claims, the year in which you write TP, very few claims are reported and the reporting peaks probably at the end of the third year. And there will be some more claims reported maybe a little bit after that because there's no limitation of time for reporting third-party claims.

But by the fifth year, I think almost all of the claims have been reported. And after that, the reserving is largely to cover inflation or any other court judgments and tail factors. The tail is pretty long. I think 10, 12 years back, even then the claims are not fully closed, though substantially, the claims have been settled.

And therefore, one of the best ways, which we track and which I would think is most appropriate as all the loss triangles now are published by the companies under the public disclosures, is to look at the paid to ultimate. What did you reserve in the beginning? And how much have you paid after year 3, 4, 5?

And that gives a good flavour as to what is the amount of conservatism or aggression that one is building into the reserve. Roughly, when we checked last time in terms of 7 years, our ratios were compared to the market significantly below. That means a very much smaller proportion of claims had actually been paid by the end of the sixth and seventh years and even after the fourth year.

Therefore, the actuarial release process also will follow that, and you would find that it plays out. Net-net, if you see the cumulative reserves with the revised ultimate losses, you will still find that there is surplus for us across almost all the vintages. So on a quarter-on-quarter basis, clearly, there will be variations as we find more things reported and IBNR estimates being adjusted, but the real true-up happens only by the end of the year when you have all the year's data in.

Now I'll hand over to Raman and Tapan to take on other flavour on that. And the other question was on TP rate increase and how will it impact commercial vehicles, I think.

Sanketh Godha: Okay. No, it was on commercial lines fire segment, the...

Tapan Singhel: Okay. So let me answer the question. See, first and foremost, as a GI company, it's always better to be conservative than to be reckless on reserving, to answer your question. And Bajaj Allianz has always been conservative and never been reckless on reserving. And that's the point I made earlier also that if you look at our release to reserving has always been there. But that is how a good GI company runs.

On the part of increase of price for the commercial lines of businesses, yes, we see the trend happening there. And obviously, in my view, again, I've always mentioned this, it is the market forces that determine the right price for the right risk. That is what it should always be there.

Right now, we see an increase in price happening, which is positive for the industry. And Bajaj Allianz being a large player in the commercial lines of businesses also, it will be good for Bajaj Allianz Insurance Company if this sustains and this carries on, which is there. But the likelihood of sustenance as of now, it looks high, which should be the way to move forward. Have I missed any question of yours or we have covered all.

Sanketh Godha: No, sir, two points. One was that what is the weighted average price hike you are seeing in commercial lines for things like you said. And then second, the divergence with respect to OD and TP growth because you seem to be gaining market share in OD but losing in TP. Is it largely a hero phenomenon or something else?

Tapan Singhel: So the first point is you will see about a growth of 10% to 15% in terms of the hike happening in commercial lines of businesses on account of price hike, weighted average, the point you said. Second point in terms of OD, TP and different lines, I've been asked this question many times. See, a good company is like a good orchestra. The right kind of instruments should be playing at the right time for good music to come.

So you will keep on seeing shifts happening. In some places, we'll gain market share, some we will let go. Then at the right time, we'll again gain market share again, some we'll let go. It is an orchestra. It is not that it is always consistent. And that's why you require a good management team, which is a good conductor to play this orchestra.

Wherever it does well is fine. If you look at GI business, the amount of product the GI business has and sub products, it crosses 300 kinds of thing. A lot of people don't realize the complexity. And I'm very happy to see the level of understanding of the analysts and all of you now. Earlier, it used to be at a very superficial level. But now you get down to the very good basics. I'm happy to hear your questions.

But as you see this, the play out of all this is where you run a good company. So sometimes you'll see us increase in OD, sometimes you will see us increase TP. Sometimes you'll see us increase commercial lines. Sometimes you will see us increase crop. Sometimes you will see us decrease crop, like that. It's a combination of all the products, sub products mixture that the way it gets played out delivers good music, if what I may say so.

Sanketh Godha: Sir, my next question is on BALIC. Third quarter, as you highlighted, the growth was pretty muted compared to what we have been delivering in the past. So just to clarify again, is it largely because you were trying to realign the channels with the new norms that led to the moderation of the growth or it was more conscious decision to slow down ULIP, which played the major role.

And if realignment of the channels is the major reason, what -- how much more time you will take to see that realignment happens and the growth will come back to the company. So that's one thing. And the second is just on credit life business, it seems to be bottoming out because we did the same amount of business, what we did in second quarter. So sir, just wondering whether we can see a positive outlook in credit life incrementally going ahead.

Tarun Chugh: Yes. So see, the changes that we've done this quarter have been substantially on the product and the product structures. The mix tweak has been there. So you asked about ULIP. And are we steering away from ULIP? No, we are not steering away from ULIP. Some customer segments will be very prone to ULIPs, and some distributors will be very prone to ULIP as well.

But on the whole, we are working more on the back end where we've tweaked our structures. To the earlier question that had come, tweaked the ability to take more expenses. At the same time, structure them in such a way that customers get their bit as well. This quarter has been tough because we've had to do this on the fly all across, and we took a call that we've had a significant growth. We've reached a certain level of size.

Now it's time that we start looking at our overall VNB growth, and that is what you will start seeing in the future. Whether specifically we will grow in every channel significantly, I think our agency will take a little bit more time to settle in because agency is far more dispersed. Our institutional business and the proprietary sales channels are more or less back now.

So we should start seeing too starting to clock industry-level growth while agency taking a little bit more time to come in as we reconfigure a lot many things because distributors are usually trained to sell only a few bits of products. Agency may not be very good at that. So that training is going on.

We're trying to engage with them more and trying to get them back on track. So maybe a quarter more may take before agency can start coming in. So that's on the growth and the product shifts. As far as credit life is concerned, yes, you're right. And if you can foresee the future and you're saying it's bottoming out, yes, then, of course, we'll be back. Everybody will be back in the sector.

And as far as we are concerned, we have streamlined a lot of our credit life across partners. If you remember, a few quarters back, when we were discussing, our focus used to be more based on a couple of partners. And even the mix was largely towards MFI. Now, I'm happy to say that is quite well diversified in terms of the partners we have.

One or two partners do not contribute any significant part of our credit life portfolio. So that is kind of behind us. And as growth comes in, we'll grow in sync with the industry in credit life and maybe in some situations, even better.

Moderator: Thank you. Ladies and gentlemen, due to time constraints we will take this as the last question. I would now like to hand the conference over to Mr. Shreyas for closing comments.

Management: Thank you to all the participants for joining the call and a special thanks to the management team of Bajaj Finserv for giving us the opportunity to host the call. Thank you, and good day, everyone.

S Sreenivasan: Thank you, everyone. Thank you.

Ramandeep Singh Sahni: Thank you, everybody.

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