

29 June 2020



To Corporate Relations Department. BSE Limited 1st Floor, New Trading Ring, Rotunda Building, P J Tower, Dalal Street, 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

Subject: Regulation 34 - Submission of Notice of the 13th Annual General Meeting (AGM) and Annual Report with Business Responsibility Report (BRR) for the year ended 31 March 2020

Dear Sir/Madam,

This is further to our letter dated 21 May 2020, wherein the Company had informed that the AGM of the Company is scheduled to be held on 21 July 2020.

In terms of the requirements of Regulation 34(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed Notice of the ensuing 13th AGM of the Company and the Annual Report along with BRR for the year ended 31 March 2020 as circulated to the shareholders through electronic mode today.

The said Notice, Annual Report and BRR are also placed on the Company's website <https://www.bajajfinserv.in/finserv-investor-relations-annual-reports>

Brief details of the 13th AGM of the Company are as below:

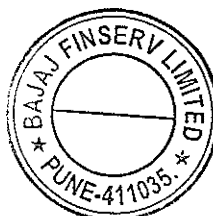
Date and Time of AGM	Tuesday, 21 July 2020, 4.15 p.m. IST
Mode	Video conference ('VC') / other audio-visual means ('OAVM')
Web-link for participation through video-conferencing	https://emeetings.kfintech.com/
Live Webcast of AGM	
Cut-off date for e-voting	Tuesday, 14 July 2020
E-voting start date and time	Saturday, 18 July 2020, 9.00 a.m. IST
E-voting end date and time	Monday, 20 July 2020, 5.00 p.m. IST
E-voting website	https://evoting.karvy.com

You are requested to take the above information on record.

Thanking you,
Yours faithfully,

For Bajaj Finserv Limited

Sonal R Tiwari
Company Secretary
Encl: as above



Page 1 of 1

Bajaj Finserv Limited

Corporate Office: 6th Floor, Bajaj Finserv Corporate Office, Off Pune-Ahmednagar Road, Viman Nagar, Pune - 411 014, Maharashtra, India
Registered Office: Mumbai - Pune Road, Akurdi, Pune - 411 035, Maharashtra, India

Tel: +91 20 30405700
Fax: +91 20 30405792

www.bajajfinserv.in
Corporate ID No: L65923PN2007PLC130075

AGM NOTICE

Notice is hereby given that the Thirteenth Annual General Meeting ('AGM') of the members of Bajaj Finserv Ltd. ('BFS' or 'the Company') will be held on **Tuesday, 21 July 2020** at **4.15 p.m.** through **Video Conferencing ('VC')/Other Audio-Visual Means ('OAVM')** facility to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the standalone and consolidated financial statements of the Company for the financial year ended 31 March 2020, together with the Directors' and Auditors' Reports thereon.
2. To confirm the interim dividend of ₹ 5 per equity share of face value of ₹ 5 each as final dividend for the financial year ended 31 March 2020.
3. To appoint a director in place of Rajivnayan Rahul Kumar Bajaj (DIN 00018262), who retires by rotation in terms of section 152(6) of the Companies Act, 2013 and being eligible, offers himself for re-appointment.

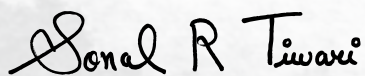
SPECIAL BUSINESS

4. Ratification of remuneration to Cost Auditor for the financial year 2020-21

To consider, and if thought fit, to pass the following resolution as an **Ordinary Resolution**:

'RESOLVED that pursuant to provisions of section 148(3) of the Companies Act, 2013 and Rules made thereunder, approval of the shareholders be and is hereby accorded for the ratification of remuneration of ₹ 60,000 (Rupees sixty thousand only) plus taxes, out-of-pocket, travelling and living expenses payable to Dhananjay V Joshi & Associates, Cost Accountants (firm registration no.000030) appointed by the Board of Directors as Cost Auditor of the Company for the financial year 2020-21.'

By order of the Board of Directors
For Bajaj Finserv Ltd.



Sonal R Tiwari
Company Secretary

Pune: 21 May 2020

NOTES

- 1 In view of the continuing COVID-19 pandemic, the Ministry of Corporate Affairs ('MCA') vide its circular dated 5 May 2020 read with circulars dated 8 April 2020 and 13 April 2020 (collectively referred to as 'MCA Circulars') and SEBI circular dated 12 May 2020 permitted holding of the AGM through VC/OAVM facility, without the physical presence of the members at a common venue. In compliance with the provisions of the Companies Act, 2013 ('the Act'), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as 'SEBI Listing Regulations, 2015') and MCA Circulars, the AGM of the Company is being conducted through VC/OAVM (hereinafter called as 'e-AGM').
- 2 The deemed venue for Thirteenth e-AGM shall be the registered office of the Company.
- 3 Pursuant to the provisions of the Act, a member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on his/her behalf and the proxy need not be a member of the Company. Since this e-AGM is being held pursuant to the MCA Circulars through VC/OAVM facility, physical attendance of members has been dispensed with. Accordingly, the facility for appointment of proxies by the members will not be available for the e-AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice.
- 4 Institutional/Corporate Members (i.e. other than individuals/HUF, NRI, etc.) are required to send a scanned copy (PDF/JPG Format) of its board or governing body resolution/authorisation, etc., authorising their representative to attend the e-AGM on its behalf and to vote through remote e-voting. The said resolution/authorisation shall be sent to the Scrutiniser by email through its registered email address to cssdlimaye@gmail.com with a copy marked to mohsin.mohd@kfintech.com
- 5 Statement pursuant to section 102(1) of the Act forms part of this Notice. The board of directors at their meeting held on 21 May 2020 has decided that the special business set out under item no. 4, being considered 'unavoidable', be transacted at the Thirteenth e-AGM of the Company.
- 6 Brief details of the director, who is seeking re-appointment, is annexed hereto as per requirements of regulation 36(3) of the SEBI Listing Regulations, 2015 and as per provisions of the Act.
- 7 The facility of joining the e-AGM through VC /OAVM will be opened 15 minutes before and will be open up to 15 minutes after the scheduled start time of the e-AGM, i.e. from 4.00 p.m. to 4.30 p.m. and will be available for 1,000 members on a first-come first-served basis. This rule would however not apply to participation of members holding 2% or more shareholding, promoters, institutional investors, directors, key and senior managerial personnel, auditors, etc.
- 8 Institutional Investors, who are members of the Company are encouraged to attend and vote at the Thirteenth e-AGM of the Company.
- 9 An interim dividend at the rate of ₹ 5 per equity share of ₹ 5 each declared by the Board at its meeting held on 21 February 2020 has been paid to all the eligible members as on 4 March 2020, being the record date for the purpose of said dividend interim.

The directors recommend for consideration of the members, the above-referred interim dividend as final dividend for the financial year ended 31 March 2020.
- 10 As per SEBI Listing Regulations, 2015 and pursuant to SEBI circular dated 20 April 2018, a listed entity shall use any electronic mode of payment approved by the Reserve Bank of India for making payment to the members. Accordingly, the interim dividend, which was declared on 21 February 2020 was paid through electronic mode, where the bank account details of the members were available. Where dividend was paid through electronic mode, intimation regarding such remittance was sent separately to the members. In cases, where the dividend could not be paid through electronic mode, payment was made through physical instrument such as Banker's cheque or demand draft incorporating bank account details of such members.
- 11 To ensure timely credit of dividend through electronic mode or physical instrument such as banker's cheque or demand draft, members are requested to notify change of address or particulars of their bank account, if any, to share transfer agent of the Company- KFin Technologies Pvt. Ltd. ('KFin') or in case of demat holding to their respective depository participants.
- 12 To avoid fraudulent transactions, the identity/signature of the members holding shares in electronic/demat form is verified with the specimen signatures furnished by NSDL/CDSL and that of members holding shares in physical form is verified as per the records of the KFin. Members are requested to keep the same updated.

- 13 SEBI has mandated the submission of Permanent Account Number (PAN) by every person dealing in securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to their depository participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to the Company or KFin.
- 14 In terms of section 101 and 136 of the Act, read together with the Rules made thereunder, the listed companies may send the notice of e-AGM and the annual report, including Financial statements, Board Report, etc. by electronic mode. Pursuant to the said provisions of the Act read with MCA Circulars, SEBI circular dated 12 May 2020, Notice of 13th e-AGM along with the Annual Report for FY2019-20 is being sent only through electronic mode to those Members whose email addresses are registered with the Company/Depositories. Members may note that the said Notice and Annual Report will also be available on the Company's website <https://www.bajajfinserv.in/finserv-investor-relations-annual-reports> website of the Stock Exchanges i.e. BSE Ltd. www.bseindia.com and National Stock Exchange of India Ltd. www.nseindia.com and on the website of KFin www.kfintech.com
- 15 **To receive communications through electronic means, including Annual Reports and Notices, members are requested to kindly register/update their email address with their respective depository participant, where shares are held in electronic form. Where shares are held in physical form, members are advised to register their e-mail address with KFin by clicking on the link <https://karisma.kfintech.com/emailreg>**

Further, the Company had availed of services offered by NSDL to update email addresses of members of the Company who have not registered their email addresses. Members are requested to register their email id and support the green initiative efforts of the Company.

- 16 Further, those members who have not registered their email addresses and in consequence could not be served the Annual Report FY2019-20 and Notice of 13th e-AGM, may temporarily get themselves registered with KFin, by clicking the link <https://karisma.kfintech.com/emailreg> for receiving the same. Members are requested to support our commitment to environment protection by choosing to receive the Company's communication through email going forward.
- 17 With a view to enable the Company serve the members better, members who hold shares in identical names and in the same order of names in more than one folio are requested to write to the Company to consolidate their holdings into one folio.
- 18 SEBI vide its notification dated 8 June 2018 as amended on 30 November 2018, has stipulated that with effect from 1 April 2019, the transfer of securities (except transmission or transposition of shares) shall not be processed, unless the securities are held in the dematerialised form. The Company has complied with the necessary requirements as applicable, including sending of letters to members holding shares in physical form and requesting them to dematerialise their physical holdings.
- 19 To comply with the above mandate, members who still hold share certificates in physical form are advised to dematerialise their shareholding to also avail of numerous benefits of dematerialisation, which include easy liquidity, ease of trading and transfer, savings in stamp duty and elimination of any possibility of loss of documents and bad deliveries.
- 20 In case of joint holders, the Member whose name appears as the first holder in the order of names as per the Register of Members of the Company will be entitled to vote at the e-AGM.
- 21 The Company has been maintaining, *inter alia*, the following statutory registers at its registered office at Akurdi, Pune: 411 035
- i) Register of contracts or arrangements in which directors are interested under section 189 of the Act.
 - ii) Register of directors and key managerial personnel and their shareholding under section 170 of the Act.

In accordance with the MCA circulars, the said registers will be made accessible for inspection through electronic mode, and shall remain open and be accessible to any member during the continuance of the meeting.

- 22 Certificate from Statutory Auditors of the Company certifying that the Bajaj Finserv Ltd. Employee Stock Option Scheme (BFS-ESOS 2018) of the Company is being implemented in accordance with the SEBI (Share Based Employee Benefits) Regulations, 2014 will also be available for inspection by the Members through electronic mode.
- 23 For ease of conduct, members who would like to ask questions/express their views on the items of the businesses to be transacted at the meeting can send in their questions/comments in advance by visiting URL <https://emeetings.kfintech.com/> and clicking on the tab 'Post your Queries' during the period starting from **18 July 2020 (9.00 a.m.)** up to **19 July 2020 (5.00 p.m.)** mentioning their name, demat account no./Folio no., e-mail Id, mobile number, etc. The queries may be raised precisely and in brief to enable the Company to answer the same suitably depending on the availability of time at the meeting.

Notice

24 Pursuant to section 72 of the Act, members holding shares in physical form are advised to file nomination in the prescribed Form SH-13 (copy of which is available on the website of the Company) with KFin. In respect of shares held in electronic/demat form, the members may please contact their respective depository participant.

25 In terms of section 124(5) of the Act, dividend amount for the year ended 31 March 2013 remaining unclaimed for a period of seven years shall become due for transfer in August 2020 to the Investor Education and Protection Fund (IEPF) established by the Central Government.

Further, in terms of section 124(6) of the Act and IEPF Rules, in case of such members whose dividends are unpaid for a continuous period of seven years, the corresponding shares shall be transferred to the IEPF demat account.

Members who have not claimed dividends in respect of the financial years from 2012-13 onwards are requested to approach the Company/KFin for claiming the same as early as possible, to avoid transfer of the relevant shares to the IEPF demat account.

26 For more details on shareholders' matters, please refer to the chapter on General Shareholder Information, included in the Annual Report.

27 Since the meeting will be conducted through VC/OAVM facility, the Route Map is not annexed to this Notice.

28 In case a person has become a Member of the Company after dispatch of e-AGM Notice, but on or before the cut-off date for e-voting, i.e., Tuesday, 14 July 2020, such person may obtain the User ID and Password from KFin by email request to mohsin.mohd@kfintech.com

29 Alternatively, member may send signed copy of the request letter providing the email address, mobile number, self-attested PAN copy along with client master copy (in case of electronic folio)/copy of share certificate (in case of physical folio) via email to einward.ris@kfintech.com for obtaining annual report for FY2019-20 and Notice of 13th e-AGM.

30 Instructions for e-voting and joining the e-AGM are as follows:

A. Voting through electronic means

In terms of the provisions of section 108 of the Act, read with rule 20 of the Companies (Management and Administration) Rules, 2014 as amended (hereinafter called 'the Rules' for the purpose of this section of the Notice) and regulation 44 of the SEBI Listing Regulations, 2015, the Company is providing facility of remote e-voting facility to exercise votes on the items of business given in the Notice through electronic voting system, to members holding shares as on Tuesday, 14 July 2020 (end of day), being the cut-off date fixed for determining voting rights of members, entitled to participate in the remote e-voting process, through the e-voting platform provided by KFin or to vote at the e-AGM. Person who is not a member as on the cut-off date should treat this Notice for information purposes only.

The details of the process and manner for remote e-voting are given below:

- i. Initial password is provided in the body of the email.
- ii. Launch internet browser and type the URL: <https://evoting.karvy.com> in the address bar.
- iii. Enter the login credentials i.e. User ID and password mentioned in your email. Your Folio No./DP ID Client ID will be your User ID. However, if you are already registered with KFin for e-voting, use your existing User ID and password for casting your votes.
- iv. After entering the details appropriately, click on LOGIN.
- v. You will reach the password change menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character (@, #, \$, etc.). It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- vi. You need to login again with the new credentials.
- vii. On successful login, the system will prompt you to select the EVENT i.e. Bajaj Finserv Ltd.

- viii. On the voting page, the number of shares (which represents the number of votes) held by you as on the cut-off date will appear. If you desire to cast all the votes assenting/dissenting to the resolution, enter all shares and click 'FOR'/'AGAINST' as the case may be or partially in 'FOR' and partially in 'AGAINST', but the total number in 'FOR' and/or 'AGAINST' taken together should not exceed your total shareholding as on the cut-off date. You may also choose the option 'ABSTAIN' and the shares held will not be counted under either head.
- ix. Members holding multiple folios/demat accounts shall choose the voting process separately for each folio/demat account.
- x. Cast your votes by selecting an appropriate option and click on 'SUBMIT'. A confirmation box will be displayed. Click 'OK' to confirm, else 'CANCEL' to modify. Once you confirm, you will not be allowed to modify your vote subsequently. During the voting period, you can login multiple times till you have confirmed that you have voted on the resolution.
- xi. Corporate/institutional members (i.e. other than individuals, HUF, NRI, etc.) are required to send scanned image (PDF/JPG format) of certified true copy of relevant board resolution/authority letter etc. together with attested specimen signature of the duly authorised signatory(ies) who is/are authorised to vote, to the Scrutiniser through email at cssdlimaye@gmail.com and may also upload the same in the e-voting module in their login. The scanned image of the above documents should be in the naming format 'BFS_EVENT No.'
- xii. Members can cast their vote online from **18 July 2020 (9.00 a.m.)** till **20 July 2020 (5.00 p.m.)**. Voting beyond the said date shall not be allowed and the remote e-voting facility shall be disabled.
- xiii. In case of any queries/grievances, you may refer the Frequently Asked Questions (FAQs) for Members and e-voting User Manual available at the 'download' section of <https://evoting.karvy.com> or call KFin on 1800 345 4001 (toll free).

B. Voting at e-AGM

- i. Only those members/shareholders, who will be present in the e-AGM through video conferencing facility and have not cast their vote through remote e-voting and are otherwise not barred from doing so are eligible to vote through e-voting in the e-AGM.
- ii. However, members who have voted through remote e-voting will be eligible to attend the e-AGM.
- iii. Members attending the e-AGM shall be counted for the purpose of reckoning the quorum under section 103 of the Act.
- iv. Upon declaration by the Chairman & Managing Director about the commencement of e-voting at e-AGM, members shall click on the thumb sign on the left hand bottom corner of the video screen for voting at the e-AGM, to go to 'Instapoll' page.
- v. Members to click on the 'Instapoll' icon to reach the resolutions page and follow the instructions to vote on the resolutions.

C. Instructions for Members for Attending the e-AGM

- i. Members will be able to attend the e-AGM through VC/OAVM or view the live webcast of AGM provided by KFin at <https://emeetings.kfintech.com/> by clicking on the tab 'video conference' and using their remote e-voting login credentials. The link for e-AGM will be available in members login where the EVENT and the name of the Company can be selected. Members who do not have User ID and Password for e-voting or have forgotten the User ID and Password may retrieve the same by following the remote e-voting instructions mentioned under heading A above.
- ii. Members are encouraged to join the meeting through Laptops with Google Chrome for better experience.
- iii. Further, members will be required to allow camera, if any, and hence use internet with a good speed to avoid any disturbance during the meeting.
- iv. While all efforts would be made to make the VC/OAVM meeting smooth, participants connecting through mobile devices, tablets, laptops, etc. may, at times, experience audio/video loss due to fluctuation in their respective networks. Use of a stable Wi-Fi or LAN connection can mitigate some of the technical glitches.
- v. Members, who would like to express their views or ask questions during the e-AGM will have to register themselves as a speaker by visiting the URL <https://emeetings.kfintech.com/> and clicking on the tab 'Speaker Registration' during the period starting from **18 July 2020 (9.00 a.m.)** up to **19 July 2020 (5.00 p.m.)**. Only those members who have registered themselves as a speaker will be allowed to express their views/ask questions during the e-AGM. The Company reserves the right to restrict the number of speakers depending on the availability of time for the e-AGM. Please note that only questions of the members holding the shares as on cut-off date will be considered.

Notice

- vi. A video guide assisting the members attending e-AGM either as a speaker or participant is available for quick reference at URL <https://emeetings.kfintech.com/>
- vii. Members who need technical assistance before or during the Thirteenth e-AGM can contact KFin at emeetings@kfintech.com or helpline: 1800 345 4001.

E. General Instructions

- i. The Board of Directors have appointed Shyamprasad D Limaye, Practising Company Secretary (FCS No. 1587 CP No. 572) as the Scrutiniser for the e-voting process and voting at e-AGM in a fair and transparent manner.
- ii. The Chairman shall formally propose to the members participating through VC/OAVM facility to vote on the resolutions as set out in the Notice of the Thirteenth e-AGM and announce the start of the casting of vote through the e-voting system of KFin.
- iii. The Scrutiniser shall, immediately after the conclusion of voting at the e-AGM, first count the votes cast at the meeting, thereafter unblock the votes through e-voting in the presence of at least two witnesses, not in the employment of the Company and make a consolidated Scrutinisers' report of the total votes cast in favour or against, if any, to the Chairman & Managing Director of the Company, who shall countersign the same.
- iv. The Scrutiniser shall submit his report to the Chairman & Managing Director, who shall declare the result of the voting. The results declared along with the Scrutiniser's report shall be placed on the Company's website <https://www.bajajfinserv.in/finserv-shareholder-download> and on the website of KFin <https://evoting.karvy.com> and shall also be communicated to the stock exchanges. The resolutions shall be deemed to be passed at the e-AGM of the Company.

ANNEXURE TO THE NOTICE

BRIEF RESUME OF DIRECTORS SEEKING RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING PURSUANT TO REGULATION 36(3) OF THE LISTING REGULATIONS AND PROVISIONS OF THE ACT

Item No. 3 of the Notice

Rajivnayan Rahul Kumar Bajaj (DIN 00018262)

As regards re-appointment of Rajivnayan Rahul Kumar Bajaj referred to in item no. 3 of the Notice, following necessary disclosures are made for the information of members:

Information about the appointee

Brief Resume

Rajivnayan Rahul Kumar Bajaj, 53, graduated first in class, with distinction, in Mechanical Engineering from the University of Pune in 1988, and then completed his Masters in Manufacturing Systems Engineering, with distinction, from the University of Warwick in 1990.

He has since worked at Bajaj Auto in the areas of Manufacturing and Supply Chain (1990-95), R+D and Engineering (1995-2000), and Marketing and Sales (2000-2005), and has been its Managing Director since April 2005.

His current priority is the application of the scientific principles of Homoeopathy to the task of building a brand centered strategy at Bajaj Auto with the objective of achieving its vision of being one of the world's leading motorcycle manufacturers.

Major Directorships

Bajaj Auto Ltd.
Bajaj Finserv Ltd.
Bajaj Electricals Ltd.
Bajaj Finance Ltd.
Bajaj Holdings & Investment Ltd.

*Committee position and Chairmanship: Nil

Shareholding in the Company as on 31 March 2020: He holds 680,868 equity shares (includes shareholding held in other capacity) of ₹ 5 each in the Company.

Nature of expertise in specific functional areas: Management of business strategy, product development, manufacturing and sales operations.

Rajivnayan Rahul Kumar Bajaj is not disqualified from being re-appointed as a Director in terms of section 164 of the Act and will be eligible for payment of sitting fee and commission, as payable to other non-executive directors of the Company, as per the Remuneration Policy of the Company.

He was first appointed on the Board with effect from 30 April 2007 and his last drawn remuneration during the year 2019-20 was ₹ 1,250,000. More details about the remuneration are available in the Annual Report. He is not related to any Key Managerial Personnel of the Company except to Sanjiv Bajaj, Chairman & Managing Director.

Disclosures of his relationship inter-se with other directors and on the number of Board meetings attended by him are given in the Corporate Governance Report.

None of the directors or key managerial personnel or their relatives, except Rajivnayan Rahul Kumar Bajaj and Sanjivnayan Rahul Kumar Bajaj are concerned or interested, financially or otherwise, except to the extent of their respective shareholding, if any, in the Company.

The Board commends item no. 3 of the Notice for consideration and approval by members.

*Chairmanship and membership of audit committee and stakeholders relationship committee are considered

Statement under section 102 of the Act and regulation 36(3) of SEBI Listing Regulations, 2015

Item No. 4 of the Notice

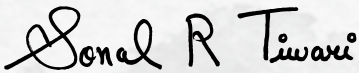
The Board of Directors, at its meeting held on 21 May 2020, on recommendation of the Audit Committee, approved the re-appointment of Dhananjay V Joshi & Associates (firm registration no. 000030) Cost Accountants, as the Cost Auditor of the Company for the financial year 2020-21 on a remuneration of ₹ 60,000 (Rupees sixty thousand only) plus taxes, out-of-pocket, travelling and living expenses.

Section 148(3) of the Companies Act, 2013 and Rules made thereunder require the Board to appoint an individual, who is a cost accountant or a firm of cost accountants, as Cost Auditor on the recommendations of the Audit Committee, which shall also recommend remuneration for such Cost Auditor and such remuneration shall be considered and approved by the Board of Directors and ratified subsequently by the members. The Board has given the necessary approvals with due recommendation from the Audit Committee. The resolution contained in item no. 4 of the Notice, accordingly, seeks members' approval/ratification for the remuneration of Cost Auditor of the Company for the financial year 2020-21.

None of the directors or key managerial personnel or their relatives are directly or indirectly concerned or interested, financially or otherwise, except to the extent of their respective shareholding, if any, in the Company.

The Board commends this ordinary resolution set out in item no. 4 of the Notice for approval by members.

By order of the Board of Directors
For Bajaj Finserv Ltd.



Sonal R Tiwari
Company Secretary

Pune: 21 May 2020

BAJAJ FINSERV LIMITED
13th ANNUAL REPORT 2019-20





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CORPORATE INFORMATION

Board of Directors

Sanjiv Bajaj

Chairman & Managing Director
(Chairman w.e.f. 17 March 2020)

Nanoo Pamnani

Chairman up to 22 February 2020

Madhur Bajaj

Rajiv Bajaj

D J Balaji Rao

Dr. Gita Piramal

Dr. Naushad Forbes

Anami N Roy

Manish Kejriwal

Chairman Emeritus

Rahul Bajaj

Audit Committee

Dr. Naushad Forbes

Chairman

D J Balaji Rao

Dr. Gita Piramal

Manish Kejriwal

Stakeholders Relationship Committee

Dr. Gita Piramal

Chairperson

Sanjiv Bajaj

Dr. Naushad Forbes

Nomination and Remuneration Committee

D J Balaji Rao

Chairman

Dr. Gita Piramal

Manish Kejriwal

Duplicate Share Certificate Issuance Committee

Sanjiv Bajaj

Chairman

Rajiv Bajaj

Manish Kejriwal

Corporate Social Responsibility Committee

Sanjiv Bajaj

Chairman

Dr. Naushad Forbes

Anami N Roy

Risk Management Committee

Dr. Naushad Forbes

Chairman

Sanjiv Bajaj

Anish Amin

President (Group Assurance, Risk and M & A)

Management

Sanjiv Bajaj

Chairman & Managing Director

Ranjit Gupta

President (Insurance)

V Rajagopalan

President (Legal & Taxation)

Anish Amin

President (Group Assurance, Risk and M & A)

Deepak Reddy

Group Head-Human Resources

Ganesh Mohan

Group Head-Strategy

Ajay Sathe

Group Head-Customer Experience & CSR

Rajeev Jain

Managing Director, Bajaj Finance Ltd.

Tapan Singhel

MD and CEO,
Bajaj Allianz General Insurance Company Ltd.

Tarun Chugh

MD and CEO,
Bajaj Allianz Life Insurance Company Ltd.

Atul Jain

CEO, Bajaj Housing Finance Ltd.

Rakesh Bhatt

CEO, Bajaj Finserv Direct Ltd.

Devang Mody

CEO, Bajaj Finserv Health Ltd.

CFO

S Sreenivasan

Company Secretary

Sonal R Tiwari

Auditors

S R B C & CO LLP

Chartered Accountants

Secretarial Auditor

Shyamprasad D Limaye

Practising Company Secretary

Cost Auditor

Dhananjay V Joshi & Associates

Cost Accountants

Bankers

Citibank N A

HDFC Bank

Registered under the Companies Act, 1956

Registered Office

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

CIN: L65923PN2007PLC130075

Corporate Office

Bajaj Finserv House
Viman Nagar, Pune-411 014.

LEADING THE WAY



Sanjiv Bajaj



S Sreenivasan



Ranjit Gupta



V Rajagopalan



Anish Amin



Deepak Reddy



Ganesh Mohan



Ajay Sathe



Rajeev Jain



Tapan Singhel



Tarun Chugh



Atul Jain



Rakesh Bhatt



Devang Mody



Sanjiv Bajaj
Chairman & Managing Director

CHAIRMAN'S LETTER

Dear Shareholder,

This letter should have been written to you by Nanoo Pamnani, who had taken over as the Chairman of your Company after Rahul Bajaj had stepped down from the post. Tragically, that was not to be. Nanoo, as he was known to all, suddenly passed away on 22 February 2020.

For me — and for all of Bajaj Finserv — Nanoo was, and will always be, a legend. A career banker at Citibank, post-retirement Nanoo was kind enough to join as an Independent Director on the Board of your Company as of January 2008.

He was much more than being just an Independent Director. Nanoo mentored me and many senior managers in Bajaj Finserv, Bajaj Finance Ltd. (BFL), Bajaj Allianz Life Insurance Company (BALIC) and Bajaj Allianz General Insurance Company (BAGIC) on every critical aspect of business and leadership. And all done with a gentle, yet occasionally persistent, touch. It was not only that. Nanoo helped change management systems, reporting frameworks, accountabilities and quietly influenced the strategic directions of each of the companies.

We have all lost a friend and a great mentor. May Nanoo's soul rest in peace.

Now, on to business. As you know, your Company is the holding company for the various financial services businesses under the Bajaj group.

In lending, it is in the financing business through its 53% share in BFL, which is listed on The Stock Exchange, Mumbai and the National Stock Exchange. BFL has a 100% subsidiary, Bajaj Housing Finance Ltd. (BHFL), which is registered with the National Housing Bank as a housing finance company for its mortgage business. BFL also has another 100% subsidiary, Bajaj Financial Securities Ltd. (BFinSec) to address the broking business.

Both your Company and BFL are included in the NSE's (National Stock Exchange) Nifty 50 index of top companies in India.

The protection and savings business is done through (i) Bajaj Allianz General Insurance Company Ltd. (BAGIC) for general insurance including health insurance; and (ii) Bajaj Allianz Life Insurance Company Ltd. (BALIC) for life insurance and retirement plans. Both BAGIC and BALIC are unlisted joint ventures with Allianz SE, one of the world's leading composite insurers. As on 31 March 2020, Bajaj Finserv held 74% of the equity capital in both BAGIC and BALIC, with the balance being held by Allianz.

BFL also participates in the savings business through its fixed deposits vertical.

How has each of the enterprises fared during FY2020?

Let me begin with BFL. Despite losing out on eight days at the end of March on account of the nation-wide COVID-19 lockdown, BFL has performed excellently. Here are some key facts:

- New loans booked during FY2020 increased by 17% to 27.44 million.
- Customer franchise increased by 24% to 42.60 million as of 31 March 2020.
- Assets under management (AUM) grew by 27% to ₹ 147,153 crore as of 31 March 2020.
- Net interest income for FY2020 was up by 42% to ₹ 16,913 crore.
- Loan losses and provisions (expected credit loss) for FY2020 were ₹ 3,929 crore versus ₹ 1,501 crore in FY2019. BFL took an accelerated charge of ₹ 392 crore for two large accounts and made a contingency provision of ₹ 900 crore for COVID-19. Adjusted for these one-time provisions of ₹ 1,292 crore taken in Q4 FY2020, loan losses and provisions for FY2020 would have been ₹ 2,637 crore.
- Profit after tax (PAT) for FY2020 grew by 32% to ₹ 5,264 crore even after absorbing the above provisions.
- The capital adequacy ratio (including Tier-II capital) as of 31 March 2020 stood at 25.01%. The Tier-I capital stood at 21.27%.
- During the year, BFL raised equity capital of approximately ₹ 8,500 crore through the QIP route.

Bajaj Housing Finance (BHFL), a 100% subsidiary of BFL, also did well in FY2020. It earned a net interest income of ₹ 1,030 crore; profit before tax (PBT) of ₹ 567 crore; and PAT of ₹ 421 crore.

What about the insurance companies? Both BALIC and BAGIC faced the turmoil of COVID-19 at the end of FY2020 — and BAGIC had to deal with the costs of Cyclone Fani that hit Orissa. Yet, both posted good results.

In general insurance, BAGIC's results for FY2020 are synthesised below:

- Some 26.9 million policies were issued in the year, versus about 20 million in FY2019.
- Gross written premium rose by 15.6% for FY2020 to ₹ 12,833 crore.
- BAGIC's market share in the industry, including standalone insurers, improved to 7.16% versus 6.86% a year earlier.
- Net earned premium grew by 17.1% to ₹ 8,206 crore.
- The combined ratio, which is a measure of the profitability of the insurance operations, was 100.8% and expected to be among the best in the industry.
- PAT increased by 28.1% to ₹ 999 crore.

In life insurance, BALIC's results for FY2020 were:

- Individual rated new business premium increased by 10.6% to ₹ 1,927 crore, which was higher than the industry growth rate of 6.2%
- Group protection new business premium increased by 29.1% to ₹ 1,872 crore.
- New business premium grew by 5.2% to ₹ 5,179 crore.
- Renewal premium rose by 16.2% to ₹ 4,574 crore. Hence, gross written premium increased by 10.1% to ₹ 9,753 crore.
- New Business Value (NBV), which is the metric used to measure profitability of life insurance businesses, increased by 47.4% to ₹ 227 crore.
- PAT for FY2020 was ₹ 450 crore.
- 13th month persistency remained steady; and 25th month persistency saw an improvement.
- BALIC is soundly capitalised with a solvency ratio of 745% as on 31 March 2020, which is well in excess of the minimum regulatory requirement of 150%.

Thanks to the commendable business and financial performance of BFL, BAGIC and BALIC, your Company's financials have also done well. Under Ind AS, when preparing consolidated financials, your Company has had to provide for unrealised mark-to-market losses in respect of equity holdings of the insurance companies of ₹ 768 crore in Q4 FY2020.

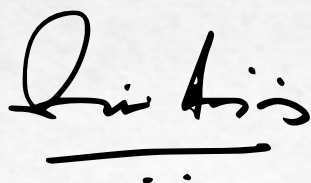
- Bajaj Finserv's consolidated revenue for FY2020 was ₹ 54,351 crore — representing a 28% increase over the previous year.
- Consolidated profit after giving effect to the COVID-19 impact of provision for loan losses and unrealised equity losses was ₹ 3,369 crore — up by 5% compared to the previous year.

For each of businesses that constitute Bajaj Finserv, the real challenge will be in FY2021, as their managements design, operationalise and implement ways of dealing with the potentially deleterious consequences of COVID-19. Focusing on cost efficiencies, speedier deliveries and leveraging the IT infrastructure to bring about significant improvements in ways of doing business will be crucial. There are some positive trends also that are likely to emerge as customers embrace digital ways of interacting with our companies.

On my part, while I acknowledge the challenges posed by COVID-19, I remain confident of the capability, zeal and resolve of the management teams in each of the companies. Therefore, despite a seemingly grim scenario, I remain cautiously optimistic about your Company and each of its businesses.

Stay safe.

With best wishes,



Sanjiv Bajaj
Chairman & Managing Director

AIM FOR THE STARS

NANOO PAMNANI
(05.04.1945 - 22.02.2020)



MANAGEMENT DISCUSSION AND ANALYSIS

Bajaj Finserv Ltd. ('Bajaj Finserv', 'BFS' or 'the Company') is the holding company for the various financial services businesses under the Bajaj group. It serves millions of customers by providing solutions for asset acquisition through financing, asset protection through general insurance, family and income protection in the form of life and health insurance and retirement and savings solutions.

Bajaj Finserv's areas of business are given below:

Lending

BFS participates in the financing business through Bajaj Finance Ltd. (BFL), a company listed on The Stock Exchange, Mumbai (the BSE) and the National Stock Exchange (NSE).

On its part, BFL has a 100% subsidiary — Bajaj Housing Finance Ltd. ('BHFL' or 'Bajaj Housing') — which is registered with the National Housing Bank (NHB) as a Housing Finance Company (HFC) for its mortgage business.

In August 2019, BFL started broking business through its 100% subsidiary—Bajaj Financial Securities Ltd. ('BFinSec').

During the year, BFL completed raising of capital of ₹ 8,500 crore from Qualified Institutional Buyers. As a result of this, the shareholding of Bajaj Finserv in BFL reduced from 54.99% to 52.82%.

Protection and Savings

These are done through (i) Bajaj Allianz General Insurance Company Ltd. (BAGIC) for general insurance including health insurance; and (ii) Bajaj Allianz Life Insurance Company Ltd. (BALIC) for life insurance and retirement plans. BAGIC and BALIC are both unlisted joint ventures with Allianz SE, one of the world's leading composite insurers.

As on 31 March 2020, Bajaj Finserv held 74% of the equity capital in both BAGIC and BALIC, with the balance being held by Allianz.

BFL also participates in savings business through its fixed deposits vertical.

Bajaj Finserv also has investments in renewable energy in the form of 138 windmills situated in Maharashtra with an aggregate installed capacity of 65.2 MW.

Bajaj Finserv Direct Ltd. (BFSD) was set up as a wholly-owned subsidiary of the Company in FY2019, with the long-term goal of creating a digital marketplace which offers the full range of financial products including loans, life insurance, general insurance, mutual funds, investments, payments and selected e-commerce. In the course of FY2020, BFSD launched its platform 'FINSERV MARKETS', and the initial response to it has been encouraging.

During the year, the Company incorporated a wholly-owned subsidiary called Bajaj Finserv Health Ltd. Over time, this entity is expected to create a digital ecosystem in the healthcare segment connecting customers with service providers in the healthcare space such as doctors, hospitals, nursing homes, pharmacies, diagnostic centres and the like by offering a complete range of products including financial solutions.

Bajaj Finserv is a Core Investment Company (CIC) that does not require a Reserve Bank of India (RBI) registration, under the regulations of the RBI.

The standalone and consolidated financial results of BFS for FY2020 are compliant with Indian Accounting Standards (Ind AS) and the previous period figures are comparable.

The standalone financial statements of the two insurance companies, BAGIC and BALIC, are prepared under applicable regulations of the Insurance Regulatory and Development Authority of India (IRDAI). Thus, the financials in the sections on BAGIC and BALIC in this chapter are as per Indian GAAP and IRDAI regulations. However, for purposes of the consolidated financial results of BFS, these have been provided as Ind AS compliant figures.

Macroeconomic Overview

Even without the terrible effects of the COVID-19 pandemic, India's GDP growth had shown clear signs of slowing down.

Before the COVID-19 pandemic and lockdown, both the RBI and the Central Statistical Office (CSO) of the Government of India had revised the GDP growth rate downwards. The RBI changed its full year GDP growth estimate from an initial 7.2% to 5% in December 2019, and ascribed the tapering of growth to a tight credit market impacting fresh investments, weak capital expenditure and a slowdown in manufacturing. In a similar vein, the second advance estimates of national income for FY2020 released by the CSO on 28 February 2020 was substantially lower: GDP growth for FY2020 was pegged at 5% compared to 6.1% in FY2019; and growth in gross value added was estimated at 4.9% in FY2020 versus 6% in FY2019.

On 29 May 2020, the CSO released its estimates of GDP and GVA growth for FY2020 and the fourth quarter of FY2020. In this exercise, it also substantially revised downward its earlier estimates for the first three quarters of FY2020.

GDP growth was 5.7% in January-March 2019; fell to 5.2% in April-June 2019; then yet again to 4.4% in July-September 2019; followed by 4.1% growth in October-December 2019 and 3.1% growth in January-March 2020.

GDP growth for FY2020 was 4.2% — the lowest in the last 11 years. Table 1 gives the data on real GDP and gross value added (GVA) growth over the last four financial years.

Table 1: Growth in real GDP and GVA, India

Particulars	FY2017 (3rd RE)	FY2018 (2nd RE)	FY2019 (1st RE)	FY2020
Real GDP growth	8.3%	7.0%	6.1%	4.2%
Real GVA growth	8.0%	6.6%	6.0%	3.9%

Source: Government of India, Central Statistical Office (CSO). (RE) denotes revised estimate.

The COVID-19 Pandemic and Lockdown

The relatively slow GDP growth of around 4% in FY2020 now sounds like a miracle after being engulfed in the COVID-19 pandemic. On 25 March 2020, India went on to initiate the largest nation-wide lockdown in the world involving some 1.3 billion people. The full lockdown lasted up to 3 May 2020. Thereafter, varying forms of hard lockdowns have continued in states that have had large number of COVID-19 cases — be these across the states, or in what are called the ‘red’ districts or across containment zones in various cities.

The 40-days continuous lockdown across India has probably played a significant role in limiting the number of COVID-19 infections. As of 30 April 2020, India has reported 33,304 confirmed infections. While this may be an underestimate on account of the lack of sufficient testing, it is still true that, for its huge population, India has thankfully reported relatively few infections. Having said so, nobody really knows whether the infection rate will spike or not; if it does, at what rate; and when might we as a nation be out of this scourge.

What we do know with some certainty is that the economy will take a massive hit in FY2021. Estimates of economists who are recognised for their soundness and care with which they do empirical work suggest that India’s real GDP growth will fall from around 4% in FY2020 to around (-)5% in FY2021. If it were so, this will be the deepest contraction that India has seen since the downturn that occurred in 1979-80, when real GDP growth plummeted from 5.7% in the previous year to (-)5.2%. According to these economists, Q1 FY2021 will see a wasted first quarter (April-June 2020), a tortuously limping second quarter (July-September), followed by some recovery in the latter half of the fiscal year.

Faced with COVID-19 and the lockdown, the Company and its subsidiaries took immediate steps to handle this *force majeure* situation. Some of the initiatives were:

- Activating business continuity plans, with emergency response teams monitoring the situation and implementing actions in real time. As a result of this, all companies continued operating under a well-defined ‘Work-from-Home’ Protocol.
- Keeping employee safety was the topmost priority, and the Company ensured that all employees immediately moved to work from home. Moreover, all employees were advised to strictly follow the lockdown guidelines of the central and state governments as well as local municipalities. A health support hotline was created for employees with a doctor on call to provide support for employees having COVID or COVID-like symptoms.
- Swiftly moving the IT infrastructure to ensure availability of adequate bandwidth, setting up virtual private networks, making laptops available where needed and creating multiple platforms for collaboration and team meetings over digital media. All this was achieved while ensuring full security of each company’s network.
- Reaching out to customers to ensure that pending claims could be paid and they could get their servicing requirements met.
- Getting all business partners to quickly get on to digital platforms for two-way communication.

The situation is still evolving and it is difficult to hazard a guess on how this pandemic will evolve. The Company and its subsidiaries will be focusing on profitability over growth, seeking to conserve cash, borrowing long-term, strengthening collections, reducing overheads and preserving capital adequacy.

Lending

Bajaj Finance Ltd. (BFL)

Bajaj Finance Ltd. ('BFL', 'Bajaj Finance', or 'the Company'), a subsidiary of Bajaj Finserv Ltd. is a deposit taking Non-Banking Financial Company (NBFC-D) registered with the Reserve Bank of India (RBI). It is primarily engaged in the business of lending and has a diversified portfolio across retail, SMEs and commercial customers with a significant presence in urban and rural India. It accepts public and corporate deposits and offers variety of financial services products to its customers.

BFL has two 100% subsidiaries: (i) Bajaj Housing Finance Ltd. ('BHFL' or 'Bajaj Housing') which is registered with National Housing Bank as a Housing Finance Company (HFC); and (ii) Bajaj Financial Securities Ltd. ('BFinSec'), which is registered with the Securities and Exchange Board of India (SEBI). BHFL started its business in 2017-18 (FY2018). BFinSec commenced its equity broking operation in 2019-20 (FY2020).

BFL enjoyed yet another strong year of performance aided by a diversified product mix, robust volume growth, prudent liability management, efficient operating costs and effective risk management.

With standalone assets under management (AUM) of ₹ 1,16,102 crore and consolidated AUM of ₹ 1,47,153 crore, BFL is one of the leading diversified NBFCs in the country today.

During the year, the Company introduced several initiatives to take innovation to next level. Some of the capabilities developed are given below:

1. It conceptualised, co-designed, developed and deployed a state-of-the-art Technology Innovation and Collaboration Center (TICC) in Pune. TICC houses multi-mode collaboration zones and executive briefing centres, partner zones for displaying and demonstrating latest and emerging technologies, fintech demo floor for hosting tech start-ups, prototyping zones for research and faster production deployment, a knowledge hub warehouse of technological materials that are customised for BFL employees. TICC will accelerate innovation, collaboration and research in emerging technologies and enable faster production deployment.
2. It deployed the data lake infrastructure — with raw data getting streamed through 'change data capture' (CDC) technology from multiple online transaction processing systems. This enables exploratory deep data analysis on the raw data as against pre-cooked and curated variables.
3. It hired more than 100 data science and technology graduates from IITs (Indian Institute of Technology) and other premier institutes in India. These graduates will deepen our ability to integrate data insights into decision processes and deliver cutting edge solutions.

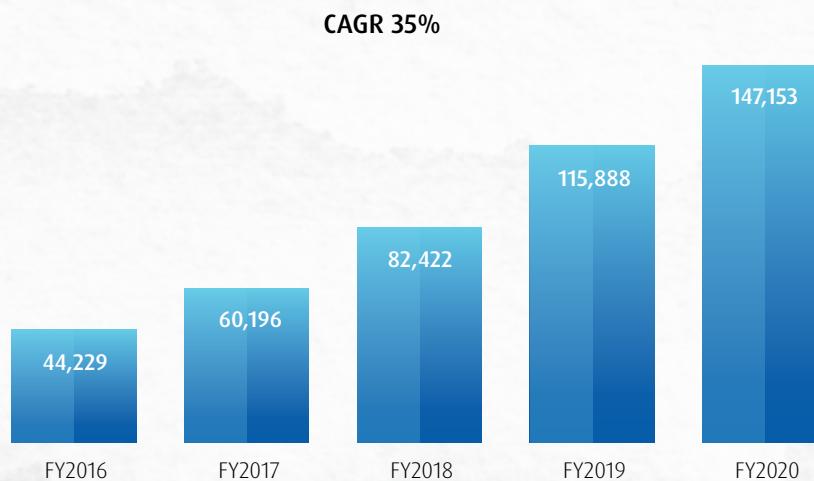
BFL: Consolidated Performance Highlights for FY2020

- Number of new loans booked increased by 17% to 27.44 million.
- Customer franchise grew by 24% to 42.60 million.
- AUM grew by 27% to ₹ 147,153 crore.
- Total income grew by 43% to ₹ 26,386 crore.
- Net interest income grew by 42% to ₹ 16,913 crore.
- Total operating cost to net interest income improved to 33% from 35% in FY2019.
- Impairment on financial instruments was ₹ 3,929 crore, which included a contingency provision of ₹ 900 crore for COVID-19 .
- BFL's consolidated net NPA at 0.65% was among the lowest across all NBFCs.
- Profit before tax increased by 18% to ₹ 7,322 crore.
- Profit after tax grew by 32% to ₹ 5,264 crore.
- As on 31 March 2020, capital adequacy was 25.01%, which is well above the RBI norms. Tier I adequacy was 21.27%.
- During the year BFL raised equity capital of ₹ 8,500 crore through the QIP route.

Present in 2,392 locations across the country, including 1,357 locations in rural/smaller towns and villages, BFL focuses on six broad categories: (i) consumer lending, (ii) SME lending, (iii) commercial lending, (iv) rural lending, (v) deposits; and (vi) partnerships and services.

Before getting into each of the business categories, it is useful to give a snapshot of BFL's consolidated AUM. This is given in Chart A. Table 2 gives data on the consolidated AUM across the various business categories.

Chart A: BFL's consolidated assets under management (₹ In Crore)



Note: FY2018 to FY2020 AUM numbers are per Ind AS while FY2016 and FY2017 AUM numbers are as per Indian GAAP.

Table 2: BFL's consolidated assets under management across business categories

(₹ In Crore)

Assets under management	Consolidated		
	FY2020	FY2019	% Change
Consumer B2B-Auto Finance Business	13,085	9,726	35%
Consumer B2B-Sales Finance	12,657	12,261	3%
Consumer B2C Businesses	31,255	23,002	36%
SME Business	19,429	15,759	23%
Rural B2B-Sales Finance Businesses	2,669	2,142	25%
Rural B2C Businesses	10,659	7,101	50%
Commercial Lending Business	6,411	5,668	13%
Loans Against Securities	4,822	6,359	(24%)
Mortgages	46,166	33,870	36%
Total	147,153	115,888	27%

As can be seen from Table 2, mortgages, managed by BFL's 100% subsidiary BHFL, account for 31% of the consolidated AUM. This is followed by the consumer B2C business (21%), the SME business (13%), the rural business (9.1%), the consumer auto finance business (8.9%) and the consumer B2B sales finance business (8.6%).

Consumer Lending

BFL continued to be India's dominant financier across consumer durables, furniture and digital products in India in FY2020.

- It financed 13.4 million consumer durable and digital products purchases in FY2020 versus 12.7 million in the previous year.
- With about 22 million cards in operation, BFL's unique Existing Member Identification (EMI) card enables customers to avail instant finance after the first purchase. In FY2020, the EMI card enabled BFL to finance over 13.6 million purchases, compared to 11.5 million in FY2019.
- BFL was the largest financier of Bajaj motorcycles and three-wheelers in FY2020. It financed over 1.1 million motorcycles and some 211,000 three-wheelers in FY2020. In doing so, it financed over 54% of domestic sales of Bajaj motorcycles and 51% of domestic sales of Bajaj three-wheelers in FY2020.
- The AUM on account of personal loans cross-sell (PLCS) and salaried personal loans (SPL) grew by 38% and 31% over FY2019 — to ₹ 19,171 crore and ₹ 11,341 crore, respectively.

SME Lending

Unsecured SME lending is done through two products: (i) business loans to small and medium enterprises and self-employed, and (ii) professional loans. Secured lending also has two product offerings: (i) used car financing, and (ii) secured enterprise loans.

- AUM on SME lending grew by 23% over FY2019 to ₹ 19,429 crore.
- Offered from more than 1,100 locations, business loans AUM grew by 15% over FY2019 to ₹ 11,930 crore.
- Professional loans AUM grew by 39% over FY2019 to ₹ 7,326 crore, and contributed to 38% of SME lending.
- BFL obtained a sanction of ₹ 5,000 crore of credit guarantee from the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) governed by SIDBI. During the year BFL assigned portfolios worth ₹ 3,582 crore under this scheme.



40 smart products that suit every need

Consumer Lending

Durable and Lifestyle Finance
Lifecare Finance
Personal Loan
Home Loan
Gold Loan

Investments and Insurance

Term Deposit
Systematic Deposit Plan
Pocket Insurance
Mutual Funds

BAJAJ FINANCE LIMITED

SME & Commercial Lending

Business Loan
Professional Loan
Loan Against Securities
Loan Against Property

Payments

Credit Card
EMI Network Card
Wallet

Rural Lending

During the year, BFL expanded its rural footprint by setting up branches in eight new states and union territories and, by doing so, was present in 1,357 locations across 21 states and union territories in India by the end of FY2020. The business had an AUM of ₹ 13,328 crore as on 31 March 2020 — up by 44% from ₹ 9,243 crore a year earlier.

Commercial Lending

Commercial lending consists of the following products: loans against securities, loans to financial institution group (FIG), working and growth capital loans to auto component manufacturers and the light engineering industry, loans to speciality chemicals and pharmaceutical companies, and loans to selected mid-market companies. This business closed FY2020 with an AUM of ₹ 11,233 crore.

Deposits

At the end of FY2020, BFL had a deposit book of ₹ 21,427 crore, representing a growth of 62% versus the end of FY2019. Within the overall deposits book, retail deposits grew 92% YoY to ₹ 13,127 crore. Deposits contributed to 21% of standalone BFL's borrowings against 15% as at the end of FY2019.

Partnerships and Services

BFL offers the following products to its customers in partnership with various financial service providers: life insurance, health insurance, extended warranty, comprehensive asset care, co-branded credit card, co-branded wallets and financial fitness reports.

- BFL's co-branded credit cards business in partnership with RBL Bank grew strongly in FY2020. The number of cards-in-force stood at over 1.83 million as on 31 March 2020.
- BFL continued to grow its co-branded wallet business by providing EMI cards to its customers in digital format. It closed FY2020 with approximately 15 million digital cards; and disbursed over 660,000 loans under its ₹ 5,000 and ₹ 10,000 offerings on its co-branded wallet platform.

Financial Performance

Table 3 gives BFL's consolidated financial performance for FY2020 as well as FY2019.

Table 3: BFL's consolidated financial performance, FY2020 and FY2019

Particulars	(₹ In Crore)		
	FY2020	FY2019	% Change
Total income	26,386	18,500	43%
Interest and finance charges	9,473	6,623	43%
Net interest income (NII)	16,913	11,877	42%
Employee benefit expenses	2,549	1,939	31%
Depreciation and amortisation	295	144	105%
Other expenses	2,818	2,114	33%
Pre-provisioning operating profit	11,251	7,680	46%
Impairment on financial instruments	3,929	1,501	162%
Profit before tax (PBT)	7,322	6,179	18%
Profit after tax (PAT)	5,264	3,995	32%
Other comprehensive income/(expenses)	(116)	-	
Total comprehensive income	5,148	3,995	29%
Earnings per share (EPS) basic, in ₹	89.77	69.33	29%
Earnings per share (EPS) diluted, in ₹	89.07	68.75	30%
Book value per share, in ₹	538.39	341.40	58%

Asset Liability Management (ALM)

BFL had a consolidated total borrowing of ₹129,806 crore as on 31 March 2020. Its Asset Liability Committee (ALCO), set up in line with the guidelines issued by the RBI, monitors asset liability mismatches to ensure that there are no imbalances or excessive concentrations on either side of the Balance Sheet. It enjoys the highest credit rating of AAA/stable from CRISIL, ICRA, CARE and India Ratings for its long-term debt programme; and A1+ from CRISIL, ICRA and India Ratings for its short-term debt programme. Deposits programme of BFL is also rated the highest with credit rating of FAAA/Stable from CRISIL and MAAA(Stable) from ICRA. These ratings by credit rating agencies reaffirms the high reputation and trust BFL has earned for its sound financial management and ability to meet financial obligations. Regarding external commercial borrowings, BFL's rating of BBB-/stable is equivalent to India's sovereign rating assigned by S&P Global Ratings.

BFL's robust liquidity management framework has ensured that it has sufficient liquidity to meet its debt service obligations under the COVID-19 scenario, despite it having to offer repayment moratoriums to its customers. Its judicious strategy of maintaining a longer duration for liabilities than assets, coupled with an optimal mix of borrowings between banks, money markets, external commercial borrowings and deposits have helped to effectively manage the net interest margin throughout FY2020.

Bajaj Housing Finance Ltd. (BHFL)

Bajaj Housing Finance Ltd. (BHFL), a 100% subsidiary of BFL, was granted a housing finance company license by the National Housing Bank (NHB) in September 2015 to carry the business of (non-deposit taking) housing finance. It started lending operations from July 2017.

BHFL mainly offers (i) home loans, (ii) loan against property, (iii) lease rental discounting, and (iv) developer financing. It also has a dedicated vertical offering home loans and loan against property to rural individuals and MSME customers. Table 4 gives BHFL's standalone financials.

Table 4: BHFL's standalone financial performance, FY2020 and FY2019

(₹ In Crore)

Particulars	FY2020	FY2019
Total income	2,646	1,150
Interest and finance charges	1,616	685
Net interest income (NII)	1,030	465
Total operating expenses	339	297
Pre-provisioning operating profit	691	168
Impairment on financial instruments	124	25
Profit before exceptional item and tax	567	143
Exceptional item	-	6
Profit before tax (PBT)	567	149
Profit after tax (PAT)	421	110
Other comprehensive income/(expenses)	(1)	(2)
Total comprehensive income	420	108
Earnings per share (EPS) basic, in ₹	1.12	0.52

For BFL's lending business, the outlook for the coming year is expected to be extremely demanding. In the current situation, lending businesses face four truly daunting challenges of (i) disruption in business acquisition, (ii) providing customers adequate relief on their debt servicing obligations, (iii) dealing with a broken customer service and debt recovery infrastructure, and (iv) continuing to service their own debt.

To overcome the COVID-19 crisis, governments across the world will rely on the financial sector to help in reviving their economies. Here, given BFL's healthy capital adequacy, strong liquidity position, access to retail deposits, large customer franchise, diversified portfolio mix, granular geographical distribution and robust risk metrics, the Company is better placed than many others in the NBFC space to capitalise on the opportunities that will emerge in what will possibly be a totally new business environment.

Protection and Savings

General Insurance: Bajaj Allianz General Insurance Company Ltd. (BAGIC)

BAGIC is one of India's leading composite general insurers offering all types of general insurance including motor, health, crop insurance, marine, and various forms of commercial lines of insurance. In an extremely competitive, dynamic and tumultuous market, BAGIC has, over the years, built a strong retail franchise and retained a leading position among private insurers.

It is one of the most respected brands in general insurance. BAGIC focuses on building a quality portfolio — supported by strong underwriting, multi-channel distribution and prudent financial management. In a market where most peers continue to chase market share, BAGIC has differentiated itself by focusing on building a profitable and diversified portfolio.

Industry Update

FY2020 was a challenging year for the general insurance industry for several reasons, some of which were:

- Economic slowdown, especially a slowdown in sales of new motor vehicles.
- Multiple catastrophes and prolonged monsoons leading to widespread losses across the country in retail as well as commercial lines and crop insurance.
- Continued weakness in credit markets, leading to downgrades and defaults in the financial sector.
- Lastly, the impact of lockdowns as a result of COVID-19 .

The industry posted one of its lowest growth rates in recent years growing below 10%. Given this background, BAGIC performed well with an industry beating growth rate of 15.6%. The growth rate for the full year was badly affected in March 2020 due to the COVID-19 lockdown, as sales of vehicles came to a standstill. It is worth noting that BAGIC's growth rate before the onset of COVID-19 — that is, up to February 2020 — was 20.1%.

The growth rates in gross direct premium in India (excluding reinsurance accepted) of the industry and of BAGIC, including crop insurance are shown in Table 5.

Table 5: Gross direct premium in India—the general insurance industry*

(₹ In Crore)

Particulars	Gross premium			
	FY2020 (up to Feb 2020)	FY2019 (up to Feb 2019)	FY2020	FY2019
BAGIC	12,052	10,038	12,780	11,059
Private Sector	84,470	73,591	91,177	81,287
Public Sector	66,337	60,868	73,042	68,659
Industry	150,807	134,459	164,219	149,946
Standalone Health Insurers (SAHI)	12,602	9,633	14,470	11,354
Industry including SAHI	163,409	144,092	178,689	161,300
Growth rates				
BAGIC	20.1%		15.6%	17.1%
Private Sector	14.8%		12.2%	24.7%
Public Sector	9.0%		6.4%	1.4%
Industry	12.2%		9.5%	12.8%
Standalone Health Insurers (SAHI)	30.8%		27.4%	36.7%
Industry including SAHI	13.4%		10.7%	14.2%

Source: GI Council figures, IRDA website and IRDA, Handbook of Insurance Statistics.

* excluding specialised insurers.

During the year, the IRDAI issued orders to several insurance intermediaries operating in motor insurance distribution through the network of motor insurance service providers and directed them to concurrently work with all insurance companies. Some of these orders are under judicial appeals. If these IRDAI orders are upheld, it will impact the way motor insurance is done. BAGIC is prepared for different scenarios.

The guidelines for crop insurance (Fasal Bima Yojana) have undergone major changes, and these come into effect from 1 April 2020. The key changes include: (a) the scheme has been made voluntary for loanee farmers; (b) each district/cluster would be mandatorily allotted for three

years as against annual tenders hitherto; and (c) restriction in subsidy to states from the centre. In light of these changes, BAGIC will review its approach to crop insurance in FY2021, after considering available reinsurance support.

Business Update

BAGIC has a strong focus on growing its retail business. This includes motor insurance, health insurance for individuals, other personal insurances, insurance for commercial entities like shops, SMEs etc. These businesses are supported by a strong book of medium and large corporate insurances. BAGIC also participates in annual tender-driven businesses like crop insurance and government health schemes.

BAGIC continued its journey of profitable growth. It did so by: (a) robust and prudent underwriting practices; (b) generation of cash flows through strong retention of premium and judicious investments of the proceeds; and (c) focus on high quality customer service.

Floods across multiple states in FY2020 and cyclone Fani resulted in unforeseen losses which had a net impact of ₹ 109 crore on the company's underwriting profit and profit before tax. This was more than double that of the negative impact on account of the Kerala floods in FY2019. Because of the widespread incidence of monsoon-related communicable diseases, claim ratios on its health insurance segment also witnessed higher losses.

In a deteriorating credit environment, BAGIC's investments in corporate bonds of two NBFCs suffered downgrades. Given its prudent policy of impairment, BAGIC has made provisions of ₹ 129 crore for impairment of assets.

Notwithstanding these unexpected losses and the unexpected events arising out of COVID-19, BAGIC continues to be among the more profitable general insurers vis-a-vis peers in the public and private sectors of comparable size. It has enjoyed a growth in profit after tax (PAT) of 28.1% in FY2020, which was also helped by a reduction in the tax rate to 25.17%. The combined ratio of 100.8% in FY2020 is expected to be amongst the lowest in the industry.

Motor and retail health insurance, which are the largest thrust areas for BAGIC, accounted for 49% of gross premium. It also recorded strong growth in property and liability segments with the aid of its widespread bancassurance and a strong agency network.

BAGIC continued to expand its network of independent bancassurance partners including private banks, public sector banks, regional banks, small finance banks and cooperative banks. The Company has the strongest network of bancassurance partners among all insurers; and this channel is expected to provide strong momentum for growth and profits in the coming years.

During the year, the Company introduced several initiatives to further enhance its service. Some of the capabilities developed are:

1. Fully digital onboarding of agents, point of sales persons (POSP) and other intermediaries. In FY2020 over 10,000 agents were onboarded through the mobile app. The POSP channel works entirely through digital interfaces.
2. The company launched two innovative products under the insurance sandbox.
 - a) Pay As You Consume that allows customers to choose insurance based on distance driven or days.
 - b) Innovative co-pay product where customers can choose their deductible based on a healthy lifestyle.
3. A new CRM was launched towards the end of the year, which provides an integrated omni-channel experience for new business, renewals and service.

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BAGIC: Performance Highlights for FY2020

- Gross written premium (GWP) rose by 15.6% for FY2020 to ₹ 12,833 crore. Excluding crop insurance, GWP grew by 7.4% to close at ₹ 10,352 crore.
- BAGIC's market share in the industry, including standalone insurers, improved to 7.16% in FY2020 versus 6.86% a year earlier.
- Net earned premium for FY2020 grew by 17.1% to ₹ 8,206 crore.
- The combined ratio was 100.8%. Excluding claims arising out of natural catastrophes, the combined ratio was 99.5%
- PAT increased by 28.1% to ₹ 999 crore in FY2020 despite being impacted by losses from floods and cyclone Fani, impairment provisions for investments in certain fixed income securities and continued investments to support growth in retail channels.
- Some 26.9 million policies were issued in the year, versus about 20 million in FY2019.
- 5,766,512 claims were reported in the year, versus 2,683,374 in FY2019.

Financial Performance

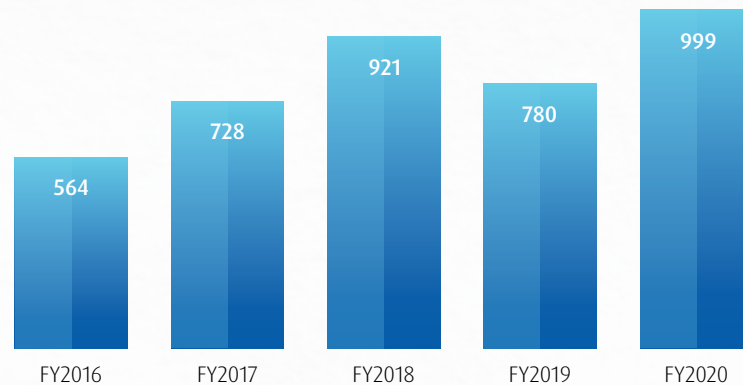
BAGIC's financial performance for FY2020 is summarised in Table 6. Chart B plots BAGIC's PAT over the last five years.

Table 6: BAGIC's financial performance, FY2020 and FY2019

Particulars	₹ In Crore		
	FY2020	FY2019	% Change
Gross written premium (GWP)	12,833	11,097	15.6%
Net earned premium	8,206	7,010	17.1%
Underwriting result	(11)	18	
Profit before tax	1,376	1,152	19.5%
Profit after tax	999	780	28.1%
Claims ratio	70.7%	68.6%	
Combined ratio*	100.8%	96.7%	
Return on average equity	18.4%	16.2%	

Note: Without the natural catastrophe losses, BAGIC's combined ratio for FY2020 would have been 99.5%.

* Combined ratio is calculated according to the Master circular on 'Preparation of Financial Statements of General Insurance Business' issued by the IRDAI effective from 1 April 2013.

Chart B: BAGIC's profit after tax (₹ In Crore)

Capital and solvency

- Paid up capital, including share premium, stood at ₹ 277 crore as at 31 March 2020. No fresh capital was infused in FY2020.
- BAGIC completed 12 consecutive years since the last capital infusion and continues to be one of the most efficient users of capital in the private sector — as measured by the ratio of gross written premiums to share capital and by gross written premiums to shareholders' equity.
- Shareholders' equity of BAGIC was ₹ 5,642 crore as on 31 March 2020, versus ₹ 5,164 crore a year earlier.
- As on 31 March 2020, BAGIC's solvency margin was at 254%, which is well above the normal regulatory requirement of 150%.

Investments

- BAGIC's cash and investments as on 31 March 2020 were ₹ 18,746 crore, versus ₹ 17,237 crore in the previous year. Cash flow generation continued to be strong.

The outlook for our general insurance business in the coming year is likely to be mixed. Sales of new motor vehicles and investments in assets which are key drivers of general insurance are likely to be subdued. Motor insurance, travel insurance and credit insurance are likely to be impacted in terms of growth. Demand for health insurance should pick up and we expect the number of motor claims to drop. As of now, we are not expecting COVID-related health claims to be very significant in relation to BAGIC's size, given the low level of penetration of health insurance and BAGIC's own market share of about 4%. BAGIC's excellent solvency, large AUM in relation to its premium, prudent underwriting, stable management team and strong brand positions it quite strongly among the peers and should help it withstand the crisis and take advantage of opportunities once the crisis has passed.

Life Insurance:

Bajaj Allianz Life Insurance Company Ltd. (BALIC)

Over last few years, BALIC has transformed itself through strengthening of core teams at the senior management level in the sales and support departments, introduction of best-in-class products with innovative features, unveiling of new channels like Proprietary Sales Force, new bank tie ups (Axis Bank, Karur Vysya Bank, RBL Bank and India Post Payments Bank being the most recent), focus on individual rated new business, alignment of product mix towards traditional savings and protection business, focus on New Business Value (NBV) as well as on renewal premium and persistency across cohorts, and other initiatives. All the channels improved on most quality parameters and recorded excellent growth till February 2020, before COVID-19 started impacting business.

Industry Update

The industry recorded a growth of 6.2% in individual rated new business premium in FY2020. Within the industry, private sector growth was 4.8%, while LIC's grew by 8.3%. For the life insurance industry, March is the month of highest business. However, due to the COVID-19 lockdown, new business was severely impacted in March 2020. The individual rated new business premium growth which was strong at 18% in the 11 months ended February 2020, dropped to 6.2% for the financial year ended 31 March 2020. BALIC outperformed industry growth on individual rated new business—growing at 24.8% till February 2020 and ending the year at 10.6% growth. Table 7 gives the industry-wide data, along with BALIC.

Table 7: Premium in India — the life insurance industry

(₹ In Crore)

Particulars	Individual rated new business				New business (NB)			
	FY2020 (up to Feb 2020)	FY2019 (up to Feb 2019)	FY2020	FY2019	FY2020 (up to Feb 2020)	FY2019 (up to Feb 2019)	FY2020	FY2019
BALIC	1,692	1,356	1,927	1,742	4,593	3,741	5,180	4,923
Private sector	37,845	33,173	42,031	40,125	72,577	59,799	80,919	72,481
LIC	29,666	24,018	31,457	29,058	160,911	117,415	177,977	142,192
Industry	67,511	57,191	73,488	69,183	233,488	177,214	258,896	214,673
Growth rates								
BALIC	24.8%		10.6%	24.7%	22.8%		5.2%	14.7%
Private sector	14.1%		4.8%	12.5%	21.4%		11.6%	22.2%
LIC	23.5%		8.3%	4.5%	37.0%		25.2%	5.7%
Industry	18.0%		6.2%	9.0%	31.8%		20.6%	10.7%
Market share								
Private industry	56.1%		57.2%	58.0%	31.1%		31.3%	33.8%
LIC	43.9%		42.8%	42.0%	68.9%		68.7%	66.2%

Source: Life Council statistics.

Note: Individual rated new business = (100% of first year premium and 10% of single premium excluding group products).

Group premium contributes to more than half the business for the industry. These accounted for 61% of the overall new business premium in FY2020 for the industry as a whole, compared to 54% in FY2019. Of the total growth experienced by the industry, individual new business grew by 4%; and group new business by 35% in FY2020.

During the year, with increased financial awareness, volatile equity markets and falling interest rates gave prominence to guaranteed life insurance solutions for people looking to conserve wealth with secured returns. This resulted in an increase in contribution for BALIC from non-participating guaranteed savings and protection products to ~ 21% for FY2020 versus ~ 10% in FY2019. However, given the fall in interest rates, BALIC remains prudent by focusing on a balanced product mix and limiting exposures to guarantees in line with its capital. BALIC launched its new unique competitive individual protection product Smart Protect Goal to strengthen its position in the protection space. BALIC will be closely monitoring the exposures to guaranteed products and adjusting guarantees as interest rates change.

Business Update

BALIC's average ticket size of retail regular premium policies grew by 10% in FY2020 to over ₹ 61,716 versus ₹ 56,128 in FY2019.

In FY2020, BALIC was able to drive a balanced and sustainable product mix, with a view at de-risking its business from volatile market movements. As a result, the proportion of Unit-Linked Insurance Plans (ULIPs) – which are volatile and equity market driven–in the retail product mix was systematically reduced from 61% in FY2019 to 52% in FY2020.

During the year, the Company introduced numerous initiatives to enhance customer experience. Some of the initiatives institutionalised during the year are:

1. Launch of video based chat solution, servicing through what's app space with some industry first features, launch of a very comprehensive need analysis tool to help customer choose suitable products, promoting self-servicing and outreach of customers residing in remote areas through doorstep service.
2. The Company continued to provide its customers with the 'Best in class' product suite. It launched Smart Protect Goal which is one of the most unique, comprehensive and competitive term plans in the industry.
3. Scale up of alternate retail channels like proprietary sales force, corporate distributorships, new Banca partnerships such as Axis Bank, Karur Vysya Bank and launch of Insurance Manager Model—a low cost variable agency model.

BALIC: Performance Highlights for FY2020

- Individual rated new business premium increased by 10.6% in FY2020 to ₹ 1,927 crore.
- Group protection new business premium increased by 29.1% in FY2020 to ₹ 1,872 crore.
- New business premium grew by 5.2% to ₹ 5,179 crore.
- Renewal premium rose by 16.2% to ₹ 4,574 crore. Consequently, gross written premium (GWP) increased by 10.1% in FY2020 to ₹ 9,753 crore.
- PAT for FY2020 was ₹ 450 crore, mainly due to lower policyholders' surplus from new business strain, higher group claims and impairment of investments.
- New Business Value (NBV), which is the metric used to measure profitability of life insurance businesses, increased by 47.4% to ₹ 227 crore.
- 13th month persistency* saw a marginal decline to 79.2% in FY2020, from 80.4% in FY2019, mainly due to COVID-19.
- 25th month persistency* saw an improvement to 71.4% in FY2020, from 68.4% in FY2019.
- Customer grievances saw a significant decline of 31% in FY2020 versus FY2019, to all time low of 50 grievances per 10,000 new policies issued.
- The Embedded Value of the Company at FY2020 stood at ₹ 13,438 crore up from ₹ 12,989 crore at FY2019.

*Policies issued in the March to February period of the relevant years

Financial Performance

BALIC's financial performance in FY2020 is summarised in Table 8.

Table 8: BALIC's financial performance, FY2020 and FY2019

Particulars	(₹ In Crore)		
	FY2020	FY2019	% Change
Gross written premium (GWP)	9,753	8,857	10.1%
New business premium	5,179	4,923	5.2%
- Individual rated new business premium	1,927	1,742	10.6%
- Group protection new business premium	1,872	1,450	29.1%
Renewal premium	4,574	3,934	16.2%
Policyholders' surplus	(10)	104	
Shareholders' profit after tax	450	502	(10.4%)
New Business Value (NBV)	227	154	47.4%

Investments

As on 31 March 2020, BALIC's AUM was ₹ 56,085 crore — down by 0.9% from ₹ 56,620 crore on 31 March 2019, reflecting a decline in equity markets. Table 9 gives the data.

Table 9: BALIC's assets under management

Particulars	(₹ In Crore)	
	FY2020	FY2019
Shareholders' funds	9,237	9,099
Policyholders' linked funds	19,620	23,061
Policyholders' non linked funds	27,228	24,460
Total	56,085	56,620

Capital and Solvency

- Total capital infused by shareholders in BALIC was ₹ 1,211 crore as on 31 March 2020. No fresh capital was infused in FY2020.
- Including accumulated profit of ₹ 8,662 crore and mark-to-market loss on equity investments of ₹ 189 crore as on 31 March 2020, the shareholders' net worth was ₹ 9,731 crore. For the previous year, accumulated profits were ₹ 8,340 crore, and shareholders' net worth was ₹ 9,654 crore.
- BALIC is soundly capitalised with a solvency ratio of 745% as on 31 March 2020, which is well in excess of the minimum regulatory requirement of 150%.

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¹Above illustration is considering Male aged 25 years | Standard Life | Non-Smoker | Life Cover Variant | Policy term (PT) - 30 years | Premium Payment Term (PPT) - 30 years | Sum Assured opted is ₹1,00,00,000 | Online Channel | Annual Premium Payment Mode | Premium shown above is exclusive of Goods & Service Tax/any other applicable tax levied and is for illustrative purpose only.

²Product features/ benefits mentioned above are dependant on variant. Please refer sales literature available on www.bajajallianzlife.com for complete information on variants.

[^]For all death claims subject to policy terms & conditions being met.

[®]87% of non-investigative individual claims approved in one working day for FY 2019-20. 1 day is counted from date of intimation of claim before 3 PM on a working day (excluding Non-NAV days for ULIP) at Bajaj Allianz Life offices.

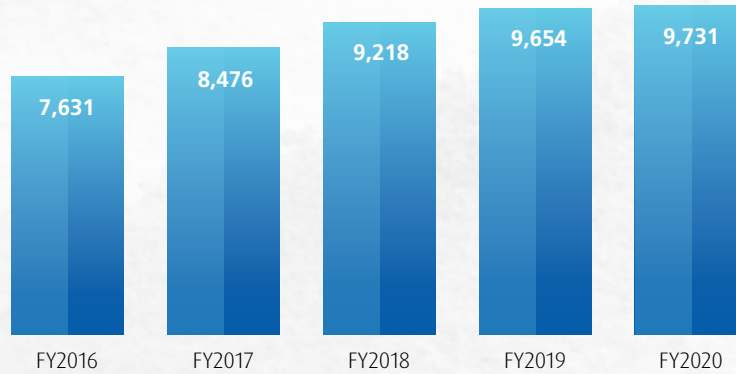
[§]For details refer to press release published by CARE (<http://www.careratings.com/upload/CompanyFiles/PR/Bajaj%20Allianz%20Life%20Insurance%20Company%20Ltd.-04-05-2019.pdf>)

**Solvency ratio 745% for FY 20 against IRDAI mandated 150%. | *Source - Report published by Kantar Millward Brown | †Individual claim settlement ratio FY- 2019-2020

©Source - Survey conducted by Brand Equity - Nielsen in March 2020

Chart C plots BALIC's net worth over the last five years.

Chart C: BALIC's net worth (₹ In Crore)



The outlook for life insurance business in FY2021 is challenging. During the period of national and state lockdowns, where businesses are not functioning coupled with volatile capital markets and therefore retail customers are cautious about conserving cash and may not be comfortable making long-term commitments. This will initially have an impact on new business subject to containment of the pandemic. However, there has been an increase in demand for guaranteed savings and protection business and it is hoped that this demand will continue even after the pandemic. BALIC will be focusing on renewal premium, controlling costs, reaching out to prospective customers digitally and enhancing digitisation of operational processes. An outstanding solvency margin of close to 750% which is over five times the minimum required solvency as per regulations, a strong multi-channel distribution covering proprietary and partnership business models with extensive geographical reach and strong brand should help BALIC overcome the effects of the pandemic and emerge as a stronger player.

Renewable Energy and Conservation of Environment

Bajaj Finserv owns and operates 138 windmills in Maharashtra with total installed capacity of 65.2 MW. During FY2020, the Company continued generating green energy, thereby contributing to conservation of the environment. Apart from revenue from sale of power generated by these wind-farms, BFS also earns revenue from Renewable Energy Certificates (RECs).

Due to low winds, the windmills generated 792 lakh units in FY2020, which was 10% lower than the FY2019 generation of 876 lakh units. Revenue generated from renewable energy in FY2020 was ₹39 crore versus ₹71 crore in the previous year, due to change in the contract with a customer. However, this change also resulted in reduction in expenses and did not impact profit of the windpower activity.

Financials of Bajaj Finserv

Standalone Financials

Standalone financials of the Company are given in Table 10 and the significant ratios in Table 11.

Table 10: Standalone financials of Bajaj Finserv, FY2020 and FY2019

Particulars	(₹ In Crore)	
	FY2020	FY2019
A. Income from wind-farm activity	39	71
Administrative expenses	20	51
Profit from wind-farm activity	19	20
B. Income from investments and others	776*	378
Other expenses	113	72
Profit before tax (PBT)	682	326
Tax expense	15	19
Profit after tax (PAT)	667	307

* Includes interim dividend received from BFL of ₹318 crore.

Table 11: Significant Standalone Ratios of Bajaj Finserv

Particulars	FY2020	FY2019
Current ratio	1.7	3.4
Operating profit margin %	83.6%	72.7%
Net profit margin %	81.8%	68.5%
Return on net worth %	20.0%	10.2%

Consolidated Financials

The consolidated results are given in Table 12. These include the results of subsidiaries and joint venture and are prepared in accordance with the Ind AS.

COVID-19 Impact

Spread of the COVID-19 pandemic resulted in a sudden fall in the value of shares traded in the stock exchanges. In Q4 FY2020, the Nifty 50 Index lost 29%. The BSE 200 index too lost 29%. Under Ind AS, the insurance subsidiaries have chosen to hold equity securities as Fair Value through Profit and Loss Account and therefore, the insurance companies had a mark-to-market (MTM) loss of ₹768 crore in the consolidated financials.

Additionally, BFL has made a pre-tax provision of ₹900 crore in the form of contingency provision on account of the impact of COVID-19 pandemic.

The MTM adjustment and the contingency provision together are considered as COVID-19 impact and indicated separately in the Table 12.

Table 12: Consolidated financials of Bajaj Finserv, FY2020 and FY2019

(₹ In Crore)

Segment revenue			Segment results-profit after tax		
Particulars	FY2020	FY2019	Particulars	FY2020	FY2019
Insurance	28,140	24,226	Insurance	1,054	1,015
Wind-farm	39	71	Wind-farm	19	20
Retail finance	26,386	18,502	Retail finance	3,207	2,193
Investments and others	904	460	Investments and others	-104	-9
	55,469	43,259	Profit before COVID-19 impact	4,176	3,219
Less: inter-segment	1,118	653	COVID-19 impact	807	-
Total	54,351	42,606	Profit after COVID-19 impact	3,369	3,219

Awards and Recognition

During the year, the Company, its subsidiaries and key personnel received several prestigious awards, some of which are given below.

BFS

Sanjiv Bajaj, Chairman and Managing Director received following awards:

1. Entrepreneur of the Year India 2019 by All India Management Association (AIMA).
2. Financial Express Best Banks Award 2019: Banker of the Year for 2017-18.

BFL

1. Company of the Year India 2019 by Economic Times (ET) Awards, the most prestigious business award in India.

BAGIC

1. Company of the year-General Insurance Award, at the 4th Annual India Insurance Summit and Awards by Quest Conferences.
2. Domestic General Insurer of Year-India, at Insurance Asia Awards
3. Gold Winner for Non-Life Insurance Provider of the Year, the Outlook Money Awards.

BALIC

1. Most Trusted Private Life Insurance Brand, Economic Times, Brand equity-Nielsen.
2. Best ULIP of the Year for the second time in a row for Bajaj Allianz Life Goal Assure, Business Today-Money Today Financial Awards 2020.

Cautionary Statement

Statements in this Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may be 'forward looking' within the meaning of applicable laws and regulations. Actual results may differ from those expressed or implied. Important factors that could make a difference to the Company's operations include global economy, political stability, stock performance on stock markets, changes in government regulations, tax regimes, economic developments and other incidental factors. Except as required by law, the Company does not undertake to update any forward-looking statements to reflect future events or circumstances. Investors are advised to exercise due care and caution while interpreting these statements.

CORPORATE GOVERNANCE

Corporate Governance is about promoting fairness, transparency, accountability, commitment to values, ethical business conduct and about considering all stakeholders' interests while conducting business. In accordance with the provisions of the Securities and Exchange Board of India ('SEBI') (Listing Obligations and Disclosure Requirements) Regulations, 2015 and amendments thereto, ('SEBI Listing Regulations, 2015'), given below are the corporate governance policies and practices of Bajaj Finserv Ltd. ('the Company' or 'BFS' or 'Bajaj Finserv') for FY2020.

This Report, states compliance with requirements of the Companies Act, 2013 ('the Act') and SEBI Listing Regulations, 2015, as applicable to the Company. As will be seen, the Company's corporate governance practices and disclosures have gone well beyond complying with the statutory and regulatory requirements stipulated in the applicable laws.

Philosophy

For Bajaj Finserv, which is part of the Bajaj Group, Corporate Governance is a reflection of principles entrenched in the values and policies adopted by the group companies which are also embedded in day to day business practices, leading to values driven growth. The commitment of the Bajaj Group to the highest standards of good corporate governance practices predates the provisions of SEBI Listing Regulations, 2015 and clause 49 of the erstwhile Listing Agreement. Ethical dealings, transparency, fairness, disclosure and accountability create the foundation on which businesses are built. Bajaj Finserv maintains the same tradition and commitment.

Board of Directors

Keeping with the commitment of the Management to the principle of integrity and transparency in business operations for good corporate governance, the Company's policy is to have an appropriate blend of executive and independent directors to maintain the independence of the Board and to separate the Board functions of governance and management.

Composition

As per regulation 17(1)(a) of SEBI Listing Regulations, 2015, the board of directors shall have an optimum combination of executive and non-executive directors with at least one independent woman director and not less than fifty percent of the board of directors shall comprise of non-executive directors. As Table 1 shows, this provision is met at BFS.

In view of the sad demise of Nanoo Pamnani, Chairman and an Independent Director of the Company, on 22 February 2020, Sanjiv Bajaj has been appointed as Chairman of the Company with effect from 17 March 2020.

As on 31 March 2020, the Board of the Company consisted of eight directors, with Chairman being an executive director (Managing Director), four were non-executive independent (including one-woman director) and three were non-executive and non-independent. The Board does not have any institutional nominee director.

Rahul Bajaj is the Chairman Emeritus (non-director) of the Company with effect from the conclusion of the Board meeting held on 16 May 2019 with nil remuneration.

More particulars about the directors are mentioned in the Directors' Report.

Number of meetings of the Board

During FY2020, the Board of Directors met six times, viz., 16 May 2019, 25 July 2019, 17 September 2019, 22 October 2019, 29 January 2020 and 21 February 2020. The gap between any two meetings has been less than one hundred and twenty days.

Attendance record of directors

Table 1: Composition of the Board and attendance record of directors for 2019-20

Name of director	Category	Relationship with other directors	No. of Board Meetings attended	Whether attended last AGM
Rahul Bajaj*	*Chairman, non-executive	Father of Rajiv Bajaj and Sanjiv Bajaj, father-in-law of Manish Kejriwal	1/1	Yes
Nanoo Pamnani**	**Chairman, non-executive, independent	-	5/6	Yes
Sanjiv Bajaj***	***Chairman & Managing Director, executive	Son of Rahul Bajaj and brother of Rajiv Bajaj	6/6	Yes
Madhur Bajaj	Non-executive	-	4/6	Yes
Rajiv Bajaj	Non-executive	Son of Rahul Bajaj and brother of Sanjiv Bajaj	5/6	Yes
D J Balaji Rao	Non-executive, independent	-	6/6	Yes
Dr. Gita Piramal	Non-executive, independent	-	6/6	Yes
Dr. Naushad Forbes	Non-executive, independent	-	5/6	Yes
Anami N Roy	Non-executive, independent	-	6/6	Yes
Manish Kejriwal	Non-executive	Son-in-law of Rahul Bajaj	3/6	Yes

*Ceased to be a Chairman and non-executive director w.e.f. conclusion of Board meeting held on 16 May 2019 and appointed as Chairman Emeritus

**Ceased to be a Chairman and independent director w.e.f. 22 February 2020 due to his sad demise.

***Appointed as a Chairman w.e.f. 17 March 2020.

Opinion of the Board

The Board hereby confirms that, in its opinion, the independent directors fulfill the conditions specified in SEBI Listing Regulations, 2015 and the Act and are independent of the Management of the Company.

Non-executive directors' compensation

The shareholders of the Company, vide a special resolution passed at the Annual General Meeting (AGM) of the Company held on 19 July 2017, have by way of an enabling provision approved the payment of commission up to a sum not exceeding one percent of the net profits of the Company, calculated in accordance with the provisions of sections 197 and 198 of the Act, to the non-executive directors as may be decided by the Board of Directors in respect of the profits of the Company for each year for a period of five years commencing from 1 April 2017.

In terms of the said approvals, non-executive directors of the Company are being paid, in addition to the sitting fee of ₹ 1,00,000 per meeting for every meeting of the Board and its Committees, commission at the rate of ₹ 1,50,000 per meeting of the Board and its Committees attended by them during the year 2019-20, as a member, subject to overall ceiling of one percent of net profits. This ensures Directors' remuneration is commensurate with their attendance and participation.

In consideration of the extra services rendered by Late Nanoo Pamnani, at the request of the Management he became entitled for payment of ₹ 20,00,000 (same in 2018-19) as an additional commission for the year 2019-20 as approved by the Board at its meeting held on 12 March 2019.

The Company has adopted the Bajaj Finserv Ltd. Employee Stock Option Scheme 2018 (BFS-ESOS) for the benefit of the permanent employees and/or Directors of the Company and/or its holding (if any, in future) and subsidiary Company(ies), but excluding independent directors and any employee being a promoter or belongs to the promoter group.

The Company currently does not have a stock option programme for any of its directors.

Information supplied to the Board

The Company believes that the Board should be provided with all relevant information transparently for the effective functioning of the Company. Accordingly, sufficiently in advance of each meeting, the Board is presented with relevant information on various matters related to the working of the Company, especially those that require deliberation at the highest level. Presentations are also made to the Board by different members of the senior management team on important matters from time to time. Since the Company operates through its subsidiaries in diverse businesses, special presentations are made on specific businesses and/or topics as part of familiarisation of directors with the businesses. Where required the senior team members of subsidiary companies are invited to make presentations on specific topics.

During the year under review, presentations were made on matters such as Long Range Plans for insurance subsidiaries, Asset Liability Management and Investment for guaranteed products (duration risk) for life insurance subsidiary, risk update in respect of commercial and sales finance businesses for consumer finance subsidiary, top risks of the Company and its material subsidiaries on half-yearly basis, comprehensive quarterly review on financial statements and investments for all subsidiaries, business updates by new subsidiary, legal updates majorly on Insider Trading Regulations, 2015, SEBI Listing Regulations, 2015 and the Companies Act, 2013, etc.,

Directors have separate and independent access to the officers of the Company. In addition to items required to be placed before the Board for its noting and/or approval, information is provided on various significant items.

In terms of quality and importance, the information supplied by the Management to the Board of the Company is far ahead of the list mandated under regulation 17(7) read with Part A of Schedule II to SEBI Listing Regulations, 2015. As stated elsewhere, the independent directors of the Company at their meeting held on 21 May 2020 expressed their satisfaction on the quality, quantity and timeliness of flow of information between the Company Management and the Board, that is necessary for the Board to effectively and reasonably perform their duties.

With a view to leveraging technology and moving towards paperless systems for the preservation of the environment, the Company has since many years, adopted a web-based application for transmitting Board/Committee meetings papers. The directors of the Company receive the Board papers in electronic form through this secured application. The application meets the high standards of security and integrity required for storage and transmission of Board/Committee papers in electronic form.

Orderly succession to Board and Senior Management

The Board is periodically updated on the orderly succession to the Board and Senior Management. It has satisfied itself that plans are in place for orderly succession for appointments to the Board and to Senior Management.

Directorships and memberships of Board Committees

Table 2: Number of directorships/committee positions of directors as on 31 March 2020

Name of director	Directorships			Committee positions in listed and unlisted public limited companies	
	In equity listed companies	In unlisted public limited companies	In private limited companies	As Member (including as Chairman)	As Chairman
Sanjiv Bajaj	5	5	9	7	-
Madhur Bajaj	5	-	4	-	-
Rajiv Bajaj	5	-	3	-	-
D J Balaji Rao	5	-	-	4	2
Dr. Gita Piramal	4	-	2	7	2
Dr. Naushad Forbes	5	-	8	5	1
Anami N Roy	6	2	3	5	2
Manish Kejriwal	3	1	1	6	-

Note: For the purpose of considering the limit of the committees in which a director can serve, all public limited companies, whether listed or not, have been included and all other companies including private limited companies, foreign companies and companies under section 8 of the Act, have been excluded. Only audit committee and stakeholders relationship committee are considered for the purpose of reckoning committee positions.

None of the directors holds office as a director, including as an alternate director, in more than twenty companies at the same time. None of them has directorships in more than ten public companies. For reckoning the limit of public companies, directorships of private companies that are either a holding or subsidiary company of a public company are included and those in dormant companies are excluded. For the purpose of reckoning the directorships in listed companies, only equity listed companies have been considered.

As per the declarations received, none of the directors serves as an independent director in more than seven equity listed companies or in more than three equity listed companies in case he is a whole-time director in any listed company.

None of the directors was a member in more than ten committees, nor a Chairman in more than five committees across all public companies in which he was a director.

Directorships in equity listed companies

Table 3: Name of equity listed entities where directors of the Company held directorships as on 31 March 2020

Name of director	Name of equity listed entities	Category of Director
Sanjiv Bajaj	a) Bajaj Auto Ltd.	Non-executive
	b) Bajaj Finance Ltd.	Vice Chairman, non-executive
	c) Bajaj Finserv Ltd.	Chairman & Managing Director, executive
	d) Bajaj Holdings & Investment Ltd.	Managing Director & CEO, executive
	e) Maharashtra Scooters Ltd.	Chairman, non-executive
Madhur Bajaj	a) Bajaj Auto Ltd.	Vice Chairman, non-executive
	b) Bajaj Finance Ltd.	
	c) Bajaj Finserv Ltd.	Non-executive
	d) Bajaj Holdings & Investment Ltd.	
	e) Bajaj Electricals Ltd.	
Rajiv Bajaj	a) Bajaj Auto Ltd.	Managing Director & CEO, executive
	b) Bajaj Finance Ltd.	
	c) Bajaj Finserv Ltd.	Non-executive
	d) Bajaj Holdings & Investment Ltd.	
	e) Bajaj Electricals Ltd.	
D J Balaji Rao	a) Bajaj Auto Ltd.	
	b) Bajaj Finance Ltd.	
	c) Bajaj Finserv Ltd.	Non-executive, independent
	d) Bajaj Holdings & Investment Ltd.	
	e) CMI FPE Ltd.	
Dr. Gita Piramal	a) Bajaj Auto Ltd.	
	b) Bajaj Finance Ltd.	
	c) Bajaj Finserv Ltd.	Non-executive, independent
	d) Bajaj Holdings & Investment Ltd.	
Dr. Naushad Forbes	a) Bajaj Auto Ltd.	
	b) Bajaj Finance Ltd.	
	c) Bajaj Finserv Ltd.	Non-executive, independent
	d) Bajaj Holdings & Investment Ltd.	
	e) Zodiac Clothing Company Ltd.	

Anami N Roy	a) Bajaj Auto Ltd.	Non-executive, independent
	b) Bajaj Finance Ltd.	
	c) Bajaj Finserv Ltd.	
	d) Bajaj Holdings & Investment Ltd.	
	e) Glaxosmithkline Pharmaceuticals Ltd.	
	f) Finolex Industries Ltd.	
Manish Kejriwal	a) Bajaj Finserv Ltd.	Non-executive
	b) Bajaj Holdings & Investment Ltd.	
	c) Bharti Airtel Ltd.	Non-executive, independent

Certificate from Practising Company Secretary

The Company has received a certificate from Shyamprasad D Limaye, Practising Company Secretary, to the effect that none of the directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as directors of the Company by the Ministry of Corporate Affairs or any other statutory authority. This certificate is annexed to this Annual Report.

Review of legal compliance reports

During the year, the Board periodically reviewed compliance reports with respect to the various laws applicable to the Company, as prepared and placed before it by the Management.

Code of conduct

Regulation 17(5) of SEBI Listing Regulations, 2015, requires listed companies to lay down a Code of Conduct for its directors and senior management, incorporating duties of directors as laid down in the Act.

Accordingly, the Board at its meeting held on 10 September 2014 adopted a revised Code of Conduct for Directors and Senior Management of the Company and the same is placed on www.bajajfinserv.in/miscellaneous-code-of-conduct.pdf

All the Board members and Senior Management personnel have affirmed compliance with the code for the year ended 31 March 2020. A declaration to this effect signed by the Managing Director is annexed to this Annual Report.

Maximum tenure of independent directors

The maximum tenure of independent directors is in accordance with the Act and regulation 25(2) of SEBI Listing Regulations, 2015.

Formal letter of appointment to independent directors

The Company issues a formal letter of appointment/re-appointment to independent directors in the manner as provided in the Act. As per regulation 46(2) of SEBI Listing Regulations, 2015, the terms and conditions of appointment/re-appointment of independent directors are placed on the Company's website www.bajajfinserv.in

Performance evaluation

In terms of Regulation 19(4) read with section A(2) of Part D of Schedule II to SEBI Listing Regulations, 2015, the Company has framed a policy stipulating the criteria for evaluation of directors and the Board. In the light of SEBI's Guidance Note dated 5 January 2017 on Board Evaluation, the Nomination and Remuneration Committee and Board of Directors at their meeting held on 14 March 2017 revised the Policy containing criteria for performance evaluation as placed on the Company's website <https://www.bajajfinserv.in/media/corporate/downloads/evaluation-criteria.pdf>

In view of the amendments to section 178(2) of the Act, the Board of Directors of the Company at its meeting held on 12 March 2018 had approved that the evaluation of the performance of the Board, its Committees, the Chairperson and Individual Directors would be carried out by the Board only and would not be duplicated by the Nomination and Remuneration Committee which will only review its implementation and compliance.

Pursuant to the provisions of the Act and SEBI Listing Regulations, 2015, the Board has carried out an annual performance evaluation of its own performance, and that of its Committees, Chairperson and Individual Directors.

The manner in which formal annual evaluation of performance was made by the Board is as follows:

- With a view to evaluate the performance of the Board, its Committees, Chairperson and Individual Directors for the year 2019-20, the Company vide its email dated 12 February 2020, informed the directors regarding the newly introduced paperless automated online survey module process (deployed with rating sheets) enabling directors to carry out annual performance evaluation with improved confidentiality through an IT platform.
- From the individual rating sheets received from the directors, a report on summary of the ratings and a consolidated report were generated in respect of Performance Evaluation of Board, its Committees, Chairperson and Individual Directors.
- The said report of performance evaluation was then noted and deliberated by the Board at its meeting held on 21 May 2020.
- The Nomination and Remuneration Committee reviewed the implementation and compliance of the performance evaluation at its meeting held on 21 May 2020.
- Under the law, as per the report of performance evaluation, the Board shall determine, *inter alia*, whether to continue the term of appointment of the independent director.
- Details on the evaluation of the Board, non-independent Directors and Chairperson of the Company as carried out by the independent directors at their meeting held on 21 May 2020 have been furnished in a separate para elsewhere in this Report.

Remuneration Policy

The Board, on the recommendation of the Nomination and Remuneration Committee, has framed a Remuneration Policy. The policy, *inter alia*, provides (a) criteria for determining qualifications, positive attributes and independence of directors, (b) a policy on remuneration for directors, key managerial personnel and other employees, and (c) details of Employee Stock Option Scheme.

The Policy is directed towards a compensation philosophy and structure that will reward and retain talent and provides for a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

The detailed Remuneration Policy is placed on the Company's website www.bajajfinserv.in/remuneration-policy_.pdf

Board Diversity Policy

In compliance with the provisions of SEBI Listing Regulations, 2015, the Board through its Nomination and Remuneration Committee has devised a Policy on Board Diversity. The objective of the Policy is to ensure that the Board comprises an adequate number of members with diverse experience and skills, such that it best serves the governance and strategic needs of the Company. The Board composition, as at present, meets with the above objective.

Familiarisation programmes

With a view to familiarise the Independent Directors with the Company's operations, as required under regulation 25(7) of SEBI Listing Regulations, 2015, the Company has held various familiarisation programmes for the independent directors relating to the Company, business model of the Company, their roles, rights and responsibilities, major developments and updates in the Company and group, etc. throughout the year on an ongoing and continuous basis.

The details of such familiarisation programmes are placed on <https://www.bajajfinserv.in/policies-and-codes>

Whistle Blower Policy/Vigil mechanism

Pursuant to section 177(9) of the Act and regulation 22 of SEBI Listing Regulations, 2015, the Company has framed its Whistle Blower Policy. Further in terms of SEBI (Prohibition of Insider Trading) Regulations, 2015, as amended, the Board at its meeting held on 12 March 2019 amended the existing Whistle Blower Policy.

The Whistle Blower Policy/Vigil mechanism provides a mechanism for the directors/employees to report, without fear of victimisation, any unethical behaviour, suspected or actual fraud, violation of the Code of Conduct, instances of leak or suspected leak of Unpublished Price Sensitive Information, etc. which are detrimental to the organisation's interest. The mechanism protects the whistle blower from any kind of discrimination, harassment, victimisation or any other unfair employment practice. The directors in all cases and employees in appropriate or exceptional cases have direct access to the Chairman of the Audit Committee. The Company affirms that no employee has been denied access to the Audit Committee. The said Policy has been communicated to the employees within the organisation and is placed on the Company's website www.bajajfinserv.in

Subsidiary companies

The Company has Bajaj Finance Ltd. and Bajaj Housing Finance Ltd. as its listed 'material subsidiaries' and Bajaj Allianz Life Insurance Company Ltd. and Bajaj Allianz General Insurance Company Ltd. as unlisted 'material subsidiaries' as prescribed under regulation 16(1)(c) of the Listing Regulations, 2015. The Company has two wholly-owned subsidiaries viz., Bajaj Finserv Direct Ltd. and Bajaj Finserv Health Ltd. The Company also has Bajaj Financial Securities Ltd. as its subsidiary which is a wholly-owned subsidiary of Bajaj Finance Ltd.

Details of the subsidiaries, including their performance, business, etc. is given in the Directors' Report and the consolidated financial statements.

A Policy on 'material subsidiaries' in terms of regulation 16(1)(c) of SEBI Listing Regulations, 2015, as approved by the Board of Directors at its meeting held on 12 March 2019 is placed on www.bajajfinserv.in/policy-for-material-subsiidiaries-13march.pdf

During the year under review, the Audit Committee reviewed the financial statements of and in particular, the investments made by each of its unlisted subsidiary companies, to the extent applicable. Minutes of the board meetings of these subsidiary companies were regularly placed before the Board of the Company along with a statement of significant transactions and arrangements entered into by these subsidiary companies, as applicable.

Provisions under regulation 24 and 24A of SEBI Listing Regulations, 2015, with reference to subsidiary companies were duly complied to the extent applicable.

Related party transactions

All Related Party Transactions (RPTs) entered into by the Company during the year under review, were on arms' length basis and in the ordinary course of business and did not attract provisions of section 188 of the Act and were also not material RPTs under regulation 23 of SEBI Listing Regulations, 2015.

During the financial year 2019-20, as required under section 177 of the Act and regulation 23 of SEBI Listing Regulations, 2015, all RPTs were entered with the approval of the Audit Committee. The details of such transactions were placed before the Audit Committee for noting/review, on quarterly basis.

A statement showing the disclosure of transactions with related parties as required under Indian Accounting Standard 24 (Ind AS 24) issued by Institute of Chartered Accountants of India is set out separately in this Annual Report.

Pursuant to Regulation 23(9) of SEBI Listing Regulations, 2015, disclosures of RPTs on a consolidated basis are being submitted to the stock exchanges on a half-yearly basis and are being published on the Company's website www.bajajfinserv.in

There were no material transactions entered into with related parties, during the period under review, which may have had any potential conflict with the interests of the Company at large.

The Policy on materiality of RPTs stipulating the threshold limits and also on dealing with RPTs which was approved by the Board at its meeting held on 12 March 2019 has been placed on the Company's website www.bajajfinserv.in/bfs-signed-material-rpt-policy-12-march-2019.pdf

Disclosures

Suitable disclosures have been made in the financial statements, together with the Management's explanation in the event of any treatment being different from that prescribed in the Ind AS.

Core Skills/Expertise/Competencies

As stipulated under Schedule V to the SEBI Listing Regulations, 2015, core skills/expertise/competencies as required in the context of the business and sector for it to function effectively and those actually available with the Board have been identified by the Board of Directors.

As a green initiative, the chart/matrix of such core skills/expertise/competence along with the names of directors who possess such skills is placed on Company's website <https://www.bajajfinserv.in/miscellaneous>

Audit Committee

Constitution and composition

The Company had set up its Audit Committee on 30 January 2008 under erstwhile Companies Act, 1956 and clause 49 of erstwhile Listing Agreement.

The Board reviews the working of the Committee from time to time to bring about greater effectiveness in order to comply with the various requirements under the Act and SEBI Listing Regulations, 2015.

Consequent to the sad demise of Nanoo Pamnani, member of the Audit Committee, on 22 February 2020, the Committee was reconstituted by the Board of Directors with effect from 17 March 2020 by inducting Manish Kejriwal as a member of this Committee.

It is to be noted that though requirement under the Act and SEBI Listing Regulations, 2015, require minimum three members composition, the Company by way of good corporate governance has an additional independent director as member in the Committee making independent directors' majority of 75%. Pre-Audit meetings are held wherein the Chairman of the Audit Committee thoroughly reviews, along with Management and internal and statutory auditors, the observations of said auditors.

Out of four, three members including the Chairman are independent directors. All members of the Audit Committee are non-executive directors and are 'financially literate' as required under the provisions of the Act and regulation 18(1)(c) of SEBI Listing Regulations, 2015. Moreover, the Chairman and members of the Audit Committee have 'accounting or related financial management expertise'.

The terms of reference for this Committee are placed on www.bajajfinserv.in/miscellaneous-terms-of-reference-for-audit-committee

Meetings and attendance

During 2019-20, the Audit Committee met four times, viz., 16 May 2019, 25 July 2019, 22 October 2019 and 29 January 2020. The meetings were scheduled well in advance and not more than one hundred and twenty days elapsed between any two meetings.

In addition to the members of the Audit Committee, these meetings were attended by the Chief Financial Officer, Internal Audit functionaries, Cost Auditor and Statutory Auditors of the Company and those executives who were considered necessary for providing inputs to the Committee.

Table 4: Composition of the Audit Committee and attendance record of members for 2019-20

Name of director	Category	No. of Meetings attended
Dr. Naushad Forbes*	Chairman, non-executive and independent	4/4
D J Balaji Rao	Non-executive, independent	4/4
Dr. Gita Piramal	Non-executive, independent	4/4
Manish Kejriwal**	Non-executive	Not Applicable
Nanoo Pamnani***	Non-executive, independent	4/4

*appointed as a Chairman w.e.f. 17 May 2019

** appointed as a member w.e.f. 17 March 2020 in place of Late Nanoo Pamnani

*** ceased to be a member due to his sad demise on 22 February 2020.

Sonal R Tiwari, Company Secretary acted as the Secretary to this Committee.

Pursuant to the terms of reference, the Audit Committee, *inter alia*, discussed and deliberated on the financial results, appointment/re-appointment and remuneration of Statutory Auditors, review of internal audit functions, review and approval of related party transactions including granting of omnibus approval for the proposed transactions, review of investment related reports of the Company, review of utilisation of loans and/or advances from/investment by the holding company in its subsidiaries, etc.

Dr. Naushad Forbes, Chairman of the Audit Committee, was present to answer shareholders' queries at the AGM held on 25 July 2019.

Nomination and Remuneration Committee

Bajaj Finserv constituted the Remuneration Committee of the Board on 30 January 2008. Subsequently, the Board of Directors, at its meeting held on 15 January 2009, extended the terms of reference of the said Committee to include nomination functions and restyled the said Committee as 'Remuneration and Nomination Committee'.

The Board of Directors, at its meeting held on 14 May 2014, renamed the Committee as 'Nomination and Remuneration Committee' and revised the terms of reference for this Committee at its meeting held on 10 September 2014 in compliance with section 178 of the Act and clause 49 of erstwhile Listing Agreement (corresponding to regulation 19 of SEBI Listing Regulations, 2015). The Committee also acts as Compensation Committee for implementation of BFS ESOS of the Company.

The terms of reference are placed on www.bajajfinserv.in/miscellaneous-terms-of-reference-for-nomination-and-remuneration-committee

During the year under review, the Committee met once on 16 May 2019.

Table 5: Composition of the Nomination and Remuneration Committee and attendance record of members for 2019-20

Name of director	Category	Attendance at the meeting held on 16 May 2019
D J Balaji Rao*	Chairman, non-executive, independent	Yes
Dr. Gita Piramal	Non-executive, independent	Yes
Manish Kejriwal**	Non-executive	Not Applicable
Nanoo Pamnani***	Non-executive, Independent	Yes
Rahul Bajaj****	Non-executive	Yes

*being a member was appointed as Chairman w.e.f. 17 May 2019

**appointed as a member w.e.f. 17 May 2019 in place of Rahul Bajaj

***ceased to be a member due to his sad demise on 22 February 2020

****ceased to be a member w.e.f. 17 May 2019.

Sonal R Tiwari, Company Secretary acted as the Secretary to this Committee.

As provided under the terms of reference of this Committee, the members, *inter alia*, deliberated on the following:

- i) Noting of new provisions regarding number of meetings and quorum under the SEBI Listing Regulations, 2015;
- ii) Noting of updated terms of reference of the Committee as approved by the Board of Directors at its meeting held on 12 March 2019;
- iii) Revision in remuneration of Sanjiv Bajaj w.e.f. 1 April 2019;
- iv) Recommendation of change in remuneration to senior managerial personnel w.e.f. 1 April 2019; and
- v) Approval of third tranche of grant of stock options under Bajaj Finserv Ltd. Employee Stock Option Scheme 2018.

D J Balaji Rao, Chairman of the Nomination and Remuneration Committee, was present to answer shareholders' queries at the AGM held on 25 July 2019.

Risk Management Committee

As per the RBI Guidelines on Corporate Governance, the Board of Directors of the Company had constituted a Risk Management Committee in 2010, consisting of senior executives, and this Committee was functioning since 2010 with meetings being held every quarter.

SEBI subsequently, vide its circular dated 15 September 2014, revised clause 49 of the erstwhile Listing Agreement (corresponding to regulation 21 of SEBI Listing Regulations, 2015), making risk management committee applicable to the top 100 listed companies by market capitalisation as at the end of the immediate previous financial year. The list includes Bajaj Finserv Ltd.

In the light of the above, the Board at its meeting held on 14 October 2014 has reconstituted the Risk Management Committee.

The terms of reference for this Committee are placed on <https://www.bajajfinserv.in/terms-of-reference-for-risk-management-committee>

During the year under review, the Committee met once on 17 September 2019.

Consequent to the sad demise of Nanoo Pamnani, Chairman of the Risk Management Committee, on 22 February 2020, the Committee was reconstituted by the Board of Directors with effect from 17 March 2020 by inducting Dr. Naushad Forbes as a member and Chairman of this Committee.

Table 6: Composition of the Risk Management Committee and attendance record of members for 2019-20

Name of member	Category	Attendance at the meeting held on 17 September 2019
Dr. Naushad Forbes*	Chairman, non-executive, independent	Not Applicable
Sanjiv Bajaj	Chairman & Managing Director, executive	Yes
Anish Amin**	President (Group Assurance, Risk and M & A)	Yes
S Sreenivasan***	Chief Financial Officer	Not Applicable
Nanoo Pamnani****	Chairman, Non-executive, independent	Yes

*appointed as a member and Chairman w.e.f. 17 March 2020 in place of Nanoo Pamnani

**appointed as a member w.e.f. 17 May 2019 in place of S Sreenivasan

***ceased to be a member w.e.f. 17 May 2019

****ceased as a member and Chairman due to his sad demise on 22 February 2020.

Sonal R Tiwari, Company Secretary acted as the Secretary to this Committee.

At this meeting, risk aspects of the Company and that of its insurance subsidiaries, viz., Bajaj Allianz General Insurance Company Ltd. and Bajaj Allianz Life Insurance Company Ltd. and the consumer finance subsidiary, Bajaj Finance Ltd., covering, *inter alia*, liquidity risk, cyber risk, technology risk and human resources risk, etc. were discussed at length. This Committee supplements the Risk Committees of each subsidiary of the Company.

The Committee and Board have laid down procedures to inform it of the Company's risk assessment and minimisation procedures. These are periodically reviewed to ensure that the Management identifies and controls risk through a properly defined framework.

During the year under review, the Company did not trade in or have any exposure in commodities market.

Stakeholders Relationship Committee

The Board of Directors of the Company constituted its Shareholders' and Investors' Grievance Committee at its meeting held on 30 January 2008. In compliance with the provisions of section 178 of the Act and regulation 20 of SEBI Listing Regulations, 2015, the Board renamed the Committee as 'Stakeholders Relationship Committee' and revised the terms of reference.

The terms of reference are placed on <https://www.bajajfinserv.in/miscellaneous-terms-of-reference-for-stakeholders-relationship-committee>

Consequent to the sad demise of Nanoo Pamnani, member of the Stakeholders Relationship Committee, on 22 February 2020, the Committee was reconstituted by the Board of Directors with effect from 17 March 2020 by inducting Dr. Naushad Forbes as a member.

During the year under review, the Committee met once on 29 January 2020.

Table 7: Composition of the Stakeholders Relationship Committee and attendance record of members for 2019-20

Name of director	Category	Attendance at the meeting held on 29 January 2020
Dr. Gita Piramal	Chairperson, non-executive, independent	Yes
Sanjiv Bajaj	Chairman & Managing Director, executive	Yes
Dr. Naushad Forbes*	Non-executive, independent	Not Applicable
Nanoo Pamnani**	Non-executive, independent	Yes

*appointed as a member w.e.f. 17 March 2020 in place of Late Nanoo Pamnani

**ceased as a member due to his sad demise on 22 February 2020.

Sonal R Tiwari, Company Secretary and the Compliance Officer, acted as the Secretary to this Committee. The Secretarial Auditor was also present.

During the year under review, the Committee, *inter alia*, reviewed the status of investors' services rendered. The Committee also discussed in detail about the changes in the management and organisational set up of KFin Technologies Pvt. Ltd. (earlier known as Karvy Fintech Pvt. Ltd.) and the implications thereof on operations relating to the Company. The Committee expressed its satisfaction on the overall status of compliances and actions taken on various investors-related matters.

Dr. Gita Piramal, Chairperson of the Stakeholders Relationship Committee, was present to answer shareholders' queries at the AGM held on 25 July 2019.

During the year under review, the Committee met once on 29 January 2020.

Table 8: Investors' complaints attended and resolved during 2019-20

Investors' complaints	Attended/resolved during 2019-20
Pending at the beginning of the year	Nil
Received during the year	9
Disposed of during the year	9
Remaining unresolved at the end of the year	Nil

Pursuant to regulation 39(4) of the SEBI Listing Regulations, 2015, for dealing with physical unclaimed shares, the Company has a demat account with HDFC Bank titled 'Bajaj Finserv Ltd.-Unclaimed Suspense Account', to which all the unclaimed shares stand transferred in terms of the said circular.

More details on this subject and on shareholders' related matters have been furnished in the chapter on General Shareholder Information.

Duplicate Share Certificate Issuance Committee

The Board of Directors at its meeting held on 3 February 2016, to meet the requirements of section 46 of the Act, read with rule 6 of the Companies (Share Capital and Debentures) Rules, 2014 and regulation 39 of SEBI Listing Regulations, 2015, constituted a Duplicate Share Certificate Issuance Committee of the Board to approve the issuance of duplicate share certificate in lieu of original share certificate lost or misplaced.

Consequent to the sad demise of Nanoo Pamnani, Chairman of the Duplicate Share Certificate Issuance Committee, the Committee was reconstituted with effect from 17 March 2020 by appointment of Sanjiv Bajaj, Chairman of the Duplicate Share Certificate Issuance Committee an existing member as a Chairman of the Committee and by inducting Manish Kejriwal as a member of this Committee.

Table 9: Composition of the Duplicate Share Certificate Issuance Committee and attendance record of members for 2019-20

Name of director	Category	Attendance at the meeting held on 29 January 2020
Sanjiv Bajaj*	Chairman & Managing Director, executive	Yes
Rahul Bajaj**	Chairman, non-executive	Not Applicable
Nanoo Pamnani***	Chairman, non-executive, independent	Yes
Rajiv Bajaj	Non-executive	Yes
Manish Kejriwal****	Non-executive	Not Applicable

*appointed as a Chairman (an existing member) w.e.f. 17 March 2020

**ceased to be a Chairman and Non-executive director w.e.f. conclusion of the Board meeting held on 16 May 2019

*** appointed as member and Chairman w.e.f. 17 May 2019, however, ceased to be a member and Chairman due to his sad demise on 22 February 2020

****appointed as a member w.e.f. 17 March 2020.

During the year under review, the Committee, *inter alia* confirmed five circular resolutions passed for issue of duplicate share certificates in respect of 16,037 equity shares.

Independent Directors' meeting

The Ministry of Corporate Affairs vide general circular 11 dated 24 March 2020, considering COVID-19 granted relaxation in compliance with holding separate meeting of Independent Director without attendance of non-independent directors and members of the Management for the year 2019-20.

However, in compliance with Schedule IV to the Act and regulation 25(3) of SEBI Listing Regulations, 2015, the independent directors held their separate meeting on 21 May 2020 (earlier scheduled meeting of 17 March 2020 was postponed due to COVID-19), without the attendance of non-independent directors and members of the Management, *inter alia*, to discuss the following:

- i) Initial formalities for conduct of meeting by video conferencing;
- ii) Noting of sad demise of Nanoo Pamnani, Chairman of the Company;
- iii) Appointment of Sanjiv Bajaj as Chairman of the Company with effect from 17 March 2020;
- iv) Noting of changes in Board;
- v) Noting of the report of Performance Evaluation for the year 2019-20 from Chairman of the Board;
- vi) Review of the performance of non-independent directors and the Board;
- vii) Review of the performance of the Chairman of the Company
- viii) Assessment of the quality, quantity and timeliness of flow of information to the Board ; and
- ix) Noting of Organisation Chart of the Company.

All independent directors, except Dr. Naushad Forbes, were present at the meeting.

The independent directors present elected D J Balaji Rao as the Chairman for the meeting, deliberated on the above and expressed their satisfaction on all matters.

Remuneration of directors

Pecuniary relationship/transaction with non-executive directors

During the year under review, there was no pecuniary relationship or transaction of the non-executive director with the Company.

The register of contracts is maintained by the Company under section 189 of the Act. The register is signed by the directors present at the respective Board meetings.

Criteria of making payments to non-executive directors

Non-executive directors of the Company play a crucial role in the independent functioning of the Board. They bring in an external perspective to decision-making, provide leadership and strategic guidance while maintaining objective judgment. They also oversee the corporate governance framework of the Company.

As stated earlier, the Remuneration Policy, *inter alia*, disclosing the criteria of making payments to non-executive directors, key managerial personnel and employees is placed on the Company's website www.bajajfinserv.in/remuneration-policy_.pdf

Non-executive directors

All the Non-executive directors are paid sitting fees and commission and an additional commission to one independent director as per the details provided in the annexure to the Directors' Report in section VI(B) of Form MGT-9, i.e., extract of the Annual Return.

Chairman & Managing Director

During the year under review, the Company has paid remuneration to Sanjiv Bajaj, Chairman & Managing Director of the Company, as provided in detail in an annexure to the Directors' Report in section VI(A) of form MGT-9, i.e., extract of the Annual Return.

He is entitled to superannuation benefits payable in the form of an annuity from an approved life insurance company, which forms part of the perquisites allowed to him. No pension is paid by the Company.

Pursuant to section 197(14) of the Act, Sanjiv Bajaj, Chairman & Managing Director of the Company, who is also the non-executive, Vice Chairman of Bajaj Finance Ltd. (BFL) has been paid sitting fees of ₹ 16 lakh (P.Y. ₹ 8.50 lakh) and is being given commission of ₹ 32 lakh (P.Y. ₹ 17 lakh) from subsidiary, BFL for the year 2019-20, in the same manner as is done for the other non-executive directors of BFL. As non-executive director of Bajaj Housing Finance Ltd. (BHFL) he has been paid sitting fee of ₹ 5.50 lakh (P.Y. nil) for the year 2019-20. For other subsidiaries it is nil.

Details of remuneration to directors

As stated elsewhere in the report, the Company has adopted BFS ESOS for the benefit of the permanent employees and/or directors of the Company and/or its holding (if any, in future) and subsidiary company(ies) but excluding independent directors and any employee who is a promoter or belongs to the promoter group.

The Company has not granted stock options to any of its directors and hence, it does not form part of the remuneration package payable to any executive and/or non-executive director. During the year under review, none of the director, was paid any performance-linked incentive.

In 2019-20, the Company did not advance any loans to any of the non-executive directors and/or Managing Director. Details of remuneration paid/payable to directors during 2019-20 are provided in an annexure to the Directors' Report in section VI(B) of form MGT-9, i.e., extract of the Annual Return.

Shareholding of directors

Information on shares held by directors in the Company as on 31 March 2020 is provided in an annexure to the Directors' Report in section IV(v) of form MGT-9, i.e., extract of the Annual Return.

Management

Management discussion and analysis

This is given as a separate chapter in the Annual Report.

Disclosure of material transactions

Under regulation 26(5) of SEBI Listing Regulations, 2015, the Senior Management is required to make disclosures to the Board relating to all material financial and commercial transactions where they had or were deemed to have had personal interest that might have been in potential conflict with the interest of the Company. As per the disclosure submitted by the Senior Management, there were no such transactions during the year 2019-20.

Compliances regarding insider trading

The Company had in place a 'Code of Conduct for Prevention of Insider Trading and Corporate Disclosure Practices', in accordance with SEBI (Prohibition of Insider Trading) Regulations, 1992. These regulations were substituted by SEBI with a new set of regulations, with effect from 15 May 2015. SEBI further amended SEBI (Prohibition of Insider Trading) Regulations, 2015. To comply with the said amendment effective from 1 April 2019, the Board of Directors, *inter alia*, at its meeting held on 12 March 2019, approved the following:

- a) Revised Code of Conduct to Regulate, Monitor and Report Trading by Designated Persons.
- b) Revised Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information.
- c) Institutional Mechanism for Prevention of Insider Trading.
- d) Revised Whistle Blower Policy of the Company.
- e) Amendments to the terms of reference of the Audit Committee
- f) List of Designated Persons for the Code of Conduct mentioned above.

Further, the Board at its meeting held on 16 May 2019 approved the Policy on leak of Unpublished Price Sensitive Information and then at its meeting held on 22 October 2019 amended the Code referred in a) above.

The Code referred to in (b) above is placed on the Company's website www.bajajfinserv.in

The aforesaid Code of Conduct and Code of Fair Disclosure framed by the Company along with above documents have helped in ensuring compliance with the requirements as stipulated under the regulations.

Means of Communication

Quarterly, half-yearly, and annual financial results and other public notices issued for the shareholders of Company are published in numerous leading dailies, such as Financial Express, Business Standard, Sakal, Kesari, Mint, Hindu Business Line, Hindustan Times, Anand Bazaar Patrika and Economic Times. An official press release is also issued. The Company also sends the half-yearly financial results, along with a detailed write-up, to all the shareholders.

The Company has its own website www.bajajfinserv.in which contains all important public domain information including financial results, various policies framed by the Board of Directors, schedule and transcripts of earnings call with investors, various notices concerning the shareholders, presentations, if any, made to the media, analysts and institutional investors, etc.

The Company's website contains information as prescribed under the Act and SEBI Listing Regulations, 2015, including all financial and other vital official news releases communicated to BSE Ltd. (BSE) and National Stock Exchange of India Ltd.(NSE), details of the corporate contact persons and share transfer agent of the Company, shareholding pattern, etc.

Sections 20 and 136 of the Act read with Companies (Accounts) Amendment Rules 2017, permit companies to service delivery of documents electronically on the registered members'/ shareholders' email addresses. The Company, during the year under review, sent documents, such as notice calling the general meeting, audited financial statements, directors' report, auditors' report, credit of dividend intimation letters, etc. in electronic form to the email addresses provided by the shareholders and made available by them to the Company through the depositories. Shareholders desiring to receive the said documents in physical form continued to get the same in physical form upon request during the year under review.

Information on general body meetings and details of special resolution(s) passed

During the preceding three years, the AGMs of the Company were held at the registered office of the Company at Bajaj Auto Ltd. Complex, Mumbai-Pune Road, Akurdi, Pune 411 035 on the following dates and time and special resolutions were passed thereat as follows:

Details of AGM	Date and time of AGM	Details of Special Resolution(s) passed at the AGMs, if any
10th AGM	19 July 2017 at 4.15 p.m.	<ul style="list-style-type: none"> i. Approval of re-appointment of Sanjiv Bajaj as Managing Director of the Company and to fix his remuneration; and ii. Approval for payment of commission to non-executive directors for a period of five years commencing from 1 April 2017.
11th AGM	19 July 2018 at 4.15 p.m.	<ul style="list-style-type: none"> i. Approval for the Bajaj Finserv Ltd. Employee Stock Option Scheme; ii. Issue and allotment of equity shares to employees of holding and subsidiary company(ies) under the Bajaj Finserv Ltd. Employee Stock Option Scheme; and iii. Approval of acquisition of equity shares from secondary market for implementation of Bajaj Finserv Ltd. Employee Stock Option Scheme to the employees of the Company and that of the employees of holding and subsidiary companies.

Details of AGM	Date and time of AGM	Details of Special Resolution(s) passed at the AGMs, if any
12th AGM	25 July 2019 at 4.15 p.m.	<ul style="list-style-type: none"> i. Re-appointment of Nanoo Gobindram Pamnani as an independent director of the Company for a second term of five consecutive years with effect from 1 April 2019; ii. Re-appointment of Balaji Rao Jagannathrao Doveton as an independent director of the Company for a second term of five consecutive years with effect from 1 April 2019; iii. Re-appointment of Dr. Gita Piramal as an independent director of the Company for a second term of five consecutive years with effect from 16 July 2019; iv. Continuation of Rahul Kumar Kamalnayan Bajaj as a non-executive and non-independent director of the Company from 1 April 2019 to 16 May 2019; and v. Approval relating to payment of remuneration to Sanjivnayan Rahul Kumar Bajaj, Managing Director & CEO of the Company.

Special Resolutions passed through Postal Ballot

During the year under review, the following Special Resolutions were passed by way of postal ballot on 14 March 2020:

Sr. No.	Description
1	Approval to adopt new set of Articles of Association for the Company
2	Approval to fix the Foreign Portfolio Investors' (FPIs) investment limit

The Company had appointed Shyamprasad D Limaye, Practising Company Secretary (FCS No. 1587, CP No. 572) as Scrutiniser for conducting the postal ballot including remote e-voting process in a fair and transparent manner.

The result of the Postal Ballot was announced on 16 March 2020 and details of voting results on the resolutions are as follows:

Sr. No.	Description	Votes (No. of shares and %)	
		In favour	Against
1.	Approval to adopt new set of Articles of Association for the Company	118,122,995 (98.06%)	2,337,851 (1.94%)
2.	Approval to fix the Foreign Portfolio Investors' (FPIs) investment limits at 24% of the paid-up equity share capital of the Company	114,837,613 (93.58%)	7,875,529 (6.42%)

The said result is also placed on the Company's website <https://www.bajajfinserv.in/e-voting-and-scrutinizers-report-postal-ballot-2020.pdf>

There is no proposal for passing any special resolution through postal ballot as on date.

None of the businesses proposed to be transacted in the ensuing AGM requires passing of a special resolution through postal ballot.

Procedure for postal ballot

The Company had sent the postal ballot notice dated 29 January 2020 and postal ballot form along with postage pre-paid business reply envelope to members/beneficial owners through email at their registered email IDs and through physical copy to the members who have not registered their email IDs. The Company had also published notice in the newspapers for the information of the members. Voting rights were reckoned on the equity shares held by the members as on the cut-off date. The voting period for Postal Ballot and e-voting was from 14 February 2020 to 14 March 2020.

The postal ballot results were intimated to the Stock Exchanges pursuant to regulation 44(3) of the SEBI Listing Regulations, 2015, as well as displayed on the Company's website. The Company has also complied with the procedure for Postal Ballot in terms of the provisions of section 110 of the Act, read with Rule 22 of the Companies (Management and Administration) Rules, 2014.

Details of capital market non-compliance, if any

There was no non-compliance by the Company of any legal requirements; nor has there been any penalty/stricture imposed on the Company by any stock exchange, SEBI or any statutory authority on any matter related to capital markets during the last three years, except: The Company had issued to its shareholders Rights Equity Shares in the year 2012. Out of this issue, 3,317 rights equity shares kept earlier in abeyance were allotted on 16 October 2017. Application for listing of these shares was filed with BSE and NSE in 30 days and 29 days respectively from the date of allotment, which was beyond the prescribed 20 days' period. The delay was due to certain interpretational issues and also for technical reasons. NSE and BSE levied a fine of ₹ 180,000 and ₹ 200,000 respectively, which the Company paid under protest in year 2018.

Compliance certificate

The Chairman & Managing Director and CFO have certified to the Board with regard to the financial statements and other matters as required under regulation 17(8) read with Part B of Schedule II to SEBI Listing Regulations, 2015.

Report on corporate governance

This chapter, read together with the information given in the Directors' Report and the chapters on Management Discussion and Analysis and General Shareholder Information, constitute the compliance report on corporate governance for the year 2019-20.

The Company has been regularly submitting the quarterly compliance report to the stock exchanges, as required under regulation 27(2) of SEBI Listing Regulations, 2015.

Auditors' certificate on corporate governance

The Company has obtained the certificate from its Statutory Auditor regarding compliance with the provisions relating to corporate governance laid down in Part E of Schedule V to SEBI Listing Regulations, 2015. This certificate is annexed to the Directors' Report.

Statutory Auditors

S R B C & CO LLP are the Statutory Auditors of the Company. Total fees paid by the Company and its subsidiaries, on a consolidated basis to their respective Statutory Auditors including all entities in their network firm/entity of which they are a part are as follows:

Sr. No.	Particulars	Amount in ₹	
		Statutory Audit Fee	Other Services
1	Bajaj Finserv Ltd.	22,00,000	4,00,000
2	Bajaj Allianz Life Insurance Company Ltd.	55,00,000	19,11,992
3	Bajaj Allianz General Insurance Company Ltd.	40,00,000	11,00,000
4	Bajaj Finance Ltd.	59,13,250	88,29,000
5	Bajaj Housing Finance Ltd. (100% subsidiary of Bajaj Finance Ltd.)	2,00,000	3,60,000
6	Bajaj Financial Securities Ltd. (100% subsidiary of Bajaj Finance Ltd.)	54,500	-
7	Bajaj Finserv Direct Ltd. (100% subsidiary of Bajaj Finserv Ltd.)	1,00,000	50,000
8	Bajaj Finserv Health Ltd. (100% subsidiary of Bajaj Finserv Ltd.)	1,00,000	-

Disclosure under Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

There was no complaint during the year under Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

Compliance of mandatory and discretionary requirements

Mandatory

The Company has complied with the mandatory requirements of SEBI Listing Regulations, 2015.

Discretionary

The Company has also complied with the discretionary requirements as under:

A. The Board

Since the Company has an Executive Chairman, the requirement regarding non-executive Chairman is not applicable.

B. Shareholder rights

A half-yearly declaration of financial performance including summary of significant events in the preceding six months is sent to each household of shareholders.

C. Modified opinion(s) in audit report

The Company confirms that its financial statements are with unmodified audit opinion.

D. Reporting of Internal Auditor

The Internal Auditor reports directly to the Audit Committee.

GENERAL SHAREHOLDER INFORMATION

13th Annual General Meeting (AGM)

Date	21 July 2020
Time	4.15 p.m.
Venue/Mode	The Company is conducting meeting through video conferencing ('VC')/ other audio visual means ('OAVM') pursuant to the MCA circulars. For details please refer to the Notice of AGM.

The Ministry of Corporate Affairs vide its circulars dated 8 April 2020, 13 April 2020 and 5 May 2020 has provided an option to companies to conduct AGM during the Calendar Year 2020 through 'VC or OAVM' and send financial statements (including board's report, auditors report and other documents to be attached therewith) through email only.

Accordingly, the Annual Report of the Company for the year 2019-20 along with Notice of AGM are being sent only by email to the members and all other persons/entities entitled to receive the same. As stated above, 13th AGM will be convened through VC or OAVM.

Financial calendar

Approval of audited annual results for the year ending 31 March	May
Mailing of Annual Reports	June
Annual General Meeting	July
Unaudited first quarter financial results	July
Unaudited second quarter financial results	October
Unaudited third quarter financial results	January/early February

Registrar and share transfer agent

The Company has appointed Karvy Computershare Pvt. Ltd., as its registrar and share transfer agent and accordingly, processing of share transfer/dematerialisation/rematerialisation and allied activities were outsourced to it with effect from 10 July 2008.

All operations of Karvy Computershare Pvt. Ltd. were transferred to Karvy Fintech Pvt. Ltd. with effect from 17 November 2018. Further, during the year under review, the name of Karvy Fintech Pvt. Ltd. was changed to KFin Technologies Pvt. Ltd. ('KFin') with effect from 5 December 2019. All the share registry services are now handled in the name of KFin.

All physical transfers (to the extent permitted), transmission, transposition, issue of duplicate share certificate(s), issue of demand drafts in lieu of dividend warrants, etc. as well as requests for dematerialisation/rematerialisation are being processed in periodical cycles at KFin. The work related to dematerialisation/rematerialisation is handled by KFin through connectivity with NSDL and CDSL.

Dividend

The Board of Directors of the Company at its meeting held on 21 February 2020, declared an interim dividend of ₹ 5 per equity share (100%) of face value of ₹ 5 each for the financial year 2019-20, payable to shareholders holding shares as on 4 March 2020. The same was credited/dispensed to the shareholders on 9 March 2020.

The Board of Directors of the Company has proposed the above-referred interim dividend as final dividend for the financial year ended 31 March 2020. Dividend paid in the previous year was ₹ 2.50 per equity share (50%) of face value of ₹ 5 each.

Payment of dividend

SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI Listing Regulations, 2015') read with SEBI circular dated 20 April 2018, require companies to use any electronic mode of payment approved by the Reserve Bank of India for making payment to the shareholders. Accordingly, the interim dividend, which was declared on 21 February 2020 was paid through electronic mode, where the bank account details of the shareholders were available. Where dividend was paid through electronic mode, intimation regarding such remittance has been sent separately to the shareholders. In case the dividends could not be paid through electronic mode, payment has been made through physical instrument such as banker's cheque or demand draft incorporating bank account details of such shareholders.

Pursuant to the aforesaid circular, the Company had written to shareholders holding shares in physical form requesting them to furnish details regarding their PAN and also their bank details for payment of dividend through electronic mode. Those shareholders who are yet to respond to the Company's request in this regard are once again requested to take action in the matter at the earliest.

For enabling the payment of dividend in future through electronic mode, members holding shares in physical form are requested to furnish updated particulars of their bank account to KFin along with a photocopy of a cancelled cheque of the bank account and self-attested copy of PAN card. Beneficial owners holding shares in electronic form are requested to furnish their bank account details to their respective depository participants and ensure that such changes are recorded by them correctly. The request for updating particulars of bank account should be signed as per the specimen signature registered with KFin/depository participants, as the case may be.

Unclaimed dividends

As per section 124(5) of the Companies Act, 2013 ('the Act'), any money transferred by the Company to the unpaid dividend account and remaining unclaimed for a period of seven years from the date of such transfer shall be transferred to the 'Investor Education and Protection Fund' (Fund) set up by the Central Government. Accordingly, the unpaid/unclaimed dividend for the financial year 2007-08 to 2011-12 has been already transferred by the Company to the said Fund from September 2015 onwards.

Unpaid/unclaimed dividend for the year 2012-13 shall become due for transfer to the said Fund in August 2020. Members are requested to verify their records and send their claim, if any, for the year 2012-13, before such amount becomes due for transfer to the Fund. Communication is being sent to the members who have not yet claimed dividend for the year 2012-13, requesting them to claim the same as well as unpaid dividend, if any, for the subsequent years.

The Company has uploaded the details of unclaimed dividend on the Company's website at www.bajajfinserv.in and also on website specified by the Ministry of Corporate Affairs <http://www.iepf.gov.in/IEPF/services.html>

Transfer of shares to IEPF

Pursuant to section 124(6) of the Act, all shares in respect of which dividend has not been paid or claimed for seven consecutive years or more shall be transferred by the Company within a period of thirty days of such shares becoming due to be transferred to IEPF.

Accordingly, in due compliance of the provisions of rule 6(3) of IEPF Rules, 2016, the Company will send individual letters through ordinary/speed post/email to such shareholders, whose dividend from the year 2012-13 has remained unclaimed, requesting them to claim the amount of unpaid dividend on or before the Company proceeds with transfer of related shares to the demat account of IEPF. The Company also publishes, on an annual basis, a notice in the newspapers intimating the members regarding the said transfer and these details will also be made available on the Company's website www.bajajfinserv.in

During the year under review, the Company transferred 55,506 (P.Y. 12,701) equity shares of face value of ₹ 5 each in respect of 94 (P.Y. 74) shareholders to the demat account of the IEPF Authority held with NSDL/CDSL. Details of such shareholders, whose shares are transferred to IEPF and their unpaid dividends for the subsequent years are available to the concerned shareholders on the Company's website www.bajajfinserv.in

Shareholders can claim such unpaid dividends and underlying shares transferred to the Fund by following the procedure prescribed in the IEPF Rules. A link of the procedure to claim is available on the Company's website www.bajajfinserv.in

Shareholders are requested to get in touch with the nodal officer for further details on the subject at investors@bajajfinserv.in

Share transfer system

SEBI amended regulation 40 of SEBI Listing Regulations, 2015, prohibiting transfer of securities (except transmission or transposition of shares) in physical form from 1 April 2019. Accordingly, the Company has sent letters to members holding shares in physical form advising them to dematerialise their holdings. During FY2020, no shares were transferred in the physical form except for those for whom the transfer deed was lodged prior to 1 April 2019 and were returned due to deficiency in the document and were thus re-lodged post 1 April 2019.

Share transfers received by KFin/Company are registered within 15 days from the date of receipt, provided the documents are complete in all respects. The total number of shares transferred in the physical category during 2019-20 was 66,137 versus 59,059 during 2018-19. The details thereof were placed before the Board of Directors on a quarterly basis.

Relaxation granted by SEBI in wake of the COVID-19 pandemic

SEBI, considering the nation-wide lockdown, in the wake of the COVID-19 pandemic, granted relaxation by extending the timelines for processing various investor requests in case of physical securities including rematerialisation of shares, transmission of shares, resolution of grievances, issue of duplicate share certificates, etc.

Dematerialisation/rematerialisation of shares and liquidity

During 2019-20, 186,015 shares were dematerialised, compared to 425,684 shares during 2018-19. Total 31 shares were rematerialised during 2019-20. No shares were rematerialised during 2018-19. Shares held in physical and electronic mode as on 31 March 2020 are as given in Table 1.

Table 1: Shares held in physical and electronic mode

Particulars	Position as on 31 March 2020		Position as on 31 March 2019		Net change during 2019-20	
	No. of shares	% to total shareholding	No. of shares	% to total shareholding	No. of shares	% to total shareholding
Physical	9,332,473	5.86	9,572,885	6.02	(240,412)	(0.16)
Demat						
NSDL	145,815,723	91.63	145,531,730	91.45	283,993	0.18
CDSL	3,989,094	2.51	4,031,496	2.53	(42,402)	(0.02)
Sub-total	149,804,817	94.14	149,563,226	93.98	241,591	0.16
Total	159,137,290	100.00	159,136,111	100.00	1,179	

Stock code

1. BSE Ltd. (BSE)	532978
2. National Stock Exchange of India Ltd. (NSE)	BAJAJFINSV
3. ISIN for depositories (NSDL and CDSL)	INE918101018
4. Bloomberg	BJFIN IN
5. Reuters	BJFS. BO

Listing on stock exchanges

Shares of the Company are currently listed on the following stock exchanges:

Name	Address
1. BSE Ltd. (BSE)	25th Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001
2. National Stock Exchange of India Ltd. (NSE)	Exchange Plaza, C-1, Block G, Bandra-Kurla Complex, Bandra (E), Mumbai 400 051

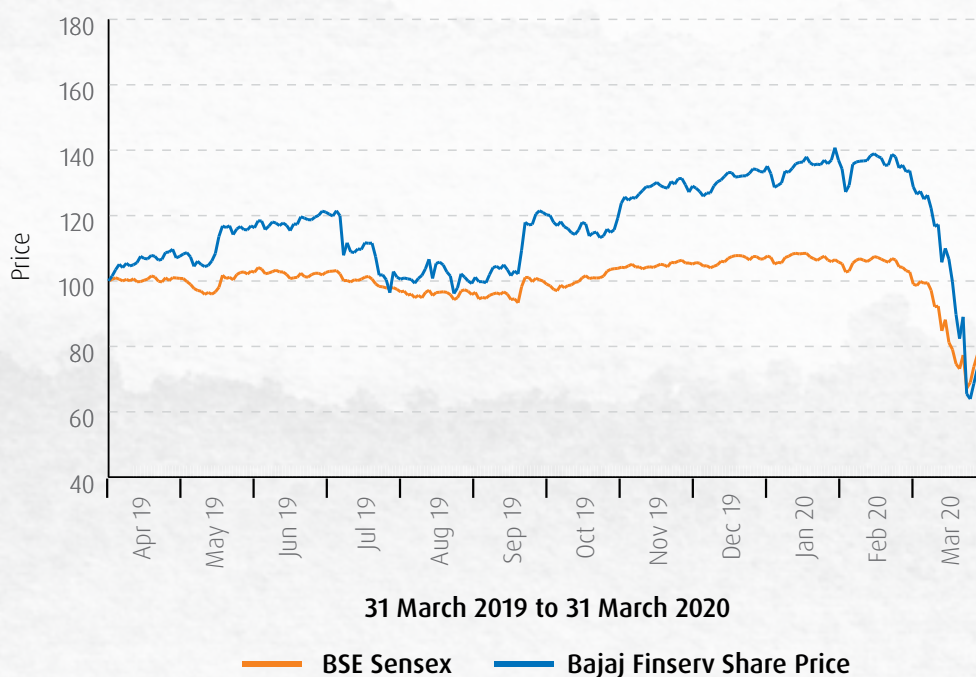
Pursuant to the SEBI Listing Regulations, 2015, the Company has entered into a Uniform Listing Agreement with BSE and NSE. For the year 2019-20, the listing fees payable to these stock exchanges have been paid in full.

Market price data

Table 2: Monthly highs and lows of equity shares of Bajaj Finserv Ltd. during 2019-20 (₹ vis-à-vis BSE Sensex)

Month	BSE		NSE		Closing BSE Sensex
	High	Low	High	Low	
Apr 19	7,740.40	7,037.40	7,747.20	7,040.00	39,031.55
May 19	8,327.70	7,225.35	8,335.00	7,226.05	39,714.20
Jun 19	8,565.80	8,091.00	8,557.85	8,094.65	39,394.64
Jul 19	8,577.05	6,626.10	8,580.00	6,631.70	37,481.12
Aug 19	7,585.00	6,588.80	7,590.00	6,581.00	37,332.79
Sep 19	8,668.65	6,938.05	8,668.80	6,950.00	38,667.33
Oct 19	8,605.00	7,853.00	8,613.95	7,852.00	40,129.05
Nov 19	9,280.00	8,133.30	9,284.75	8,110.50	40,793.81
Dec 19	10,297.00	8,827.85	9,482.00	8,821.05	41,253.74
Jan 20	9,970.00	8,975.00	9,950.00	8,961.60	40,723.49
Feb 20	9,838.00	8,800.05	9,840.95	8,820.00	38,297.29
Mar 20	9,320.35	4,160.60	9,300.00	4,160.25	29,468.49

Bajaj Finserv Ltd. stock performance Vs BSE Sensex, during 2019-20, indexed to 100 on 31 March 2019



Distribution of shareholding

Table 3 gives details about the pattern of shareholding across various categories as on 31 March 2020, while Table 4 gives the data according to size classes.

Table 3: Distribution of shareholding across categories

Categories	31 March 2020		31 March 2019	
	No. of shares	% to total capital	No. of shares	% to total capital
Promoters	96,757,348	60.80	92,886,208	58.37
Friends and associates of promoters	12,317,968	7.74	16,190,309	10.17
Foreign Institutional Investors/Foreign Portfolio Investors	13,711,004	8.62	13,212,387	8.30
Public Financial Institutions	2,447,591	1.54	3,848,053	2.42
Mutual Funds	6,309,254	3.96	5,896,219	3.71
Nationalised and other banks	151,861	0.10	131,080	0.08
Alternate Investment Fund	359,559	0.23	456,653	0.29
NRIs and OCBs	1,176,399	0.74	1,178,494	0.74
Others	25,906,306	16.28	25,336,708	15.92
Total	159,137,290	100.00	159,136,111	100.00

Table 4: Distribution of shareholding according to size class as on 31 March 2020

Categories	Number of shareholders	% to total shareholders	Number of shares	% to total shares
1 to 500	166,416	97.21	4,634,201	2.91
501 to 1000	1,749	1.02	1,252,892	0.79
1001 to 2000	1,142	0.67	1,628,104	1.02
2001 to 3000	495	0.29	1,229,203	0.77
3001 to 4000	268	0.16	933,165	0.59
4001 to 5000	186	0.11	842,938	0.53
5001 to 10000	361	0.21	2,474,895	1.56
10001 and above	571	0.33	146,141,892	91.83
Total	171,188	100.00	159,137,290	100.00

Shareholders' and investors' grievances

The Board of Directors of the Company has a Stakeholders Relationship Committee to specifically look into and resolve grievances of security-holders on various matters.

Routine queries/complaints received from shareholders are promptly attended. Queries/complaints received during the period under review related to non-receipt of dividend, non-receipt of annual report and share certificates and rejection of demat request. As on 31 March 2020, there were no pending issues to be addressed or resolved.

During the year, letters were received from SEBI/ROC/Stock Exchanges/Investors concerning nine complaints filed by the shareholders on various matters. In respect of each of these complaints, replies were sent to SEBI/ROC/Stock Exchanges/Investors in the prescribed format, as the case may be and no action remained to be taken at the Company's end.

As a step towards green initiative, the Company has availed of special services offered by NSDL to update email addresses of more number of shareholders of the Company who have not registered their email addresses. This would enable such shareholders to immediately receive various email communication from the Company from time to time including the Annual Report, dividend credit intimation, half-yearly communication, etc.

KPRISM-Mobile service application by KFin

To enhance shareholders' experience and with an aim to resolve shareholders' grievance at the earliest, KFin has launched a new mobile application-'KPRISM' for providing online service to shareholders. KPRISM can be accessed at <http://kprism.karvy.com/>. Shareholders may download the mobile application and register themselves (which is a one-time activity) for availing of a host of services.

Demat suspense account with HDFC Bank for unclaimed shares

In accordance with the provisions contained in clause 5A of erstwhile Listing Agreement (corresponding to regulation 39(4) of SEBI Listing Regulations, 2015), as amended by SEBI vide circular dated 16 December 2010, the Company, during the year 2011-12, had sent three reminders to such shareholders whose shares were lying 'undelivered/unclaimed' with the Company, followed by opening of the unclaimed share suspense demat account titled 'Bajaj Finserv Ltd. Unclaimed Suspense Account' with HDFC Bank in April 2012. After completing the necessary formalities, 17,947 shares held by 100 shareholders were transferred to the said suspense account in April 2012. Voting rights on such shares are to remain frozen till the rightful owner claims the shares. The Company, acting as a trustee in respect of the unclaimed shares, follows the modalities for the operation of the said account in the manner set out in regulation 39(4) of SEBI Listing Regulations, 2015.

The summary of this account for the year 2019-20 is as follows:

Sr. No.	Particulars	No. of shareholders	No. of shares
i.	Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account as on 1 April 2019	10	356
ii.	Number of shareholders who approached the Company for transfer of shares from the Unclaimed Suspense Account during the year 2019-20	1	30
iii.	Number of shareholders to whom shares were transferred from the Unclaimed Suspense Account during the year 2019-20	1	30
iv.	Number of shareholders whose shares were transferred to the IEPF Authority during the year 2019-20	8	319
v.	Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense Account as on 31 March 2020	1	7

Nomination

Individual shareholders holding shares singly or jointly in physical form can nominate a person in whose name the shares shall be transferable in the case of death of the registered shareholder(s). The prescribed nomination form (SH-13) will be sent by KFin upon such request and is also available on the Company's website www.bajajfinserv.in

Nomination facility for shares held in electronic form is also available with depository participants.

Credit Rating

The Company has neither issued any debt instruments nor undertaken any fixed deposit programme or any scheme or proposal involving mobilisation of funds in India or abroad. As such, the Company does not have list of credit ratings under Regulation 34 read with Schedule V to SEBI Listing Regulations, 2015.

Live webcast of AGM

Pursuant to regulation 44(6) of SEBI Listing Regulations, 2015, top 100 listed entities shall, with effect from 1 April 2019, provide one-way live webcast of the proceedings of their AGM.

Accordingly, the Company has entered into an arrangement with KFin, to facilitate live webcast of the proceedings of the ensuing AGM scheduled on 21 July 2020.

Members who are entitled to participate in the AGM can view the proceedings of AGM by logging on the e-voting website of KFin at <https://emeetings.kfintech.com/> using the secure login credentials provided for e-voting.

AGM through VC

Pursuant to MCA circulars, the Company will also provide two way video conferencing or webex facility to the members for participating in the 13th AGM. For more details, please refer the Notice of the 13th AGM, which is placed on the Company's website at <https://www.bajajfinserv.in/finserv-investor-relations-annual-reports> and on the website of Stock Exchanges.

Voting through electronic means

Pursuant to section 108 of the Act and the Rules made thereunder and provisions under SEBI Listing Regulations, 2015, every listed company is required to provide its members the facility to exercise their right to vote at general meetings by electronic means.

The Company has entered into an arrangement with KFin, the authorised agency for this purpose, to facilitate such e-voting for its members. The shareholders would therefore be able to exercise their voting rights on the items put up in the notice of AGM through such e-voting method .

Further, in accordance with the Companies (Management and Administration) Rules, 2014 and MCA circulars, the Company will also provide e-voting facility for members attending the AGM through VC or OAVM.

Shareholders who are attending the meeting through VC or OAVM and who have not already cast their votes by remote e-voting shall be able to exercise their right of voting at the meeting.

Cut-off date, as per the said Rules, shall be **14 July 2020** and the remote e-voting shall be open for a period of 3 (three) days, from **18 July 2020 (9.00 a.m.)** till **20 July 2020 (5.00 p.m.)**.

The Board has appointed Shyamprasad D Limaye, Practising Company Secretary, as Scrutiniser for the e-voting process.

Detailed procedure is given in the Notice of the 13th AGM and is also placed on the Company's website <https://www.bajajfinserv.in/finserv-investor-relations-annual-reports>

Shareholders may get in touch with the Company Secretary for further assistance.

Outstanding convertible instruments/ ADRs/GDRs/Warrants

The Company does not have any outstanding convertible instruments/ADRs/GDRs/Warrants as on date.

Address for correspondence

Investors and shareholders can correspond with the office of the share transfer agent of the Company or the registered office of the Company at the following addresses:

Share transfer agent

KFin Technologies Pvt. Ltd.

(earlier known as Karvy Fintech Pvt. Ltd.)

Unit: Bajaj Finserv Ltd.

Selenium Tower B, Plot 31-32,

Gachibowli Financial District,

Nanakramguda,

Hyderabad 500 032.

Contact persons

M S Madhusudhan/Mohd. Mohsinuddin

Tel No: (040) 6716 2222

Fax No: (040) 2300 1153

Toll Free No: 1800 345 4001

Email: mohsin.mohd@kfintech.com

Website: www.kfintech.com

Company

Bajaj Finserv Ltd.

Bajaj Auto Ltd. Complex,

Mumbai-Pune Road,

Akurdi, Pune 411 035

Company Secretary and Compliance Officer

Sonal R Tiwari

Tel No: (020) 6610 7458

Email: investors@bajajfinserv.in

Website: www.bajajfinserv.in

DIRECTORS' REPORT

The directors present their Thirteenth Annual Report and the audited standalone and consolidated financial statements for the year ended 31 March 2020.

Financial results

The financial results of the Company are elaborated in the Management Discussion and Analysis Report.

The highlights of the **Standalone Financial Results** are as follows:

Particulars	(₹ In Crore)	
	FY2020	FY2019
Total income	815.16	448.56
Total expenses	133.28	122.57
Profit before tax	681.88	325.99
Tax expense	15.02	18.82
Profit for the year	666.86	307.17
Earnings per share (₹)	41.9	19.3

Closing balances in reserve/other equity

Particulars	FY2020	FY2019
Securities premium account	929.26	929.18
General Reserve	1,197.14	1,197.14
Share based payments reserve	32.45	3.04
Treasury shares	(200.17)	(25.85)
Retained earnings	1,497.18	951.98
Total	3,455.86	3,055.49

Note: Detailed movement of above reserves can be seen in 'Statement of Changes in Equity'.

The highlights of the Consolidated Financial Results are as follows:

Particulars	(₹ In Crore)	
	FY2020	FY2019
Total income	54,351.47	42,605.57
Total expenses	46,050.47	34,452.19
Profit before tax	8,301.66	8,154.74
Tax expense	2,308.06	2,780.89
Profit after tax	5,993.60	5,373.85
Profit attributable to non-controlling interests	2,624.47	2,154.81
Profit for the year	3,369.13	3,219.04
Earnings per share (₹)	211.7	202.3

Dividend Distribution Policy

As mandated under regulation 43A of SEBI Listing Regulations, 2015, for the top 500 companies as on 31 March 2016 by market capitalisation, the Board of Directors of the Company at its meeting held on 27 October 2016 adopted a Dividend Distribution Policy for the Company. The Policy sets out the parameters and circumstances that will be taken into account by the Board in determining the distribution of dividend to its shareholders.

As a green initiative, the Dividend Distribution Policy is placed on Company's website www.bajajfinserv.in/miscellaneous-divident-policy.pdf

A copy of the Policy will be made available by email to any shareholder on request.

Dividend

The Board of Directors, at their meeting held on 21 February 2020, declared an interim dividend of ₹ 5 per equity share (100%) of face value of ₹ 5, payable to shareholders holding shares as on the record date viz., 4 March 2020. The amount of interim dividend and tax thereon aggregate to ₹ 79.57 crore.

The directors recommend for consideration of the shareholders at the ensuing Annual General Meeting (AGM), the above referred interim dividend as final dividend for the financial year ended 31 March 2020.

For the year ended 31 March 2019, the dividend paid was ₹ 2.50 per share of face value of ₹ 5 each (50%) and the total dividend and the tax thereon to the extent applicable aggregated to ₹ 39.79 crore.

Share capital

The paid-up equity share capital as on 31 March 2020 was ₹ 79.57 crore consisting of 159,137,290 fully paid-up equity shares of face value of ₹ 5 each. During the Rights Issue of equity shares made by the Company in 2012, certain shares had been kept in abeyance as required by law. With resolution of a few cases during the year under review, the Company has allotted 1,179 equity shares of the face value of ₹ 5 each at the original Rights Issue price of ₹ 650 per share to the eligible shareholders.

During the year under review, the Company granted 1,64,925 stock options pursuant to Bajaj Finserv Ltd. Employee Stock Option Scheme 2018 (BFS-ESOS).

There was no public issue, rights issue, bonus issue or preferential issue, etc. during the year under review. The Company has not issued shares with differential voting rights or sweat equity shares.

Classification of the Company as a Core Investment Company (CIC)

The Company having satisfied the criteria specified for being a CIC, not requiring registration with RBI pursuant to the provisions of section 45-IA of RBI Act, 1934, had applied to RBI in this regard on 26 June 2015.

In response to the above, RBI vide its Order dated 23 October 2015 has cancelled the certificate of registration to carry on the business of NBFC issued to the Company and has confirmed the eligibility of the Company as a CIC, not requiring registration with RBI, pursuant to the provisions of section 45-IA of the RBI Act, 1934. The Company is thus a CIC under the said provisions.

Operations

Detailed information on the operations of the different business lines of the Company and details on the state of affairs of the Company are covered in the Management Discussion and Analysis Report.

Incorporation of Bajaj Finserv Health Ltd. a wholly-owned subsidiary

During the year under review, the Company incorporated a wholly-owned subsidiary 'Bajaj Finserv Health Ltd.' Over time, this entity is expected to create a digital ecosystem in the healthcare segment connecting customers with service providers in the healthcare space such as doctors, hospitals, nursing homes, pharmacies, diagnostic centres and the like by offering a complete range of products including financial solutions such as distribution of insurance and healthcare finance.

Adoption of Confederation of Indian Industry (CII) Charters

Your Company has established several policies covering Code of Conduct for directors and employees including anti-corruption clauses, as well as policies for fair and responsible workplace practices. These policies are integrated into business operations. The Company has also signed the following charters of CII in this regard which strengthens the Company's commitment to these policies.

1. Model Code of Conduct for Ethical Business Practices
2. Charter on Fair & Responsible Workplace Guidelines for Collaborative Employee Relations
3. Charter on Fair & Responsible Workplace Guidelines for Contract Labour.

Further details of these policies are available in our Business Responsibility Report.

Extract of annual return

The extract of annual return as provided under sub-section (3) of section 92 of the Companies Act, 2013 ('the Act') in the prescribed form MGT-9 is annexed to this Report and also placed on the Company's website <https://www.bajajfinserv.in/finserv-investor-relations-annual-reports>

Number of meetings of the Board

Six meetings of the Board were held during the year as against the statutory requirement of four meetings. Detailed information is given in the Corporate Governance Report.

Directors' responsibility statement

As required under clause (c) of sub-section (3) of section 134 of the Act, directors, to the best of their knowledge and belief, state that:

- in the preparation of the annual accounts, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;
- the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the directors had prepared the annual accounts on a going concern basis;
- the directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Details in respect of frauds reported by auditors under section 143(12)

During the year under review, there were no frauds reported by the Statutory Auditors to the Audit Committee or the Board under section 143(12) of the Act.

Declaration by independent directors

The independent directors have submitted a declaration of independence, as required pursuant to section 149(7) of the Act stating that they meet the criteria of independence as provided in section 149(6) of the Act, and regulation 16 of SEBI Listing Regulations, 2015.

The Board took on record the declaration and confirmation submitted by the independent directors regarding them meeting the prescribed criteria of independence, after undertaking due assessment of the veracity of the same as required under regulation 25 of SEBI Listing Regulations, 2015.

The Ministry of Corporate Affairs vide its circular dated 22 October 2019 further amended the Companies (Appointment and Qualification of Directors) Rules, 2014 by requiring an independent director to apply online, within 1 May 2020, to the Indian Institute of Corporate Affairs for inclusion of his/her name in the data bank for such period till he/she continues to hold office of an independent director in any company. The independent directors were also required to submit a declaration of compliance in this regard. All the independent directors of the Company have submitted the declaration with respect to the same.

Directors' Remuneration Policy and criteria for matters under section 178

The salient features of the Policy on directors' appointment and remuneration forms a part of the 'Corporate Governance Report'. The said policy is placed on the Company's website www.bajajfinserv.in

Particulars of loans, guarantees or investments

Information regarding loans, guarantees and investments covered under section 186 of the Act, are detailed in the financial statements.

Related party transactions

No Related Party Transactions (RPTs) were entered into by the Company during the year under review which attracted the provisions of section 188 of the Act. Further, there being no 'material' RPTs as defined under regulation 23 of SEBI Listing Regulations, 2015, there are no details to be disclosed in form AOC-2 in that regard.

During the year 2019-20, pursuant to section 177 of the Act and regulation 23 of SEBI Listing Regulations, 2015, all RPTs were placed before the Audit Committee for its approval. All related party transactions during the year were conducted at arms' length and were in the ordinary course of business.

The revised Policy on materiality of RPTs and also on dealing with RPTs has been formulated by the Board at its meeting held on 16 July 2014 and amended on 14 October 2014. The said Policy was further amended, *inter alia*, stipulating the threshold limits on 12 March 2019 and the same is placed on the Company's website www.bajajfinserv.in

Material changes and commitments

There have been no material changes and commitments, affecting the financial position of the Company, which have occurred between the end of the financial year of the Company and the date of this Report.

Conservation of energy and technology absorption

Particulars regarding conservation of energy are as follows:

The Company is engaged in wind-farm activities in addition to its financial services activities. A summary of the performance of the wind power division is available in the Management Discussion and Analysis which forms part of this Annual Report. Being essentially a financial services Company, no particulars regarding technology absorption are required to be given in this Report.

Steps taken to conserve energy and utilise alternate sources of energy:

The Company has installed a renewable energy (wind) project with a capacity of 65.2 MW. During the year under review, it generated 792 lakh units which it sold to third parties.

It, however, is unable to make captive use of wind energy, because new regulations do not permit the same where monthly demand is less than 700 KW. The Company has installed LED lamps in place of tube lights and CFL, thereby reducing energy consumption in lighting by around 864 units during the year.

Further details of initiatives taken by the Company are provided in the annexed Business Responsibility Report.

Foreign exchange earnings and outgo

Total foreign exchange earned by the Company was ₹ Nil during the year under review, as well as during the previous year.

Total foreign exchange outflow during the year under review was ₹ 0.64 crore, as against ₹ 0.85 crore during the previous year.

Risk Management Policy

Information on the development and implementation of a Risk Management Policy for the Company including identification therein of elements of risk, which in the opinion of the Board may threaten the existence of the Company, is given in the Corporate Governance Report.

Corporate Social Responsibility (CSR)

Detailed information on the CSR Policy developed and implemented by the Company on CSR initiatives taken during the year in compliance with section 135 of the Act and Rules made thereunder is given in the annexed Annual Report on CSR activities.

Formal annual evaluation of the performance of the Board, its Committees, Chairperson & Individual Directors

Information on the manner in which formal annual evaluation has been made by the Board of its own performance and that of its Committees, Chairperson and Individual Directors is given in the annexed 'Corporate Governance Report'.

Subsidiary and Joint Venture

Following are the subsidiary and joint venture companies of the Company as at 31 March 2020

Name of the company	% Shareholding	Status
Bajaj Allianz Life Insurance Company Ltd.	74%	Subsidiary
Bajaj Allianz General Insurance Company Ltd.	74%	Subsidiary
Bajaj Finance Ltd.	52.82%	Subsidiary
Bajaj Finserv Direct Ltd. (100% subsidiary of Bajaj Finserv Ltd.)	100%	Subsidiary
Bajaj Finserv Health Ltd.* (100% subsidiary of Bajaj Finserv Ltd.)	100%	Subsidiary
Bajaj Housing Finance Ltd. (100% subsidiary of Bajaj Finance Ltd.)	-	Subsidiary
Bajaj Financial Securities Ltd. (100% subsidiary of Bajaj Finance Ltd.)	-	Subsidiary
Bajaj Allianz Financial Distributors Ltd.	50%	Joint Venture
Bajaj Allianz Staffing Solutions Ltd. (100% subsidiary of Bajaj Allianz Financial Distributors Ltd.)	-	Joint Venture

*Incorporated on 5 July 2019

Detailed information on the performance and financial position of each subsidiary/joint venture of the Company is covered in the Management Discussion and Analysis Report and in Form AOC-1 of consolidated financial statements.

Directors and Key Managerial Personnel-Changes

A. Change in Directorate

i. Sad demise of Chairman and Independent Director

Your directors express their profound grief on the sudden demise of Nanoo Pamnani.

He was an independent director of the Company since January 2008 and was appointed as Chairman of the Company with effect from 17 May 2019. He was member/chairman of various Board Committees. He passed away on 22 February 2020 and consequently ceased to be a director of the Company. The Board places on record its sincere appreciation for the invaluable guidance, services and mentorship provided by him as an independent director and Chairman of the Company.

ii. Appointment of Chairman

In view of the sad demise of Shri Nanoo Pamnani, the Board of Directors accorded its approval by way of circular resolution for the appointment of Sanjiv Bajaj, Managing Director & CEO of the Company as Chairman of the Company with effect from 17 March 2020, in place of Nanoo Pamnani.

iii. Retirement by Rotation

The independent directors hold office for a fixed term not exceeding five years from the date of their appointment and are not liable to retire by rotation. The Companies Act, 2013, mandates that at least two-thirds of the total number of directors (excluding independent directors) shall be liable to retire by rotation and one-third of such directors shall retire from office at every AGM. Accordingly, Rajiv Bajaj (DIN 00018262), director, being the longest in the office amongst the three directors liable to retire by rotation, retires from the Board by rotation this year and, being eligible, has offered his candidature for re-appointment. Prescribed details of Rajiv Bajaj, director, who is seeking re-appointment are given in the Notice of AGM.

B. Change in KMP

There was no change except as above in Key Managerial Personnel during the year under review.

Detailed information on the directors is provided in the Corporate Governance Report.

Significant and material orders passed by the regulators or courts

During the year under review, no significant and material orders passed by any regulator or court or tribunal, which may impact the going concern status of the Company and its operations in future.

COVID-19 pandemic

The COVID-19 pandemic has caused a huge disruption creating an unprecedented impact on the financial well-being of nations, corporations and individuals. The assessment of impact of COVID-19 on the operations of the Company forms a part of the Management Discussion and Analysis Report.

Internal audit

At the beginning of each financial year, an audit plan is rolled out after the same has been approved by Audit Committee. The audit plan is aimed at evaluation of the efficacy and adequacy of internal control systems and compliance thereof, robustness of internal processes, policies and accounting procedures, compliance with laws and regulations. Based on the reports of internal audit function, process owners undertake corrective action in their respective areas. Significant audit observations and corrective actions thereon are presented to the Audit Committee of Board. More details on Audit Committee on composition and functioning of Audit Committee are given in Corporate Governance Report.

Details of internal financial controls with reference to the financial statements

The Company has documented its internal financial controls considering the essential components of various critical processes, physical and operational. This includes its design, implementation and maintenance along with periodical internal review of operational effectiveness and sustenance, which are commensurate with the nature of its business and the size and complexity of its operations.

This ensures orderly and efficient conduct of its business, including adherence to the Company's policies, safeguarding of its assets, prevention of errors, accuracy and completeness of the accounting records, the timely preparation of reliable financial information and prevention and detection of frauds and errors.

The internal financial controls with reference to the financial statements were adequate and operating effectively.

Postal Ballot

During the year 2019-20, approval of shareholders was sought for the below businesses, through a Postal Ballot. All the resolutions were passed by overwhelming majority:

- **Amendment to Articles of Association**

The Articles of Association of the Company were amended in its entirety as per the form specified in Table F in Schedule I to the Act including insertion of an enabling provision for appointment of any person who has rendered significant or distinguished services to the Company or to the industry to which the Company's business relates or in the public field, as 'Chairman Emeritus'.

- **Investment limit of Foreign Portfolio Investors' (FPIs)**

As per the Foreign Exchange Management (Non-debt Instruments) Rules, 2019, the existing FPI limit with effect from 1 April 2020, will be the sectoral cap i.e. 100 per cent in case of the Company. The said limit be changed to 24 or 49 or 74 per cent with approval of the Board and the shareholders before 31 March 2020. Accordingly, pursuant to the approval of the shareholders by means of a special resolution through a Postal Ballot, the investment limit of Foreign Portfolio Investors was fixed at 24 per cent. As per the said Rules, the said limit of 24% can be enhanced to 49 per cent, 74 per cent or 100 per cent but cannot be reduced.

Maintenance of cost records

Provisions relating to maintenance of cost records as specified by the Central Government under section 148 of the Act, are applicable to the Company and the same have been complied with for the financial year 2019-20.

Presentation of financial statements

The financial statements of the Company for the year ended 31 March 2020 have been disclosed as per Division III of Schedule III to the Act.

Indian Accounting Standards, 2015

The annexed financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under section 133 of the Act. Companies (Indian Accounting Standard) Rules, 2015 and other relevant provisions of the Act.

Consolidated financial statements

The directors also present the audited consolidated financial statements incorporating the duly audited financial statements of the subsidiaries and joint ventures, and as prepared in compliance with the Act, applicable Ind AS and SEBI Listing Regulations, 2015.

A separate statement containing the salient features of our subsidiaries and joint ventures in the prescribed Form AOC-1 is annexed.

Employee stock option scheme

During the year 2018-19, the Company adopted BFS ESOS on 19 July 2018 and since then there has been no change in the BFS ESOS. The BFS ESOS is in compliance with SEBI (Share Based Employee Benefits) Regulations, 2014, and the same has been certified by the Statutory Auditors of the Company.

A statement giving complete details, as at 31 March 2020, pursuant to regulation 14 of the SEBI (Share Based Employee Benefits) Regulations, 2014 is available on the website of the Company and can be accessed at www.bajajfinserv.in/miscellaneous

Details of options vested, exercised, and cancelled are provided in the annexed notes to the financial statements.

Statutory disclosures

- The summary of the key financials of the Company's subsidiaries and joint venture in Form AOC-1 is included in this Annual Report. A copy of the audited financial statements for each of the subsidiary companies will be emailed to members of the Company seeking such information at any point of time. The audited financial statements for each of the subsidiaries will be kept for inspection by any member of the Company at its registered office during business hours. The same are placed on the Company's website www.bajajfinserv.in
- Details as required under section 197(12) of the Act read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 containing, *inter alia*, ratio of remuneration of directors and KMP to median remuneration of employees, percentage increase in the median remuneration, are annexed to this Report.
- Details of top ten employees in terms of the remuneration and employees in receipt of remuneration as prescribed under rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, containing details prescribed under rule 5(3) of the said Rules, which form part of the Directors' Report, will be made available to any member on request, as per provisions of section 136(1) of the Act.
- The directors' responsibility statement as required by section 134(5) of the Act, appears in a preceding paragraph.

- A Cash Flow Statement for the year 2019-20 is attached to the Balance Sheet.
- Pursuant to the legislation 'The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013', the Company has a Policy on Prevention of Sexual Harassment at Workplace and has constituted an Internal Complaints Committee. There was no case reported during the year under review under the said Policy.

Corporate governance

Pursuant to SEBI Listing Regulations, 2015, a separate chapter titled 'Corporate Governance' has been included in this Annual Report, along with the reports on Management Discussion and Analysis and General Shareholder Information.

All Board members and Senior Management Personnel have affirmed compliance with the Code of Conduct for the year 2019-20. A declaration to this effect signed by the Chairman & Managing Director of the Company is contained in this Annual Report.

The Chairman & Managing Director and Chief Financial Officer have certified to the Board with regard to the financial statements and other matters as required under regulation 17(8) of SEBI Listing Regulations, 2015.

A Certificate from the Statutory Auditors of the Company regarding compliance of conditions of corporate governance is annexed to this Report.

Business Responsibility Report

Regulation 34(2) of SEBI Listing Regulations, 2015, *inter alia*, provides that the annual report of the top 1000 listed entities based on market capitalisation (calculated as on 31 March of every financial year) shall include a Business Responsibility Report (BRR).

Since Bajaj Finserv is one of the top 1000 listed entities, the Company, as in the previous years, has presented its BRR for the year 2019-20, which is part of this Annual Report.

For the first time, this BRR also includes elements of Environmental, Social & Governance for the Company and its subsidiaries.

As a green initiative, this BRR, being part of this Annual Report, has been placed on the Company's website <https://www.bajajfinserv.in/finserv-investor-relations-annual-reports>

A copy of the BRR will be made available by email to any shareholder on request.

Secretarial standards of ICSI

Pursuant to the approval given on 10 April 2015 by the Central Government to the Secretarial Standards specified by the Institute of Company Secretaries of India (ICSI), the Secretarial Standards on Meetings of the Board of Directors (SS-1) and General Meetings (SS-2) came into effect from 1 July 2015. The said standards were amended with effect from 1 October 2017. The Company is in compliance with the same.

Auditors

Statutory Auditor

Pursuant to the provisions of section 139 of the Act, the members at the 10th AGM of the Company held on 19 July 2017 appointed S R B C & CO LLP, Chartered Accountants (firm registration no. 324982E/E300003) as Statutory Auditor of the Company from the conclusion of 10th AGM till the conclusion of 15th AGM, covering one term of five consecutive years.

The Statutory Audit Report for the year 2019-20, being unmodified, does not contain any qualification, reservation or adverse remark or disclaimer by the Statutory Auditor.

Secretarial Auditor

Pursuant to the provisions of section 204 of the Act and the Rules made thereunder, the Board has re-appointed Shyamprasad D Limaye, Practising Company Secretary (FCS No. 1587, CP No. 572), to undertake the secretarial audit of the Company. The Secretarial Audit Report for the year 2019-20 as issued by him in the prescribed form MR-3 is annexed to this Report.

Pursuant to amendments under SEBI Listing Regulations, 2015 and SEBI circular dated 8 February 2019, a report on secretarial compliance as required under regulation 24A is being submitted to stock exchanges as obtained from Shyamprasad D Limaye for the financial year 2019-20.

The said Reports do not contain any qualification, reservation or adverse remark or disclaimer by the Secretarial Auditor.

Cost Auditor

Pursuant to section 148 of the Act, and the Rules made thereunder, the Board of Directors had, on the recommendation of the Audit Committee, re-appointed Dhananjay V Joshi & Associates (firm registration no. 000030), Cost Accountants, to audit the cost accounts of the Company for the financial year 2020-21 on a remuneration of ₹ 60,000 plus taxes, out-of-pocket, travelling and living expenses, subject to ratification by the shareholders at the ensuing AGM. Accordingly, a resolution seeking members' ratification for the remuneration payable to the Cost Auditor is included in the Notice convening the AGM.

On behalf of the Board of Directors

Sanjiv Bajaj
Chairman & Managing Director

Pune: 21 May 2020

Annual Report on CSR activities

1. Brief outline of the Company's CSR Policy, including overview of projects or programmes proposed to be undertaken and a reference to the web-link to the CSR Policy and projects or programmes.

Introduction

The vision and philosophy of Late Jamnalal Bajaj, the Founder of Bajaj Group, guide the Corporate Social Responsibility (CSR) activities of the group. He embodied the concept of trusteeship in business and common good, and laid the foundation for ethical, value-based and transparent functioning.

Bajaj Group believes that the true and full measure of growth, success and progress lies beyond balance sheets or conventional economic indices. It is best reflected in the difference that business and industry make to the lives of people.

Through its social investments, the Bajaj Group addresses the needs of communities residing in the vicinity of its facilities by taking sustainable initiatives in the areas of health, education, environment conservation, infrastructure and community development, and response to natural calamities. For society, however, Bajaj is more than a corporate identity. It is a catalyst for social empowerment. It is the reason behind the smiles that light up a million faces.

Its goodwill resonates in the two simple words that live in the collective consciousness of Indians—'Hamara Bajaj'.

Guiding Principles

The Bajaj Group believes that social investments should:

- **Benefit generations:** The Company believes in 'investment in resource creation' for use over generations. The Company tries to identify sustainable projects which will benefit society over long periods.
- **Educate for self-reliance and growth:** To usher in a growth-oriented society and thereby a very strong and prosperous nation, by educating each and every Indian.
- **Promote health:** The Company believes good health is a pre-requisite for both education and productivity.
- **Encourage for self-help:** To guide and do hand holding for self-help, individually and collectively, to create excellence for self and for the team.
- **Be focused:** The Company believes that activities should be preferably focused around locations where it has its presence and hence can effectively guide, monitor and implement specific projects.
- **Target those who need it most:** Care for the sections of the society, which are socially at the lowest rung irrespective of their religion or caste or language or colour.
- **Sustain natural resources:** The Company encourages balanced development and ensures least adverse impact on the environment—Growth with Mother Nature's-blessings.

CSR Policy

A detailed CSR Policy was framed by the Company on 14 May 2014, with approvals of the CSR Committee and the Board of Directors. The Policy, *inter alia*, covers the following:

- Philosophy
- Scope
- List of CSR activities
- Modalities of execution of Projects/Programmes
- Implementation through CSR Cell
- Monitoring and Assessment of Projects/Programmes

CSR policy gives an overview of the projects or programmes which are undertaken by the Company from time to time.

The CSR Policy is placed on the Company's website <https://www.bajajfinserv.in/miscellaneous-csr-policy.pdf>

2. Composition of the CSR Committee

A Committee of directors, titled 'Corporate Social Responsibility Committee', (CSRC) was constituted by the Board at its meeting held on 27 March 2014. However, in view of resignation of Rahul Bajaj as Chairman and Non-Executive Director of the Company with effect from conclusion of the Board Meeting held on 16 May 2019 and to meet the requirements of section 135 of the Companies Act, 2013 ('the Act') the Board of Directors, at its meeting held on 12 March 2019 reconstituted the CSRC with effect from 17 May 2019 as follows:

- Sanjiv Bajaj, Chairman
- Nanoo Pamnani, Member
- Dr. Naushad Forbes, Member

Further, in view of sad demise of Nanoo Pamnani, Chairman and Non-Executive Independent Director of the Company, on 22 February 2020, and to meet the requirements of section 135 of the Act, the Board of Directors, by way of circular resolution dated 17 March 2020, reconstituted CSRC with the following members:

- Sanjiv Bajaj, Chairman
- Dr. Naushad Forbes, Member
- Anami N Roy, Member

During the year under review, the Committee met four times, on 9 May 2019, 19 August 2019, 14 October 2019 and 23 December 2019.

3. Average net profit of the Company for last three financial years prior to 2019-20: ₹ 58 crore.

4. Prescribed CSR Expenditure (2% of amount as in item no. 3 above): ₹ 1.16 crore.

CSR at Bajaj Finserv and its subsidiaries



INTRODUCTION

‘Society must profit from profit itself’ – That was our founding father – Shri Jamnalal Bajaj’s commitment and we continue to live by this commitment. Shri Jamnalal Bajaj embodied these values in our business philosophy, laying the foundation of our Group CSR activities – concentrating on giving back to society.

‘Empowering the society’ is at the core of our CSR program – Finserv Activate. We concentrate on four major areas – Healthcare, Education, Employability and Protection. We work closely with quality service providers and partners to provide solutions – actively and affordability.

OUR FOCUS AREAS

Healthcare

Healthcare has always been a concern in the country. From the last 4 years, we have partnered with various organizations to provide accessible and affordable to all sections of the society. We have setup grants for hospital equipment, financial support for treatments and medicines – ensuring that people, specially in remote areas get access to good quality healthcare at affordable prices.

Our focus area is ‘Children’ in the areas of congenital heart disease, cleft, and palate reconstruction surgeries, treatment for childhood cancers, epilepsy, Type II diabetes, vision care, etc.

Protection

There has always been a concern in the country about children, specially from the lower strata and from less privileged backgrounds. They not only have access to protected atmosphere but battle a lot of hardships with include impoverishment, malnutrition, illness, dysfunctional families, and illiteracy. These are creating a roadblock in the child’s future, if tackled or removed the children can have to opportunity to better their life’s. We support various partners that provide shelter, education, as well as care for street children, abandoned children, and children in vulnerable communities. With the aim of creating an inclusive environment that channelizes the energies of these children towards productive purposes.

Employability

There is always a gap in graduate employability – this is more prominent in first-generation graduates. We believe that there is vast potential in the student population India, but most of them do not get opportunities to live up to that. We run a Certificate Programme in Banking, Finance and Insurance (‘CPBFI’), to enhance skills and improve knowledge to graduates in tier 2 and below locations. We have partnered with 102 colleges in 7 states to conduct CPBFI for final year graduation and post-graduation students.

Education

Access to basic education is a challenge for a strata of our society. We work with several partners to support projects like schools for children with special needs, municipal schools, night schools, and open schools for children who could not continue with their education. Through these initiatives, we hope to provide an equal opportunity for all children to access education and shape a better future for themselves.

5. Details of CSR spent during the financial year:

(₹ in Crore)

Particulars	
Total amount to be spent	1.16
Amount Spent	1.20
Amount Unspent, if any (a-b)	Nil
Manner in which the amount spent/committed during the financial year	As provided in enclosed Table 1*

*In addition to what is stated above, Bajaj Group implements many CSR initiatives of substantial value through its Group Charitable Trusts operating at various locations in the country.

Major initiatives that continued and/or that were taken up anew by the Bajaj Group through such entities during the year under review are given in another detailed report which is placed on the Company's website <https://www.bajajfinserv.in/finserv-investor-relations-annual-reports>

6. In case the Company fails to spend the 2% of the average net profit of the last three financial years, the reasons for not spending the amount shall be stated in the Board Report-
Not Applicable

7. Responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy is in compliance with the CSR objectives and Policy of the Company

The CSR Committee confirms that the implementation and monitoring of CSR Policy is in compliance with CSR objectives and Policy of the Company.

Sanjiv Bajaj
Chairman & Managing Director
Chairman of CSR Committee

Pune: 21 May 2020

Table 1: Report on manner of expenditure for CSR during the financial year ended 31 March 2020

(₹ In Crore)

Sr. No.	Direct/Name and details of Implementing Agency	CSR Project/Activity Identified	Sector in which the project is covered	Location of Project/ Programme (Local Area or State/District)	Amount outlay/ Approved	Amount spent direct/ overheads during the year	Cumulative expenditure up to 31 March 2020
1.	Direct-Employability and Skill Development Initiative	Employment enhancing vocational skills training for fresh graduates seeking career in banking, finance and insurance sector	Promoting Education (ii)	Pan-India	2.94	0.45	2.85
2.	Bajaj Finserv Charitable Trust	Support for rural development initiative	Rural development (x)	Maharashtra	0.25	0.25	0.25
3.	Muktangan Mitra	Deaddiction camp and programme	Promoting Healthcare including preventive Healthcare (i)	Pune, Maharashtra	0.25	0.14	0.25
4.	Institute for Psychological Health	Community Mental Health Center	Promoting Healthcare including preventive Healthcare (i)	Pune, Maharashtra	0.70	0.35	0.70
Total (A)						1.19	
Overhead expenses restricted to 5% of total CSR expenditure (B)						0.01	
Grand Total (A+B)						1.20	

Notes: Amounts mentioned above under Serial No. 2 to 4 relate to amounts spent through implementing agencies, while Serial No. 1 relates to amount directly spent by the Company.

Extract of Annual Return (Form MGT-9)

As on the financial year ended 31 March 2020

[Pursuant to section 92(3) of the Act and rule 12(1) of Companies (Management and Administration) Rules, 2014]

I. Registration and other details

Corporate Identification Number (CIN)	L65923PN2007PLC130075
Registration Date	30 April 2007
Name of the Company	Bajaj Finserv Ltd.
Category/Sub-category of the Company	Core Investment Company (CIC) w.e.f. 23 October 2015 (Non-Banking Financial Company up to 22 October 2015)
Address of the registered office and contact details	Bajaj Auto Ltd. Complex, Mumbai-Pune Road, Akurdi, Pune 411 035, Maharashtra Email: investors@bajajfinserv.in Tel. No. (020) 6610 7458
Whether listed company	Yes (BSE and NSE)
Name, address and contact details of the Registrar and Transfer Agent	KFin Technologies Pvt. Ltd. Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad 500 032 Contact Persons M.S. Madhusudan Mohd. Mohsinuddin Tel No. (040) 6716 2222 Tel No. (040) 6716 1562 Fax No. (040) 2300 1153 Toll Free No. 1800 345 4001 Email: mohsin.mohd@kfintech.com Website: www.kfintech.com

II. Principal business activities of the Company

Sr. No.	Name and description of the main products/services	NIC Code of the product/service	% to total turnover of the Company
1	Investment activity	6430	91
2	Electric power generation	3510	5

III. Particulars of holding, subsidiary and associate companies

Sr. No.	Name of company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held as on 31 March 2020	Applicable section
1	Bajaj Finance Ltd. (BFL)	L65910MH1987PLC042961	Subsidiary	52.82	Section 2(87)
2	Bajaj Allianz Life Insurance Company Ltd.	U66010PN2001PLC015959	Subsidiary	74.00	Section 2(87)
3	Bajaj Allianz General Insurance Company Ltd.	U66010PN2000PLC015329	Subsidiary	74.00	Section 2(87)
4	Bajaj Finserv Direct Ltd. [100% shares held by Bajaj Finserv Ltd.]	U65923PN2014PLC150522	Subsidiary	100.00	Section 2(87)
5	Bajaj Finserv Health Ltd.* [100% shares held by Bajaj Finserv Ltd.]	U85320PN2019PLC185286	Subsidiary	100.00	Section 2(87)
6	Bajaj Housing Finance Ltd. [100% shares held by BFL]	U65910PN2008PLC132228	Subsidiary	-	Section 2(87)
7	Bajaj Financial Securities Ltd. [100% shares held by BFL]	U67120PN2010PLC136026	Subsidiary	-	Section 2(87)
8	Bajaj Allianz Financial Distributors Ltd. (BAFDL)	U65923PN2007PLC129802	Joint Venture	50.00	-
9	Bajaj Allianz Staffing Solutions Ltd. [100% shares held by BAFDL]	U74900PN2015PLC154364	Joint Venture	-	-

*incorporated on 5 July 2019.

IV. Shareholding pattern (equity share capital break up as percentage of total equity)

i) Category-wise shareholding

Category of shareholders	No. of shares held at the beginning of the year as on 1 April 2019				No. of shares held at the end of the year as on 31 March 2020				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
A. Promoters									
1) Indian									
a) Individual/HUF	8,244,370	-	8,244,370	5.18	8,244,370	-	8,244,370	5.18	0.00
b) Central Government	-	-	-	-	-	-	-	-	-
c) State Government(s)	-	-	-	-	-	-	-	-	-
d) Bodies Corporate	84,641,838	-	84,641,838	53.19	88,512,978	-	88,512,978	55.62	2.43
e) Banks/Financial Institutions	-	-	-	-	-	-	-	-	-
f) Any other	-	-	-	-	-	-	-	-	-
Sub-Total (A)(1)	92,886,208	-	92,886,208	58.37	96,757,348	-	96,757,348	60.80	2.43
2) Foreign									
a) NRIs-Individual	-	-	-	-	-	-	-	-	-
b) Others-Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corporate	-	-	-	-	-	-	-	-	-
d) Banks/ Financial Institutions	-	-	-	-	-	-	-	-	-
e) Any Other	-	-	-	-	-	-	-	-	-
Sub-Total (A)(2)	-	-	-	-	-	-	-	-	-
Total shareholding of Promoter (A)=(A)(1)+(A)(2)	92,886,208	-	92,886,208	58.37	96,757,348	-	96,757,348	60.80	2.43
B. Public Shareholding									
1) Institutions									
a) Mutual Funds	5,895,794	425	5,896,219	3.71	6,308,829	425	6,309,254	3.96	0.25
b) Banks/ Financial Institutions	142,810	9,945	152,755	0.10	2,596,707	2,745	2,599,452	1.63	1.53

i) Category-wise shareholding (Contd.)

Category of shareholders	No. of shares held at the beginning of the year as on 1 April 2019				No. of shares held at the end of the year as on 31 March 2020				% change during the year
	Demat	Physical	Total	% of total shares	Demat	Physical	Total	% of total shares	
c) Central Government	-	-	-	-	-	-	-	-	-
d) State Government(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	3,826,428	300	3,826,728	2.40	-	-	-	-	(2.40)
g) Foreign Institutional Investors/Foreign Portfolio Investors	13,211,237	1,150	13,212,387	8.30	13,709,854	1,150	13,711,004	8.62	0.32
h) Alternate Investment Fund	456,653	-	456,653	0.29	359,559	-	359,559	0.23	(0.06)
i) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
j) Others	-	-	-	-	-	-	-	-	-
Qualified Institutional Buyer	-	-	-	-	662,630	-	662,630	0.42	0.42
Sub-total (B)(1)	23,532,922	11,820	23,544,742	14.80	23,637,579	4,320	23,641,899	14.86	0.06
2) Non-Institutions									
a) Bodies Corporate									
i) Indian	11,950,560	642,438	12,592,998	7.91	7,824,074	642,633	8,466,707	5.32	(2.59)
ii) Overseas	-	75	75	0.00	-	75	75	0.00	0.00
b) Individuals									
i) Individual shareholders holding nominal share capital up to ₹ 1 lakh	12,029,515	761,609	12,791,124	8.04	12,263,399	637,902	12,901,301	8.11	0.07
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	6,292,182	8,146,828	14,439,010	9.07	5,791,897	8,039,828	13,831,725	8.69	(0.38)
c) Others									
i) Non-resident Indians	1,168,304	10,115	1,178,419	0.74	1,168,609	7,715	1,176,324	0.74	0.00
ii) Clearing Members	176,772	-	176,772	0.11	262,075	-	262,075	0.16	0.05
iii) Trusts	1,416,520	-	1,416,520	0.89	1,690,761	-	1,690,761	1.06	0.17
iv) NBFCs	21,980	-	21,980	0.01	11,163	-	11,163	0.01	0.00
v) Foreign Bodies-DR	3,633	-	3,633	0.00	2,443	-	2,443	0.00	0.00
vi) Foreign Nationals	1,186	-	1,186	0.00	1,124	-	1,124	0.00	0.00
vii) IEPF	42,844	-	42,844	0.03	94,776	-	94,776	0.06	0.03
Sub-total (B)(2)	33,103,496	9,561,065	42,664,561	26.81	29,110,321	9,328,153	38,438,474	24.15	(2.66)
Total Public Shareholding (B)=(B)(1)+(B)(2)	56,636,418	9,572,885	66,209,303	41.61	52,747,900	9,332,473	62,080,373	39.01	(2.60)
C. Shares held by Custodian for GDRs	-	-	-	-	-	-	-	-	-
D. BFS ESOP TRUST	40,600	-	40,600	0.03	299,569	-	299,569	0.19	0.16
Grand Total (A+B+C+D)	149,563,226	9,572,885	159,136,111	100.00	149,804,817	9,332,473	159,137,290	100.00	-

ii) Shareholding of promoters and promoters group

Sr. No.	Shareholder's name	Shareholding at the beginning of the year as on 1 April 2019			Shareholding at the end of the year as on 31 March 2020			% change in shareholding during the year
		No. of shares	% of total shares of the Company	% of shares pledged/encumbered to total shares	No. of shares	% of total shares of the Company	% of shares pledged/encumbered to total shares	
1	Late Anant Bajaj*	30,107	0.02	-	30,107	0.02	-	-
2	Deepa Bajaj	11,675	0.01	-	25,025	0.02	-	0.01
3	Geetika Bajaj	191,250	0.12	-	191,250	0.12	-	-
4	Kiran Bajaj	1,238,525	0.78	-	1,238,525	0.77	-	(0.01)
5	Kriti Bajaj	38,500	0.02	-	38,500	0.02	-	-
6	Kumud Bajaj	359,934	0.23	-	398,234	0.25	-	0.02
7	Madhur Bajaj	1,088,393	0.68	-	966,605	0.61	-	(0.07)
8	Minal Bajaj	164,200	0.10	-	164,200	0.10	-	-
9	Neelima Bajaj Swamy	305,519	0.19	-	282,019	0.18	-	(0.01)
10	Nimisha Jaipuria	181,285	0.11	-	288,273	0.18	-	0.07
11	Niraj Bajaj	1,408,115	0.88	-	1,381,119	0.86	-	(0.02)
12	Niravnayan Bajaj	205,866	0.13	-	205,866	0.13	-	-
13	Rahul Kumar Bajaj	1,662,685	1.04	-	277,662	0.17	-	(0.87)
14	Rajivnayan Bajaj	3,450	0.00	-	680,868	0.43	-	0.43
15	Rishabhayan Bajaj	9,400	0.01	-	9,400	0.01	-	-
16	Sanjali Bajaj	24,615	0.02	-	51,500	0.03	-	0.01
17	Sanjivnayan Bajaj	420,579	0.26	-	447,464	0.28	-	0.02
18	Sheetal Bajaj	-	0.00	-	27,000	0.02	-	0.02
19	Shefali Bajaj	25,715	0.02	-	52,599	0.03	-	0.01
20	Shekhar Bajaj	37,276	0.02	-	37,276	0.02	-	-
21	Siddhantnayan Bajaj	23,515	0.01	-	23,515	0.01	-	-
22	Suman Jain	578,329	0.36	-	578,329	0.36	-	-
23	Sunaina Kejriwal	235,437	0.15	-	849,038	0.53	-	0.38
24	Bachhraj and Company Pvt. Ltd.	1,971,478	1.24	-	2,014,978	1.27	-	0.03
25	Bachhraj Factories Pvt. Ltd.	1,078,787	0.68	-	1,078,787	0.68	-	-
26	Bajaj Auto Holdings Ltd.	209,005	0.13	-	209,005	0.13	-	-
27	Bajaj Holdings & Investment Ltd.	62,314,214	39.16	-	62,314,214	39.16	-	-
28	Bajaj Sevashram Pvt. Ltd.	2,355,606	1.48	-	2,382,906	1.50	-	0.02
29	Baroda Industries Pvt. Ltd.	919,001	0.58	-	919,001	0.58	-	-
30	Hercules Hoists Ltd.	92,063	0.06	-	92,063	0.06	-	-
31	The Hindustan Housing Company Ltd.	8,000	0.01	-	8,000	0.01	-	-
32	Jamnalal Sons Pvt. Ltd.	15,270,784	9.60	-	15,345,384	9.64	-	0.04
33	Kamalnayan Investment and Trading Pvt. Ltd.	61,200	0.04	-	61,200	0.04	-	-
34	Madhur Securities Pvt. Ltd.	40,700	0.03	-	40,700	0.03	-	-
35	Maharashtra Scooters Ltd.**	3,725,740	2.34	-	3,725,740	2.34	-	-
36	Niraj Holdings Pvt. Ltd.	10,300	0.01	-	10,300	0.01	-	-
37	Rahul Securities Pvt. Ltd.	143,000	0.09	-	143,000	0.09	-	-
38	Rupa Equities Pvt. Ltd.	137,400	0.09	-	137,400	0.09	-	-
39	Shekhar Holdings Pvt. Ltd.	30,300	0.02	-	30,300	0.02	-	-
	Total	92,886,208	58.37	-	96,757,348	60.80	-	2.43

NOTES: * Anant Bajaj, part of the promoter group expired on 10 August 2018. 30,107 shares (0.02%) held by him are in the process of transmission.

** Maharashtra Scooters Ltd. has been added in promoter group post becoming subsidiary of Bajaj Holdings & Investment Ltd.

Includes shares held in other capacities, as applicable.

iii) Change in promoters' and promoters group's shareholding

Sr. No.	Name of promoters	Shareholding at the beginning of the year (1 April 2019)		Cumulative shareholding during the year ended (31 March 2020)	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	At the beginning of the year 1 April 2019	92,886,208	58.37	-	-
	Date-wise increase/(decrease)				
1	Niraj Bajaj				
	27 December 2019-Transferred as Gift (Off market transaction)	(27,000)	(0.02)	92,859,208	58.35
2	Sheetal Bajaj				
	27 December 2019-Received as Gift (Off market transaction)	27,000	0.02	92,886,208	58.37
3	Shefali Bajaj				
	10 January 2020-Received as Gift (Off market transaction)	26,884	0.02	92,913,092	58.39
4	Sanjali Bajaj				
	10 January 2020-Received as Gift (Off market transaction)	26,885	0.02	92,939,977	58.40
5	Sunaina Kejriwal				
	10 January 2020-Transferred as Gift (Off market transaction)	(150,000)	(0.09)		-
	10 January 2020-Received as Gift (Off market transaction)	613,601	0.39	93,403,578	58.69
6	Rajiv Bajaj				
	10 January 2020-Received as Gift (Off market transaction)	66,768	0.04	93,470,346	58.74
7	Rahul Bajaj				
	10 January 2020-Transferred as Gift (Off market transaction)	(1,385,023)	(0.87)	92,085,323	57.87
8	Deepa Bajaj				
	10 January 2020-Received as Gift (Off market transaction)	13,350	0.01	92,098,673	57.87
9	Aryaman Family Trust				
	10 January 2020-Received as Gift (Off market transaction)	75,000	0.05	92,173,673	57.92
10	Nirvaan Family Trust				
	10 January 2020-Received as Gift (Off market transaction)	75,000	0.05	92,248,673	57.97

iii) Change in promoters' and promoters group's shareholding (Contd.)

Sr. No.	Name of promoters	Shareholding at the beginning of the year (1 April 2019)		Cumulative shareholding during the year ended (31 March 2020)	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
11	Rishab Family Trust 10 January 2020-Received as Gift (Off market transaction)	610,650	0.38	92,859,323	58.35
12	Siddhant Family Trust 10 January 2020-Received as Gift (Off market transaction)	26,885	0.02	92,886,208	58.37
13	Madhur Bajaj 31 January 2020-Transferred as Gift (Off market transaction)	(121,788)	(0.08)	92,764,420	58.29
14	Nimisha Jaipura 31 January 2020-Received as Gift (Off market transaction)	121,788	0.08	92,886,208	58.37
15	Neelima Bajaj Swamy 28 February 2020-Market Sale	(23,500)	(0.01)	92,862,708	58.35
16	Kumud Bajaj 28 February 2020-Market Purchase	38,300	0.02	92,901,008	58.38
17	Nimisha Jaipura 28 February 2020-Market Sale	(14,800)	(0.01)	92,886,208	58.37
18	Jamnalal Sons Pvt. Ltd. 20 March 2020-Market Purchase	41,000	0.03	92,927,208	58.39
19	Bajaj Sevashram Pvt. Ltd. 20 March 2020-Market Purchase	27,300	0.02	92,954,508	58.41
20	Bachhraj and Company Pvt. Ltd. 27 March 2020-Market Purchase	43,500	0.03	92,998,008	58.44
21	Jamnalal Sons Pvt. Ltd. 27 March 2020-Market Purchase	33,600	0.02	93,031,608	58.46
22	Maharashtra Scooters Ltd.	3,725,740	2.34	96,757,348	60.80
	At the end of the year 31 March 2020			96,757,348	60.80

**iv) Change in shareholding of top ten shareholders
(other than directors, promoters and holders of GDRs and ADRs)**

Sr. No.	Name of shareholders	Shareholding at the beginning of the year (1 April 2019)		Cumulative shareholding during the year ended (31 March 2020)	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	Jaya Hind Industries Ltd.				
	At the beginning of the year 1 April 2019	6,129,712	3.85		
	Date-wise increase/(decrease)				
	09-08-2019-Purchase	110	0.00	6,129,822	3.85
	At the end of the year 31 March 2020			6,129,822	3.85
2	Life Insurance Corporation of India				
	At the beginning of the year 1 April 2019	3,439,442	2.16		
	Date-wise increase/(decrease)				
	11-10-2019-Sale	(127,822)	(0.08)	3,311,620	2.08
	18-10-2019-Sale	(306,726)	(0.19)	3,004,894	1.89
	25-10-2019-Sale	(224,102)	(0.14)	2,780,792	1.75
	01-11-2019-Sale	(302,634)	(0.19)	2,478,158	1.56
	08-11-2019-Purchase	10	0.00	2,478,168	1.56
	08-11-2019-Sale	(220,118)	(0.14)	2,258,050	1.42
	At the end of the year 31 March 2020			2,258,050	1.42
3	Niraj Bajaj (Trustee of Yamuna Trust, Bajaj Group Trust)				
	At the beginning of the year and at the end of the year-No change during the year ended 31 March 2020	1,829,958	1.15	1,829,958	1.15
4	ICICI Prudential Focused Bluechip Equity Fund				
	At the beginning of the year 1 April 2019	1,481,797	0.93		
	Date-wise increase/(decrease)				
	05-04-2019-Purchase	88	0.00	1,481,885	0.93
	05-04-2019-Sale	(44,364)	(0.03)	1,437,521	0.90
	12-04-2019-Purchase	12	0.00	1,437,533	0.90
	12-04-2019-Sale	(52,125)	(0.03)	1,385,408	0.87
	19-04-2019-Purchase	42	0.00	1,385,450	0.87

**iv) Change in shareholding of top ten shareholders
(other than directors, promoters and holders of GDRs and ADRs) (Contd.)**

Sr. No.	Name of shareholders	Shareholding at the beginning of the year (1 April 2019)		Cumulative shareholding during the year ended (31 March 2020)	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	19-04-2019-Sale	(398)	(0.00)	1,385,052	0.87
	26-04-2019-Purchase	141	0.00	1,385,193	0.87
	26-04-2019-Sale	(127,125)	(0.08)	1,258,068	0.79
	03-05-2019-Purchase	97	0.00	1,258,165	0.79
	10-05-2019-Purchase	60	0.00	1,258,225	0.79
	17-05-2019-Purchase	4,337	0.00	1,262,562	0.79
	24-05-2019-Purchase	108	0.00	1,262,670	0.79
	24-05-2019-Sale	(74)	(0.00)	1,262,596	0.79
	31-05-2019-Purchase	156	0.00	1,262,752	0.79
	31-05-2019-Sale	(37,625)	(0.02)	1,225,127	0.77
	07-06-2019-Purchase	40	0.00	1,225,167	0.77
	07-06-2019-Sale	(315)	(0.00)	1,224,852	0.77
	14-06-2019-Purchase	10,049	0.01	1,234,901	0.78
	21-06-2019-Purchase	108	0.00	1,235,009	0.78
	28-06-2019-Purchase	42	0.00	1,235,051	0.78
	28-06-2019-Sale	(223)	(0.00)	1,234,828	0.78
	05-07-2019-Purchase	891	0.00	1,235,719	0.78
	12-07-2019-Purchase	6,822	0.00	1,242,541	0.78
	19-07-2019-Purchase	1,476	0.00	1,244,017	0.78
	26-07-2019-Purchase	11,485	0.01	1,255,502	0.79
	02-08-2019-Purchase	5,315	0.00	1,260,817	0.79
	09-08-2019-Purchase	906	0.00	1,261,723	0.79
	16-08-2019-Purchase	35	0.00	1,261,758	0.79
	16-08-2019-Sale	(28)	(0.00)	1,261,730	0.79
	23-08-2019-Purchase	173	0.00	1,261,903	0.79
	30-08-2019-Purchase	18,562	0.01	1,280,465	0.80
	06-09-2019-Purchase	2,607	0.00	1,283,072	0.81
	13-09-2019-Purchase	226	0.00	1,283,298	0.81
	20-09-2019-Purchase	114	0.00	1,283,412	0.81
	20-09-2019-Sale	(105)	(0.00)	1,283,307	0.81
	27-09-2019-Purchase	2,188	0.00	1,285,495	0.81
	27-09-2019-Sale	(62,374)	(0.04)	1,223,121	0.77
	30-09-2019-Purchase	397	0.00	1,223,518	0.77
	30-09-2019-Sale	(8)	(0.00)	1,223,510	0.77
	04-10-2019-Purchase	41	0.00	1,223,551	0.77
	04-10-2019-Sale	(343)	(0.00)	1,223,208	0.77

**iv) Change in shareholding of top ten shareholders
(other than directors, promoters and holders of GDRs and ADRs) (Contd.)**

Sr. No.	Name of shareholders	Shareholding at the beginning of the year (1 April 2019)		Cumulative shareholding during the year ended (31 March 2020)	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	11-10-2019-Purchase	20,492	0.01	1,243,700	0.78
	11-10-2019-Sale	(11,849)	(0.01)	1,231,851	0.77
	18-10-2019-Purchase	754	0.00	1,232,605	0.77
	18-10-2019-Sale	(532)	(0.00)	1,232,073	0.77
	25-10-2019-Purchase	347	0.00	1,232,420	0.77
	01-11-2019-Purchase	705	0.00	1,233,125	0.77
	08-11-2019-Purchase	799	0.00	1,233,924	0.78
	08-11-2019-Sale	(28)	(0.00)	1,233,896	0.78
	15-11-2019-Sale	(1,474)	(0.00)	1,232,422	0.77
	22-11-2019-Purchase	244	0.00	1,232,666	0.77
	29-11-2019-Purchase	11,731	0.01	1,244,397	0.78
	29-11-2019-Sale	(6,532)	(0.00)	1,237,865	0.78
	06-12-2019-Purchase	731	0.00	1,238,596	0.78
	13-12-2019-Purchase	559	0.00	1,239,155	0.78
	13-12-2019-Sale	(5,096)	(0.00)	1,234,059	0.78
	20-12-2019-Purchase	43	0.00	1,234,102	0.78
	20-12-2019-sale	(16,503)	(0.01)	1,217,599	0.77
	27-12-2019-Purchase	34	0.00	1,217,633	0.77
	27-12-2019-Sale	(420)	(0.00)	1,217,213	0.76
	31-12-2019-Purchase	424	0.00	1,217,637	0.77
	03-01-2020-Purchase	236	0.00	1,217,873	0.77
	10-01-2020-Purchase	201	0.00	1,218,074	0.77
	10-01-2020-Sale	(315)	(0.00)	1,217,759	0.77
	17-01-2020-Purchase	11,475	0.01	1,229,234	0.77
	17-01-2020-Sale	(4,000)	(0.00)	1,225,234	0.77
	24-01-2020-Purchase	569	0.00	1,225,803	0.77
	24-01-2020-Sale	(16,629)	(0.01)	1,209,174	0.76
	31-01-2020-Purchase	459	0.00	1,209,633	0.76
	31-01-2020-Sale	(125,210)	(0.08)	1,084,423	0.68
	07-02-2020-Purchase	35,025	0.02	1,119,448	0.70
	07-02-2020-Sale	(14,887)	(0.01)	1,104,561	0.69
	14-02-2020-Purchase	836	0.00	1,105,397	0.69
	14-02-2020-Sale	(19,185)	(0.01)	1,086,212	0.68
	21-02-2020-Purchase	35	0.00	1,086,247	0.68
	21-02-2020-Sale	(372)	(0.00)	1,085,875	0.68
	28-02-2020-Purchase	10,938	0.01	1,096,813	0.69

**iv) Change in shareholding of top ten shareholders
(other than directors, promoters and holders of GDRs and ADRs) (Contd.)**

Sr. No.	Name of shareholders	Shareholding at the beginning of the year (1 April 2019)		Cumulative shareholding during the year ended (31 March 2020)	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	06-03-2020-Purchase	885	0.00	1,097,698	0.69
	06-03-2020-Sale	(8,750)	(0.01)	1,088,948	0.68
	13-03-2020-Purchase	599	0.00	1,089,547	0.68
	13-03-2020-Sale	(2,000)	(0.00)	1,087,547	0.68
	20-03-2020-Purchase	29,052	0.02	1,116,599	0.70
	27-03-2020-Purchase	48,777	0.03	1,165,376	0.73
	27-03-2020-Sale	(126,300)	(0.08)	1,039,076	0.65
	31-03-2020-Purchase	639	0.00	1,039,715	0.65
	31-03-2020-Sale	(28,422)	(0.02)	1,011,293	0.64
	At the end of the year 31 March 2020			1,011,293	0.64
5	SBI Blue Chip Fund				
	At the beginning of the year 1 April 2019	1,210,614	0.76		
	Date-wise increase/(decrease)				
	05-04-2019-Purchase	6,507	0.00	1,217,121	0.76
	12-04-2019-Purchase	50	0.00	1,217,171	0.76
	12-04-2019-sale	(152)	(0.00)	1,217,019	0.76
	19-04-2019-Purchase	2	0.00	1,217,021	0.76
	19-04-2019-Sale	(676)	(0.00)	1,216,345	0.76
	26-04-2019-Purchase	576	0.00	1,216,921	0.76
	03-05-2019-Purchase	2,047	0.00	1,218,968	0.77
	10-05-2019-Purchase	5,478	0.00	1,224,446	0.77
	17-05-2019-Purchase	9,584	0.01	1,234,030	0.78
	24-05-2019-Purchase	3,147	0.00	1,237,177	0.78
	24-05-2019-Sale	(56,604)	(0.04)	1,180,573	0.74
	31-05-2019-Purchase	2,905	0.00	1,183,478	0.74
	31-05-2019-Sale	(47,589)	(0.03)	1,135,889	0.71
	07-06-2019-Purchase	2,293	0.00	1,138,182	0.72
	07-06-2019-Sale	(21,399)	(0.01)	1,116,783	0.70
	14-06-2019-Purchase	3,246	0.00	1,120,029	0.70
	21-06-2019-Purchase	3,775	0.00	1,123,804	0.71
	28-06-2019-Purchase	2	0.00	1,123,806	0.71
	28-06-2019-Sale	(3,361)	(0.00)	1,120,445	0.70
	05-07-2019-Purchase	5,662	0.00	1,126,107	0.71
	05-07-2019-Sale	(78,865)	(0.05)	1,047,242	0.66
	12-07-2019-Purchase	11,158	0.01	1,058,400	0.67

**iv) Change in shareholding of top ten shareholders
(other than directors, promoters and holders of GDRs and ADRs) (Contd.)**

Sr. No.	Name of shareholders	Shareholding at the beginning of the year (1 April 2019)		Cumulative shareholding during the year ended (31 March 2020)	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	12-07-2019-Sale	(145,209)	(0.09)	913,191	0.57
	19-07-2019-Purchase	8,490	0.01	921,681	0.58
	26-07-2019-Purchase	5,307	0.00	926,988	0.58
	26-07-2019-Sale	(145,375)	(0.09)	781,613	0.49
	02-08-2019-Purchase	5,603	0.00	787,216	0.49
	09-08-2019-Purchase	7,026	0.00	794,242	0.50
	09-08-2019-Sale	(406)	(0.00)	793,836	0.50
	16-08-2019-Purchase	3,890	0.00	797,726	0.50
	23-08-2019-Purchase	1,959	0.00	799,685	0.50
	30-08-2019-Purchase	2,328	0.00	802,013	0.50
	30-08-2019-Sale	(275)	(0.00)	801,738	0.50
	06-09-2019-Purchase	7,317	0.00	809,055	0.51
	13-09-2019-Purchase	1,904	0.00	810,959	0.51
	13-09-2019-Sale	(270)	(0.00)	810,689	0.51
	20-09-2019-Purchase	2,590	0.00	813,279	0.51
	20-09-2019-Sale	(4)	(0.00)	813,275	0.51
	27-09-2019-Purchase	1	0.00	813,276	0.51
	27-09-2019-Sale	(2,314)	(0.00)	810,962	0.51
	30-09-2019-Purchase	805	0.00	811,767	0.51
	30-09-2019-Sale	(10)	(0.00)	811,757	0.51
	04-10-2019-Purchase	9,888	0.01	821,645	0.52
	04-10-2019-Sale	(26)	(0.00)	821,619	0.52
	11-10-2019-Purchase	1,297	0.00	822,916	0.52
	18-10-2019-Purchase	5,290	0.00	828,206	0.52
	25-10-2019-Purchase	3,978	0.00	832,184	0.52
	01-11-2019-Purchase	6,505	0.00	838,689	0.53
	08-11-2019-Purchase	5,016	0.00	843,705	0.53
	15-11-2019-Purchase	4,405	0.00	848,110	0.53
	15-11-2019-Sale	(620)	(0.00)	847,490	0.53
	22-11-2019-Purchase	3,466	0.00	850,956	0.53
	22-11-2019-Sale	(33,006)	(0.02)	817,950	0.51
	29-11-2019-Purchase	3,020	0.00	820,970	0.52
	06-12-2019-Purchase	3,065	0.00	824,035	0.52
	06-12-2019-Sale	(10)	(0.00)	824,025	0.52
	13-12-2019-Purchase	3,247	0.00	827,272	0.52
	20-12-2019-Purchase	2,353	0.00	829,625	0.52

**iv) Change in shareholding of top ten shareholders
(other than directors, promoters and holders of GDRs and ADRs) (Contd.)**

Sr. No.	Name of shareholders	Shareholding at the beginning of the year (1 April 2019)		Cumulative shareholding during the year ended (31 March 2020)	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	20-12-2019-Sale	(117)	(0.00)	829,508	0.52
	27-12-2019-Purchase	296	0.00	829,804	0.52
	27-12-2019-Sale	(9)	(0.00)	829,795	0.52
	31-12-2019-Purchase	2,438	0.00	832,233	0.52
	03-01-2020-Purchase	1,925	0.00	834,158	0.52
	10-01-2020-Purchase	1,730	0.00	835,888	0.53
	10-01-2020-Sale	(20)	(0.00)	835,868	0.53
	17-01-2020-Purchase	1,484	0.00	837,352	0.53
	17-01-2020-Sale	(190)	(0.00)	837,162	0.53
	24-01-2020-Purchase	2,168	0.00	839,330	0.53
	31-01-2020-Purchase	1,504	0.00	840,834	0.53
	31-01-2020-Sale	(297)	(0.00)	840,537	0.53
	07-02-2020-Purchase	7,580	0.00	848,117	0.53
	07-02-2020-Sale	(8)	(0.00)	848,109	0.53
	14-02-2020-Purchase	1,986	0.00	850,095	0.53
	21-02-2020-Purchase	1,393	0.00	851,488	0.54
	21-02-2020-Sale	(173)	(0.00)	851,315	0.53
	28-02-2020-Purchase	13,814	0.01	865,129	0.54
	06-03-2020-Purchase	18,895	0.01	884,024	0.56
	13-03-2020-Purchase	9,187	0.01	893,211	0.56
	20-03-2020-Purchase	994	0.00	894,205	0.56
	20-03-2020-Sale	(131)	(0.00)	894,074	0.56
	27-03-2020-Purchase	24,956	0.02	919,030	0.58
	31-03-2020-Purchase	13,860	0.01	932,890	0.59
	At the end of the year 31 March 2020			932,890	0.59
6	Niraj Bajaj (Trustee of Narmada Trust, Bajaj Group Trust)				
	At the beginning of the year and at the end of the year-No change during the year ended 31 March 2020	1,092,075	0.69	1,092,075	0.69
7	AXIS Mutual Fund Trustee Ltd.				
	At the beginning of the year 1 April 2019	1,060,315	0.67		
	Date-wise increase/(decrease)				
	05-04-2019-Purchase	30,000	0.02	1,090,315	0.69
	05-04-2019-Sale	(2,000)	(0.00)	1,088,315	0.68

**iv) Change in shareholding of top ten shareholders
(other than directors, promoters and holders of GDRs and ADRs) (Contd.)**

Sr. No.	Name of shareholders	Shareholding at the beginning of the year (1 April 2019)		Cumulative shareholding during the year ended (31 March 2020)	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	19-04-2019-Sale	(28,037)	(0.02)	1,060,278	0.67
	26-04-2019-Purchase	5,000	0.00	1,065,278	0.67
	26-04-2019-Sale	(8)	(0.00)	1,065,270	0.67
	03-05-2019-Purchase	37,500	0.02	1,102,770	0.69
	24-05-2019-Purchase	8	0.00	1,102,778	0.69
	31-05-2019-Purchase	3,000	0.00	1,105,778	0.69
	31-05-2019-Sale	(845)	(0.00)	1,104,933	0.69
	07-06-2019-Sale	(375)	(0.00)	1,104,558	0.69
	21-06-2019-Purchase	14,000	0.01	1,118,558	0.70
	28-06-2019-Sale	(1,940)	(0.00)	1,116,618	0.70
	05-07-2019-Purchase	12,000	0.01	1,128,618	0.71
	05-07-2019-Sale	(1)	(0.00)	1,128,617	0.71
	12-07-2019-Purchase	70,000	0.04	1,198,617	0.75
	19-07-2019-Sale	(34,125)	(0.02)	1,164,492	0.73
	19-07-2019-Purchase	3,750	0.00	1,168,242	0.73
	02-08-2019-Purchase	170	0.00	1,168,412	0.73
	09-08-2019-Purchase	25,000	0.02	1,193,412	0.75
	16-08-2019-Purchase	5,000	0.00	1,198,412	0.75
	23-08-2019-Sale	(4,602)	(0.00)	1,193,810	0.75
	06-09-2019-Purchase	1	0.00	1,193,811	0.75
	13-09-2019-Purchase	25,000	0.02	1,218,811	0.77
	13-09-2019-Sale	(952)	(0.00)	1,217,859	0.77
	20-09-2019-Sale	(1,799)	(0.00)	1,216,060	0.76
	27-09-2019-Purchase	57,116	0.04	1,273,176	0.80
	27-09-2019-Sale	(1,202)	(0.00)	1,271,974	0.80
	30-09-2019-Sale	(1)	(0.00)	1,271,973	0.80
	18-10-2019-Purchase	1,250	0.00	1,273,223	0.80
	25-10-2019-Purchase	131,465	0.08	1,404,688	0.88
	01-11-2019-Purchase	45,096	0.03	1,449,784	0.91
	01-11-2019-Sale	(94)	(0.00)	1,449,690	0.91
	08-11-2019-Purchase	6,000	0.00	1,455,690	0.91
	08-11-2019-Sale	(169)	(0.00)	1,455,521	0.91
	15-11-2019-Sale	(8,146)	(0.01)	1,447,375	0.91
	22-11-2019-Sale	(9,982)	(0.01)	1,437,393	0.90
	29-11-2019-Sale	(4,492)	(0.00)	1,432,901	0.90
	06-12-2019-Sale	(51)	(0.00)	1,432,850	0.90
	13-12-2019-Sale	(4,656)	(0.00)	1,428,194	0.90

**iv) Change in shareholding of top ten shareholders
(other than directors, promoters and holders of GDRs and ADRs) (Contd.)**

Sr. No.	Name of shareholders	Shareholding at the beginning of the year (1 April 2019)		Cumulative shareholding during the year ended (31 March 2020)	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	20-12-2019-Purchase	26,000	0.02	1,454,194	0.91
	20-12-2019-Sale	(146)	(0.00)	1,454,048	0.91
	27-12-2019-Purchase	12,000	0.01	1,466,048	0.92
	27-12-2019-Sale	(20)	(0.00)	1,466,028	0.92
	10-01-2020-Purchase	49,744	0.03	1,515,772	0.95
	17-01-2020-Purchase	15,170	0.01	1,530,942	0.96
	17-01-2020-Sale	(300,045)	(0.19)	1,230,897	0.77
	24-01-2020-Purchase	361,819	0.23	1,592,716	1.00
	24-01-2020-Sale	(40)	(0.00)	1,592,676	1.00
	31-01-2020-Purchase	35,011	0.02	1,627,687	1.02
	31-01-2020-Sale	(41,101)	(0.03)	1,586,586	1.00
	07-02-2020-Purchase	55,953	0.04	1,642,539	1.03
	07-02-2020-Sale	(94,376)	(0.06)	1,548,163	0.97
	14-02-2020-Sale	(6,463)	(0.00)	1,541,700	0.97
	21-02-2020-Purchase	12,047	0.01	1,553,747	0.98
	21-02-2020-Sale	(14,437)	(0.01)	1,539,310	0.97
	28-02-2020-Purchase	12,738	0.01	1,552,048	0.98
	06-03-2020-Purchase	13,708	0.01	1,565,756	0.98
	13-03-2020-Purchase	29,613	0.02	1,595,369	1.00
	20-03-2020-Purchase	154,824	0.10	1,750,193	1.10
	20-03-2020-Sale	(1)	(0.00)	1,750,192	1.10
	27-03-2020-Purchase	79,569	0.05	1,829,761	1.15
	31-03-2020-Purchase	75	0.00	1,829,836	1.15
	At the end of the year 31 March 2020		0.00	1,829,836	1.15
8	Abhay Firodia				
	At the beginning of the year 1 April 2019	1,042,184	0.65		
	Date-wise increase/(decrease)				
	03-01-2020-Purchase	42,434	0.03	1,084,618	0.68
	03-01-2020-Sale	(42,434)	(0.03)	1,042,184	0.65
	17-01-2020-Purchase	82,500	0.05	1,124,684	0.71
	17-01-2020-Sale	(82,500)	(0.05)	1,042,184	0.65
	At the end of the year 31 March 2020			1,042,184	0.65

**iv) Change in shareholding of top ten shareholders
(other than directors, promoters and holders of GDRs and ADRs) (Contd.)**

Sr. No.	Name of shareholders	Shareholding at the beginning of the year (1 April 2019)		Cumulative shareholding during the year ended (31 March 2020)	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
9	Abu Dhabi Investment Authority-Beacon				
	At the beginning of the year 1 April 2019	773,714	0.49		
	Date-wise increase/(decrease)				
	05-04-2019-Purchase	166,959	0.10	940,673	0.59
	12-04-2019-Purchase	45,387	0.03	986,060	0.62
	19-04-2019-Purchase	188,445	0.12	1,174,505	0.74
	19-04-2019-Sale	(188,445)	(0.12)	986,060	0.62
	26-04-2019-Sale	(1,426)	(0.00)	984,634	0.62
	24-05-2019-Sale	(1,189)	(0.00)	983,445	0.62
	31-05-2019-Purchase	3,414	0.00	986,859	0.62
	31-05-2019-Sale	(519)	(0.00)	986,340	0.62
	14-06-2019-Sale	(51,173)	(0.03)	935,167	0.59
	21-06-2019-Sale	(35,478)	(0.02)	899,689	0.57
	28-06-2019-Purchase	1,452	0.00	901,141	0.57
	12-07-2019-Purchase	29,300	0.02	930,441	0.58
	19-07-2019-Purchase	57,025	0.04	987,466	0.62
	19-07-2019-Sale	(31,380)	(0.02)	956,086	0.60
	26-07-2019-Sale	(102,075)	(0.06)	854,011	0.54
	02-08-2019-Sale	(56,028)	(0.04)	797,983	0.50
	30-08-2019-Sale	(1,808)	(0.00)	796,175	0.50
	27-09-2019-Purchase	535	0.00	796,710	0.50
	04-10-2019-Purchase	8,683	0.01	805,393	0.51
	04-10-2019-Sale	(75,787)	(0.05)	729,606	0.46
	11-10-2019-Sale	(6,307)	(0.00)	723,299	0.45
	18-10-2019-Sale	(297)	(0.00)	723,002	0.45
	25-10-2019-Sale	(297)	(0.00)	722,705	0.45
	15-11-2019-Purchase	38,759	0.02	761,464	0.48
	15-11-2019-Sale	(38,759)	(0.02)	722,705	0.45
	22-11-2019-Purchase	11,000	0.01	733,705	0.46
	22-11-2019-Sale	(39,970)	(0.03)	693,735	0.44
	29-11-2019-Sale	(5,566)	(0.00)	688,169	0.43
	17-01-2020-Sale	(13,846)	(0.01)	674,323	0.42
	24-01-2020-Sale	(482)	(0.00)	673,841	0.42
	06-03-2020-Purchase	119,962	0.08	793,803	0.50
	13-03-2020-Sale	(8,800)	(0.01)	785,003	0.49
	31-03-2020-Sale	(8,700)	(0.01)	776,303	0.49
	At the end of the year 31 March 2020			776,303	0.49

iv) Change in shareholding of top ten shareholders
(other than directors, promoters and holders of GDRs and ADRs) (Contd.)

Sr. No.	Name of shareholders	Shareholding at the beginning of the year (1 April 2019)		Cumulative shareholding during the year ended (31 March 2020)	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
10	Vanguard Total International Stock Index Fund				
	At the beginning of the year 1 April 2019	592,831	0.37		
	Date-wise increase/(decrease)				
	26-04-2019-Sale	(11,581)	(0.01)	581,250	0.37
	03-05-2019-Purchase	3,214	0.00	584,464	0.37
	10-05-2019-Purchase	4,526	0.00	588,990	0.37
	17-05-2019-Purchase	6,037	0.00	595,027	0.37
	24-05-2019-Purchase	6,916	0.00	601,943	0.38
	14-06-2019-Purchase	5,022	0.00	606,965	0.38
	16-08-2019-Purchase	4,940	0.00	611,905	0.38
	23-08-2019-Purchase	5,946	0.00	617,851	0.39
	10-01-2020-Purchase	3,078	0.00	620,929	0.39
	31-01-2020-Purchase	2,978	0.00	623,907	0.39
	07-02-2020-Purchase	3,023	0.00	626,930	0.39
	28-02-2020-Purchase	8,986	0.01	635,916	0.40
	06-03-2020-Purchase	3,091	0.00	639,007	0.40
	13-03-2020-Purchase	4,984	0.00	643,991	0.40
	20-03-2020-Purchase	17,806	0.01	661,797	0.42
	27-03-2020-Purchase	10,161	0.01	671,958	0.42
	At the end of the year 31 March 2020			671,958	0.42

v) Shareholding of directors and key managerial personnel

Sr. No.	Name of directors/ key managerial personnel (KMP)	Shareholding at the beginning of the year (1 April 2019)		Cumulative shareholding during the year ended (31 March 2020)	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	Rahulkumar Bajaj*				
	At the beginning of the year 1 April 2019	1,662,685	1.04		
	10 January 2020 Transferred as Gift	(1,385,023)	(0.87)	277,662	0.17
	At the end of the year 31 March 2020			277,662	0.17
2	Sanjivnayan Bajaj				
	At the beginning of the year 1 April 2019	420,579	0.26		
	10 January 2020 Received as Gift	26,885	0.02	447,464	0.28
	At the end of the year 31 March 2020			447,464	0.28
3	Madhur Bajaj				
	At the beginning of the year 1 April 2019	1,088,393	0.68		
	31 January 2020 Transferred as Gift	(121,788)	(0.08)	966,605	0.60
	At the end of the year 31 March 2020			966,605	0.60
4	Rajivnayan Bajaj				
	At the beginning of the year 1 April 2019	3,450	0.00		
	10 January 2020 Received as Gift	677,418	0.43	680,868	0.43
	At the end of the year 31 March 2020			680,868	0.43
5	Manish Kejriwal				
	At the beginning of the year 1 April 2019	122	0.00		
	10 January 2020 Received as Gift	75,000	0.05	75,122	0.05
	At the end of the year 31 March 2020			75,122	0.05
6	S Sreenivasan (CFO)				
	At the beginning of the year and at the end of the year-No change during the year ended 31 March 2020	1,650	0.00	1,650	0.00
7	Sonal R Tiwari (Company Secretary)				
	At the beginning of the year and at the end of the year-No change during the year ended 31 March 2020	50	0.00	50	0.00

Notes: Shareholding of other directors-Nil

*Rahul Bajaj relinquished his office as a Chairman and Non-Executive Director w.e.f. conclusion of Board meeting held on 16 May 2019. Includes shares held in other capacities, as applicable.

V. Indebtedness

As on 31 March 2020, indebtedness of the Company including interest outstanding/accrued but not due for payment is Nil.

VI. Remuneration of directors and key managerial personnel during the financial year 2019-20

A. Remuneration to Managing Director, whole-time directors and/or Manager

(In ₹)

Sr. No.	Particulars of remuneration	Sanjiv Bajaj (Chairman & Managing Director)	Total amount
1	Gross Salary		
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	28,445,216	28,445,216
	(b) Value of perquisites under section 17(2) of the Income Tax Act, 1961	3,744,480	3,744,480
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	-	-
2	Stock Options	-	-
3	Sweat Equity	-	-
4	Commission	-	-
	- as % of profit	-	-
	- others	70,672,800	70,672,800
5	Others-Contribution to Provident Fund, etc.	5,376,404	5,376,404
	TOTAL (A)	108,238,900	108,238,900
	Ceiling as per the Act		347,300,000

Notes: Salary and perquisites include all elements of remuneration i.e., salary, allowances and benefits. No bonus, pension and performance linked incentive is paid to any of the directors. The Company has not issued any stock options to any of the directors

The term of Chairman & Managing Director does not exceed five years.

Appointment of Chairman & Managing Director is governed by a service contract for a period of five years and notice period is of ninety days and is in compliance with the applicable provisions of the Companies Act, 2013 ('the Act').

B. Remuneration to other directors

1. Independent Directors

(In ₹)

Particulars of remuneration	D J Balaji Rao	Nanoo Pamnani	Dr. Gita Piramal	Dr. Naushad Forbes	Anami N Roy	Total
i. Fee for attending Board/Committee Meetings	1,100,000	1,200,000	1,200,000	900,000	600,000	5,000,000
ii. Commission	1,650,000	3,800,000	1,800,000	1,350,000	900,000	9,500,000
iii. Others	-	-	-	-	-	-
TOTAL (B)(1)	2,750,000	5,000,000	3,000,000	2,250,000	1,500,000	14,500,000

Note: Additional Commission to Nanoo Pamnani of ₹ 20 lakh for the year 2019-20 was approved at Board Meeting held on 12 March 2019. He ceased to be a Chairman and Independent director w.e.f. 22 February 2020 due to his sad demise.

2. Non-Independent Non-Executive Directors

(In ₹)

Particulars of remuneration	Rahul Bajaj	Madhur Bajaj	Rajiv Bajaj	Manish Kejriwal	Total
i. Fee for attending Board/Committee Meetings	200,000	400,000	500,000	300,000	1,400,000
ii. Commission	300,000	600,000	750,000	450,000	2,100,000
iii. Others	-	-	-	-	-
TOTAL (B)(2)	500,000	1,000,000	1,250,000	750,000	3,500,000
TOTAL (B)(1) + (B)(2)					18,000,000
Total Managerial Remuneration (A+B)					126,238,900
Overall ceiling as per the Act					416,800,000

Note: Overall ceiling as per Act is not applicable to sitting fees paid to non-executive directors.

C. Remuneration to key managerial personnel other than MD/WTD/Manager

(In ₹)

Sr. No.	Particulars of remuneration	Key managerial personnel		Total
		Company Secretary	Chief Financial Officer	
		Sonal R Tiwari	S Sreenivasan	
1	Gross Salary			
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961	7,275,789	52,837,784	60,113,573
	(b) Value of perquisites under section 17(2) of the Income Tax Act, 1961	50,004	89,604	139,608
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	-	-	-
2	Stock Options#	-	4,553,544	4,553,544
3	Sweat Equity	-	-	-
4	Commission	-	-	-
	-as % of profit	-	-	-
	others	-	-	-
5	Others-Contribution to Provident Fund, etc.	479,725	2,310,441	2,790,166
	Total*	7,805,518	55,237,829	63,043,347

Notes:

#Fair value of ESOPs grants, as per Black Scholes in the year of vesting

*Does not include the fair value of ESOPs grants

VII. Penalties/punishment/compounding of offences:

During the year 2019-20, there were no penalties/punishment/compounding of offences under the Act.

Annexure to Directors' Report

Remuneration Details under Rule 5(1) of Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014 for the year ended 31 March 2020

Name of Director/KMP	Ratio of Remuneration of director to Median Remuneration of employees	% increase in the financial year
(A) Whole-time director/Managerial Personnel		
Sanjiv Bajaj-Chairman & Managing Director	46.28	36.63
(B) Non-Executive directors¹		
Rahul Bajaj ³	0.13	0.00
Madhur Bajaj	0.26	100.00
Rajiv Bajaj	0.32	200.00
Nanoo Pamnani ³	1.62	0.00
D J Balaji Rao	0.71	120.00
Dr. Gita Piramal	0.77	125.00
Dr. Naushad Forbes	0.58	170.00
Anami N Roy	0.06	0.00
Manish Kejriwal	0.06	0.00
(C) Key Managerial Personnel		
Sanjiv Bajaj, Chairman & Managing Director		36.63
S Sreenivasan, CFO		8.46
Sonal R Tiwari, Company Secretary		51.18
(D) Remuneration of Median Employee⁴ (other than whole-time director)		31.74
(E) Permanent employees as on 31 March 2020²: 78		

- 1 (a) Remuneration (except additional commission) payable to Non-Executive Directors is based on the number of meetings of the Board and its Committees attended by them as members during the year.
(b) Remuneration to directors does not include sitting fee paid to them for attending Board/Committee meetings.
- 2 'Permanent employees' does not include trainees, probationers and contract employees.
- 3 Rahul Bajaj relinquished his office as Chairman with effect from the conclusion of Board meeting held on 16 May 2019 and Nanoo Pamnani ceased to be director due to his sad demise on 22 February 2020. Figures in their case are therefore not comparable and hence percentage increase in financial year is stated as nil.
- 4 During 2019-20, strength of the Company increased by 62% and median remuneration by 31.74%.

Notes on Disclosures under Rule 5

- A In 2019-20, the remuneration of median employee other than Whole-time Director increased by 31.74% over the previous year.
- B Increase in the remuneration of Chairman & Managing Director, which was 36.63% during the year under review, was given, keeping in view the trends of remuneration in industry.
- c The remuneration paid as above was as per the Remuneration Policy of the Company.

Secretarial Audit Report (Form MR-3)

[Pursuant to section 204(1) of the Companies Act, 2013, and rule 9 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

For the financial year ended 31 March 2020.

To,
The Members,
Bajaj Finserv Ltd.
(CIN: L65923PN2007PLC130075)
Bajaj Auto Ltd. Complex,
Mumbai-Pune Road,
Akurdi, Pune 411035.

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and adherence to good corporate practices by Bajaj Finserv Ltd. ('the Company'). Subject to limitation of physical interaction and verification of records caused by COVID-19 Pandemic lock down while taking review after completion of financial year, the Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorised representatives during the conduct of Secretarial Audit, I hereby report that in my opinion, the Company has, during the audit period covering the financial year ended on 31 March 2020, complied with the applicable statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place subject to the reporting made hereinafter:

I have examined the books, registers, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31 March 2020, according to the provisions of:

- (i) The Companies Act, 2013 and the rules made thereunder;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- (iv) Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') to the extent applicable:
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, as amended;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
 - (d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;

- (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2008;
 - (h) The Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018; and
 - (i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.
- (vi) Rules, Regulations and Guidelines issued by the Reserve Bank of India as are applicable to Non-Deposit taking NBFC/Core Investment Company which are specifically applicable to the Company.

I have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards pursuant to section 118(10) of the Act, issued by the Institute of Company Secretaries of India.
- (ii) Listing Agreements entered into by the Company with BSE Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE) as per SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

During the period under review, the Company has complied with the provisions of the Act, rules, regulations, directions, guidelines, standards, etc. mentioned above.

I further report that the Board of Directors of the Company is duly constituted with proper balance of executive directors, non-executive directors and independent directors including one woman director. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notices is given to all directors for the Board Meetings, including Committees thereof, along with agenda and detailed notes on agenda at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting by the directors. The decisions were carried unanimously.

I further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that the Company allotted 1,179 equity shares on 'right basis' out of the shares kept in abeyance earlier and complied with the Act and Rules formed thereunder during the reporting period.

I further report that during the audit period there was no other event/action having major bearing on affairs of the Company.

Pune: 21 May 2020

Shyamprasad D. Limaye
UDIN: F001587B000263827
FCS No.1587 CP No. 572

Independent Auditors' Report on compliance with the conditions of Corporate Governance

[As per provisions of Chapter IV of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended]

The Members of **Bajaj Finserv Ltd.**

1. The Corporate Governance Report prepared by Bajaj Finserv Ltd. (hereinafter the 'Company'), contains details as specified in regulations 17 to 27, clauses (b) to (i) of sub-regulation (2) of regulation 46 and para C, D, and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ('the Listing Regulations') ('Applicable criteria') for the year ended 31 March 2020 as required by the Company for annual submission to the Stock exchange.

Management's Responsibility

2. The preparation of the Corporate Governance Report is the responsibility of the Management of the Company including the preparation and maintenance of all relevant supporting records and documents. This responsibility also includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Corporate Governance Report.
3. The Management along with the Board of Directors are also responsible for ensuring that the Company complies with the conditions of Corporate Governance as stipulated in the Listing Regulations, issued by the Securities and Exchange Board of India.

Auditor's Responsibility

4. Pursuant to the requirements of the Listing Regulations, our responsibility is to provide a reasonable assurance in the form of an opinion whether, the Company has complied with the conditions of Corporate Governance as specified in the Listing Regulations.
5. We conducted our examination of the Corporate Governance Report in accordance with the Guidance Note on Reports or Certificates for Special Purposes and the Guidance Note on Certification of Corporate Governance, both issued by the Institute of Chartered Accountants of India ("ICAI"). The Guidance Note on Reports or Certificates for Special Purposes requires that we comply with the ethical requirements of the Code of Ethics issued by ICAI.
6. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.
7. The procedures selected depend on the auditor's judgment, including the assessment of the risks associated in compliance of the Corporate Governance Report with the applicable criteria. Summary of procedures performed include:
 - i. Read and understood the information prepared by the Company and included in its Corporate Governance Report;
 - ii. Obtained and verified that the composition of the Board of Directors with respect to executive and non-executive directors has been met throughout the reporting period;
 - iii. Obtained and read the Register of Directors as on 31 March 2020 and verified that at least one independent woman director was on the Board of Directors throughout the year;
 - iv. Obtained and read the minutes of the following committee meetings held from 1 April 2019 to 31 March 2020:
 - (a) Board of Directors;
 - (b) Audit Committee;
 - (c) Annual General Meeting (AGM);
 - (d) Nomination and Remuneration Committee;
 - (e) Stakeholders Relationship Committee;

- (f) Risk Management Committee;
 - (g) Corporate social responsibility (CSR) Committee;
 - (h) Duplicate Share Certificate Issuance Committee;
- v. Obtained necessary representations and declarations from directors of the Company including the independent directors. Obtained and read the policy adopted by the Company for related party transactions;
 - vi. Obtained the schedule of related party transactions during the year and balances at the year-end. Obtained and read the minutes of the Audit Committee meeting where in such related party transactions have been pre-approved prior by the Audit Committee;
 - vii. Performed necessary inquiries with the management and also obtained necessary specific representations from management.
8. The above-mentioned procedures include examining evidence supporting the particulars in the Corporate Governance Report on a test basis. Further, our scope of work under this report did not involve us performing audit tests for the purposes of expressing an opinion on the fairness or accuracy of any of the financial information or the financial statements of the Company taken as a whole.

Opinion

9. Based on the procedures performed by us, as referred in paragraph 7 above, and according to the information and explanations given to us, we are of the opinion that the Company has complied with the conditions of Corporate Governance as specified in the Listing Regulations, as applicable for the year ended 31 March 2020, referred to in paragraph 4 above.

Other matters and Restriction on Use

10. This report is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.
11. This report is addressed to and provided to the members of the Company solely for the purpose of enabling it to comply with its obligations under the Listing Regulations with reference to compliance with the relevant regulations of Corporate Governance and should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care or for any other purpose or to any other party to whom it is shown or into whose hands it may come without our prior consent in writing. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

For S R B C & CO LLP
Chartered Accountants
ICAI Firm Registration Number: 324982E/E300003

per Arvind Sethi
Partner
Membership Number: 089802
UDIN: 20089802AACB9061

Pune: 21 May 2020

Declaration by Chief Executive Officer

[Regulation 34(3) read with Schedule V (Part D) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

I, Sanjiv Bajaj, Chairman & Managing Director of Bajaj Finserv Ltd. hereby declare that all members of the Board of Directors and Senior Management have affirmed compliance with the Code of Conduct of Board of Directors and Senior Management of the Company for the year ended 31 March 2020.

Sanjiv Bajaj
Chairman & Managing Director

Pune: 21 May 2020

Certificate by Practising Company Secretary

[Pursuant to Schedule V read with Regulation 34(3) of SEBI Listing Regulations 2015, (as amended)]

In the matter of Bajaj Finserv Ltd. (CIN: L65923PN2007PLC130075) having its registered office at Bajaj Auto Ltd. Complex, Mumbai-Pune Road, Akurdi, Pune 411035.

On the basis of examination of the books, minute books, forms and returns filed and other records maintained by the Company and declarations made by the directors and explanations given by the Company, and subject to limitation of physical interaction and verification of records caused by COVID-19 Pandemic lock down;

I certify that the following persons were directors of the Company (during 01-04-2019 to 31-03-2020) and none of them have been debarred or disqualified from being appointed or continuing as directors of companies by the Board/Ministry of Corporate Affairs or any such statutory authority.

Sr. No.	Name of Director	DIN	Designation
1	Madhukumar Ramkrishnaji Bajaj	00014593	Non-executive Director
2	Sanjivnayan Rahul Kumar Bajaj	00014615	Chairman & Managing Director
3	Rajivnayan Rahul Kumar Bajaj	00018262	Non-executive Director
4	Balaji Rao Jagannathrao Doveton	00025254	Independent Director
5	Dr. Naushad Darius Forbes	00630825	Independent Director
6	Dr. Gita Piramal	01080602	Independent Director
7	Anami N Roy	01361110	Independent Director
8	Manish Santoshkumar Kejriwal	00040055	Non-executive Director

Note: (a) Rahul Kumar Kamalnayan Bajaj (DIN00014529) ceased to be Chairman and Non-Executive Director w.e.f. conclusion of Board meeting held on 16 May 2019 and appointed as Chairman Emeritus.

(b) Nanoo Gobindram Pamnani (DIN00053673) Chairman and Independent Director ceased to be director on 22 February 2020 on account of death.

Pune: 21 May 2020

Shyamprasad D. Limaye
UDIN: F001587B000263860
FCS No. 1587 C P No. 572

The background of the page is a faded, light-colored image of a mountain range. The mountains are layered, creating a sense of depth, and the overall tone is soft and natural. The text is centered in the upper portion of the page.

CONSOLIDATED FINANCIAL STATEMENTS

Independent Auditors' Report on the Consolidated Ind AS Financial Statements

To the Members of **Bajaj Finserv Ltd.**

Opinion

We have audited the accompanying consolidated Ind AS financial statements of Bajaj Finserv Ltd. (hereinafter referred to as 'the Holding Company'), its subsidiaries (the Holding Company and its subsidiaries together referred to as 'the Group') and its joint venture, comprising of the consolidated Balance sheet as at 31 March 2020, the consolidated Statement of Profit and Loss, including other comprehensive income, the consolidated Cash Flow Statement and the consolidated Statement of Changes in Equity for the year then ended, and notes to the consolidated Ind AS financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as 'the consolidated Ind AS financial statements').

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements and on the other financial information of one joint venture, the aforesaid consolidated Ind AS financial statements give the information required by the Companies Act, 2013, as amended ('the Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its joint venture as at 31 March 2020, their consolidated profit including other comprehensive income, their consolidated cash flows and the consolidated statement of changes in equity for the year ended on that date.

Basis for opinion

We conducted our audit of the consolidated Ind AS financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the audit of the consolidated Ind AS financial statements' section of our report. We are independent of the Group and its joint venture in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements.

Emphasis of matter

We draw attention to note 2A(B) to these consolidated Ind AS financial statements, relating to the consolidated Ind AS financial statements of Bajaj Finance Ltd., a subsidiary of the Holding Company, which describes the uncertainty caused by Novel Coronavirus (COVID-19) pandemic with respect to its estimates of impairment of loans to its customers and that such estimates may be affected by the severity and duration of the pandemic.

Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated Ind AS financial statements for the financial year ended 31 March 2020. These matters were addressed in the context of our audit of the consolidated Ind AS financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have determined the matters described below to be the key audit matters to be communicated in our report. We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated Ind AS financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated Ind AS financial statements. The results of audit procedures performed by us and by other auditors of components not audited by us, as reported by them in their audit reports furnished to us by the management, including those procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated Ind AS financial statements.

Independent Auditors' Report on the Consolidated Ind AS Financial Statements (Contd.)

Key audit matters

How our audit addressed the key audit matter

(a) Impairment of financial assets as at balance sheet date (expected credit losses)

(as described in note 46 of the consolidated Ind AS financial statements)

Ind AS 109 requires the Group to provide for impairment of its financial assets designated at amortised cost and fair value through other comprehensive income (including loan receivables and investments) using the expected credit loss (ECL) approach. ECL involves an estimation of probability-weighted loss on financial instruments over their life, considering reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions which could impact the credit quality of the Group's financial assets.

In the process, a significant degree of judgment has been applied by the management for:

- staging of the financial assets (i.e. classification in 'significant increase in credit risk' ('SICR') and 'default' categories);
- grouping of borrowers based on homogeneity by using appropriate statistical techniques;
- estimation of behavioral life;
- determining macro-economic factors impacting credit quality of receivables;
- estimation of losses for financial assets with no/minimal historical defaults.

Additional considerations on account of COVID-19

The Group has recorded a management overlay of around ₹ 900 crore as part of its ECL, to reflect among other things an increased risk of deterioration in macro-economic factors caused by Novel Coronavirus (COVID-19) pandemic. Given the unique nature and scale of the economic impact of this pandemic, and its timing being close to the year-end, the management overlay is based on various uncertain variables, which could result in actual credit loss being different than that being estimated.

In view of the high degree of management's judgment involved in estimation of ECL, accentuated by the COVID-19 pandemic, it is a key audit matter.

- Read and assessed the Group's accounting policies for impairment of financial assets and their compliance with Ind AS 109.
- For subsidiaries engaged in lending, read and assessed their policies with respect to moratorium pursuant to the Reserve Bank of India circular dated 27 March 2020 ('RBI circular') allowing lending institutions to offer moratorium to borrowers on payment of instalments falling due between 1 March 2020 and 31 May 2020 and tested the implementation of such policy on a sample basis.
- Evaluated the reasonableness of the management estimates by understanding the process of ECL estimation and related assumptions and tested the controls around data extraction and validation.
- Assessed the criteria for staging of financial assets based on their past-due status to check compliance with requirement of Ind AS 109. Tested a sample of performing (stage 1) assets to assess whether any SICR or loss indicators were present requiring them to be classified under stage 2 or 3.
- Assessed the additional considerations applied by the management for staging of loans as SICR or default categories in view of factors caused by COVID-19 (such as policy on moratorium referred above for subsidiaries engaged in lending).
- Tested the ECL model, including assumptions and underlying computation. Assessed the floor/minimum rates of provisioning applied by the Group for financial assets with inadequate historical defaults.
- Tested assumptions used by the management in determining the overlay for macro-economic factors (including COVID-19 pandemic).
- Tested assumptions used by the management for determining fair value of investments and the cash flow projections of the investee with reference to past experience. Assessed whether the assumptions are adjusted for business outlook on account of COVID-19.
- Assessed disclosures included in the consolidated Ind AS financial statements in respect of expected credit losses including the specific disclosures made with regards to the impact of COVID-19 on ECL estimation.

(b) IT systems and controls

Financial accounting and reporting systems, especially in the financial services sector, are fundamentally reliant on IT systems and IT controls to process significant transaction volumes, hence we identified IT systems and controls over financial reporting as a key audit matter for the Group.

Automated accounting procedures and IT environment controls, which include IT governance, general IT controls over program development and changes, access to programs and data and IT operations, are required to be designed and to operate effectively to ensure reliable financial reporting.

- We tested the design and operating effectiveness of the Group's IT access controls over the information systems that are important to financial reporting and various interfaces, configuration and other identified application controls.
- We tested IT general controls (logical access, changes management and aspects of IT operational controls). This included testing requests for access to systems were reviewed and authorised.
- We tested the Group's periodic review of access rights. We also tested requests of changes to systems for approval and authorisation.
- In addition to the above, we tested the design and operating effectiveness of certain automated controls that were considered as key internal controls over financial reporting.

(c) Outstanding Motor Third Party (TP) claims

The joint auditors of Bajaj Allianz General Insurance Company Ltd. ('BAGIC'), a subsidiary of the Holding Company, have reported that outstanding Motor TP claims represent estimates of future payments of reported claims for losses and related expenses at balance sheet date. The valuation of reported third party loss involves a high degree of subjectivity and estimation. For such claims, a provision is made on the basis of the amounts that are likely to be paid against each claim as estimated by BAGIC in light of the information available at the balance sheet date and which is subsequently modified for changes, as appropriate, based on availability of additional information.

Resultantly, outstanding Motor TP claims is an area which requires auditors' attention, especially considering the significant degree of judgment which is required to be applied to determine this amount.

The procedures performed by the joint auditors of BAGIC, as reported by them to determine the appropriateness of the outstanding Motor TP claims by undertaking the following procedures:

- Obtained an understanding of the BAGIC's process of Motor TP claims provisioning, which takes into consideration factors such as evaluation of legal precedents and professional judgments of lawyers.
- Tested the design, implementation and operating effectiveness of key controls over the Motor TP claims provisioning as at the year-end.
- Performed substantive audit procedures and tested samples of outstanding Motor TP claims along with their underlying documentation for assessing existence and accuracy.
- Assessed the appropriateness of the overall Motor TP estimate made by BAGIC.

Independent Auditors' Report on the Consolidated Ind AS Financial Statements (Contd.)

Other information

The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the consolidated Ind AS financial statements and our auditor's report thereon.

Our opinion on the consolidated Ind AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the consolidated Ind AS financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated Ind AS financial statements

The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated Ind AS financial statements in terms of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated statement of changes in equity of the Group including its joint venture in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. The respective Board of Directors of the companies included in the Group and of its joint venture are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and of its joint venture and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

In preparing the consolidated Ind AS financial statements, the respective Board of Directors of the companies included in the Group and of its joint venture are responsible for assessing the ability of the Group and of its joint venture to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those respective Board of Directors of the companies included in the Group and its joint venture are also responsible for overseeing the financial reporting process of the Group and of its joint venture.

Auditor's responsibilities for the audit of the consolidated Ind AS financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting

Independent Auditors' Report on the Consolidated Ind AS Financial Statements (Contd.)

from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Holding Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its joint venture to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated Ind AS financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and its joint venture to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated Ind AS financial statements, including the disclosures, and whether the consolidated Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and its joint venture of which we are the independent auditors, to express an opinion on the consolidated Ind AS financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated Ind AS financial statements of which we are the independent auditors. For the other entities included in the consolidated Ind AS financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated Ind AS financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated Ind AS financial statements for the financial year ended 31 March 2020 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other matter

- (a) The consolidated Ind AS financial statements also include the Group's share of net profit of Rs. 0.66 crore for the year ended 31 March 2020, as considered in the consolidated Ind AS financial statements, in respect of one joint venture, whose financial statements, other financial information have been audited by other auditors and whose reports have been furnished to us by the management. Our opinion on the consolidated Ind AS financial statements, in so far as it relates to the amounts and disclosures included in respect of this joint venture, and our report in terms of sub-sections (3) of Section 143 of the Act, in so far as it relates to the aforesaid joint venture, is based solely on the report of such other auditors.

Independent Auditors' Report on the Consolidated Ind AS Financial Statements (Contd.)

- (b) The auditors of Bajaj Allianz Life Insurance Company Ltd. ('BALIC'), a subsidiary, have reported that the actuarial valuation of liabilities for life policies in force and for policies in respect of which premium has been discontinued but liability exists as at 31 March 2020 is the responsibility of the BALIC's Appointed Actuary. The actuarial valuation of these liabilities for life policies in force and for policies in respect of which premium has been discontinued but liability exists as at 31 March 2020 has been duly certified by the BALIC's Appointed Actuary and in his opinion, the assumptions for such valuation are in accordance with Ind AS 104 'Insurance Contracts', Ind AS 109 'Financial Instruments', the guidelines and norms issued by the Insurance Regulatory Development Authority of India ('IRDAI'/Authority') and the Institute of Actuaries of India in concurrence with the IRDAI. BALIC's auditors have relied upon Appointed Actuary's certificate in this regard for forming their opinion on the valuation of liabilities for life policies in force and for policies in respect of which premium has been discontinued but liability exists in Financial Statements of BALIC.
- (c) The auditors of Bajaj Allianz General Insurance Company Ltd. ('BAGIC'), a subsidiary, have reported that the actuarial valuation of liabilities in respect of claims Incurred But Not Reported (IBNR) and claims Incurred But Not Enough Reported (IBNER) of BAGIC is the responsibility of the BAGIC's Appointed Actuary. The actuarial valuation of these liabilities as at 31 March 2020 has been duly certified by the BAGIC's Appointed Actuary. The BAGIC's Appointed Actuary has also certified that in his opinion, the assumptions for such valuation are in accordance with Ind AS 104 'Insurance Contracts', Ind AS 109 'Financial Instruments', the guidelines and norms issued by the Insurance Regulatory Development Authority of India ('IRDAI'/Authority') and the Institute of Actuaries of India in concurrence with the IRDAI. BAGIC's auditors have relied upon the BAGIC's Appointed Actuary's certificate in this regard for forming our opinion on the financial statements of BAGIC.

Our opinion above on the consolidated Ind AS financial statements, and our report on other legal and regulatory requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors.

Report on other legal and regulatory requirements

As required by section 143(3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of a joint venture, as noted in the 'other matter' paragraph we report, to the extent applicable, that

- (a) We/the other auditors whose report we have relied upon have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated Ind AS financial statements;
- (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidation of the financial statements have been kept so far as it appears from our examination of those books and reports of the other auditors;
- (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements;
- (d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
- (e) On the basis of the written representations received from the directors of the Holding Company as on 31 March 2020 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors who are appointed under Section 139 of the Act, of its joint venture, none of the directors of the Group's companies and the joint venture incorporated in India is disqualified as on 31 March 2020 from being appointed as a director in terms of Section 164 (2) of the Act;
- (f) With respect to the adequacy and the operating effectiveness of the internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements of the Holding Company, its subsidiary companies and joint venture incorporated in India, refer to our separate Report in 'Annexure 1' to this report;

Independent Auditors' Report on the Consolidated Ind AS Financial Statements (Contd.)

- (g) In our opinion and based on the consideration of reports of other statutory auditor of the joint venture, the managerial remuneration for the year ended 31 March 2020 has been paid/provided by the Holding Company, its subsidiaries and joint venture to their directors in accordance with the provisions of section 197 read with Schedule V to the Act;
- (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the joint venture, as noted in the 'Other matter' paragraph
- i. The consolidated Ind AS financial statements disclose the impact of pending litigations on its consolidated financial position of the Group and its joint venture – Refer Note 41 to the consolidated Ind AS financial statements;
 - ii. The Group and its joint venture did not have any material foreseeable losses in long-term contracts including derivative contracts during the year ended 31 March 2020.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company and its subsidiaries and joint venture incorporated in India during the year ended 31 March 2020.

For S R B C & CO LLP
ICAI Firm Registration Number: 324982E/E300003
Chartered Accountants

per Arvind Sethi
Partner
Membership Number: 89802
UDIN: 20089802AAAABY8728

Pune: 21 May 2020

Annexure 1 to Independent Auditors' Report

Annexure 1 referred to in paragraph (f) under the heading 'Report on other legal and regulatory requirements' to the independent auditor's report of even date on the consolidated Ind AS financial statements of Bajaj Finserv Ltd.

Report on the Internal Financial Controls under Clause (i) of sub-section 3 of section 143 of the Companies Act, 2013 ('the Act')

In conjunction with our audit of the consolidated Ind AS financial statements of Bajaj Finserv Ltd. as of and for the year ended 31 March 2020, we have audited the internal financial controls over financial reporting of Bajaj Finserv Ltd. (hereinafter referred to as the 'Holding Company') and its subsidiary companies, its joint venture, which are companies incorporated in India, as of that date.

Management's responsibility for internal financial controls

The respective Board of Directors of the Holding Company, its subsidiary companies and its joint venture, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's responsibility

Our responsibility is to express an opinion on the company's internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the 'Guidance Note') and the Standards on Auditing, both, issued by Institute of Chartered Accountants of India, and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements.

Meaning of internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements

A company's internal financial control over financial reporting with reference to these consolidated Ind AS financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting with reference to these consolidated Ind AS financial statements includes those policies and procedures that

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and

Annexure 1 to Independent Auditors' Report (Contd.)

- (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent limitations of internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these consolidated Ind AS financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Holding Company, its subsidiary companies and its joint venture, which are companies incorporated in India, have, maintained in all material respects, adequate internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements and such internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements were operating effectively as at 31 March 2020, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Other matters

- (a) The auditors of Bajaj Allianz Life Insurance Company Ltd. ('BALIC'), a subsidiary, have reported that the actuarial valuation of liabilities for life policies in force and policies where premium is discontinued is required to be certified by the BALIC's Panel Actuary as per the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 (the 'IRDA Financial Statements Regulations'), and has been relied upon by them, as mentioned in 'Other Matter' paragraph of their audit report on the financial statements of BALIC as at and for the year ended 31 March 2020. Accordingly, the internal financial controls over financial reporting in respect of the valuation and accuracy of the aforesaid actuarial valuation is also certified by the Panel Actuary and has been relied upon by them.
- (b) The auditors of Bajaj Allianz General Insurance Company Ltd. ('BAGIC'), a subsidiary, have reported that the actuarial valuation for claims Incurred But Not Reported (IBNR) and claims Incurred But Not Enough Reported (IBNER), has been duly certified by the BAGIC's Appointed Actuary in accordance with the guidelines and norms issued by the Insurance Regulatory and Development Authority of India (the 'Authority') and the Institute of Actuaries of India in concurrence with the Authority, and has been relied upon by them, as mentioned in 'Other Matter' paragraph of their audit report on the financial statements of BAGIC as at and for the year ended 31 March 2020. Accordingly, their opinion on the internal financial controls over financial reporting does not include reporting on the adequacy and operating effectiveness of internal controls over valuation and accuracy of aforesaid actuarial liabilities.
- (c) Our report under section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting with reference to these consolidated Ind AS financial statements of the Holding Company, in so far as it relates to one joint venture, which are companies incorporated in India, is based on the corresponding reports of the auditors of joint venture incorporated in India.

For S R B C & CO LLP
ICAI Firm Registration Number: 324982E/E300003
Chartered Accountants

per Arvind Sethi
Partner
Membership Number: 89802
UDIN: 20089802AAAABY8728

Pune: 21 May 2020

Consolidated Balance Sheet

Particulars	Note No.	(₹ In Crore)	
		As at 31 March	
		2020	2019
ASSETS			
Financial assets			
Cash and cash equivalents	3	2,395.52	1,582.91
Bank balance other than cash and cash equivalents	4	129.71	5.98
Derivative financial instruments	5	171.76	-
Trade receivables	6	2,657.81	2,273.08
Other receivables	7	157.07	92.19
Loans	8	141,742.76	112,847.90
Investment in a joint venture	9A	13.82	13.18
Shareholders' investments	9B	27,699.70	20,317.97
Policyholders' investments	9C	64,107.53	61,347.91
Other financial assets	10	2,364.49	2,273.82
		241,440.17	200,754.94
Non-financial assets			
Current tax assets (net)		296.19	172.77
Deferred tax assets (net)	11A	885.47	779.87
Investment property	12	37.24	37.98
Property, plant and equipment	13A	1,615.23	1,137.75
Right-of-use assets	13B	540.59	-
Capital work-in-progress		13.20	60.81
Intangible assets under development		31.49	4.70
Goodwill on consolidation		689.34	689.34
Other intangible assets	14	333.22	231.76
Other non-financial assets	15	5,502.05	4,652.94
		9,944.02	7,767.92
Total		251,384.19	208,522.86

Consolidated Balance Sheet (Contd.)

Particulars	Note No.	As at 31 March	
		2020	2019
(₹ In Crore)			
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Payables			
Trade payables	16		
Total outstanding dues of micro enterprises and small enterprises		4.31	3.04
Total outstanding dues of creditors other than micro enterprises and small enterprises		3,141.33	3,085.26
Other payables	17		
Total outstanding dues of micro enterprises and small enterprises		-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises		793.25	852.35
Debt securities	18	46,337.36	44,847.83
Borrowings (other than debt securities)	19	54,700.17	37,574.44
Deposits	20	21,427.10	13,193.01
Subordinated liabilities	21	4,141.75	4,139.07
Insurance contracts liabilities		58,772.95	57,322.63
Investment contracts liabilities		6,946.84	6,651.08
Lease liabilities	22A	605.65	-
Other financial liabilities	22B	664.40	1,860.40
		197,535.11	169,529.11
Non-financial liabilities			
Current tax liabilities (net)		443.59	519.90
Deferred tax liabilities (net)	11B	80.04	94.68
Provisions	23	175.80	166.19
Other non-financial liabilities	24	2,288.25	1,665.26
		2,987.68	2,446.03
EQUITY			
Equity share capital	25	79.57	79.57
Other equity	26	31,221.68	23,660.50
Non-controlling interest		19,560.15	12,807.65
		50,861.40	36,547.72
Total		251,384.19	208,522.86
Summary of significant accounting policies followed by the Group	2		

The accompanying notes are an integral part of the consolidated financial statements

As per our report of even date

For S R B C & CO LLP
ICAI Firm Registration Number: 324982E/E300003
Chartered Accountants

per Arvind Sethi
Partner
Membership Number: 89802
Pune: 21 May 2020

S Sreenivasan
Chief Financial Officer

Sonal R Tiwari
Company Secretary

On behalf of the Board of Directors

Sanjiv Bajaj
Chairman & Managing Director

Madhur Bajaj
Director

Consolidated Statement of Profit and Loss

Particulars	Note No.	For the year ended 31 March	
		2020	2019
(₹ In Crore)			
Revenue from operations			
Interest income	27	26,504.37	18,776.29
Dividend income		60.84	61.30
Rental income		4.17	5.20
Fees and commission income	28	2,476.34	1,681.87
Net gain on fair value changes	29	333.37	1,978.10
Sale of services	30	187.69	147.25
Premium and other operating income from insurance business		24,498.56	19,857.32
Others	31	281.35	96.67
Total revenue from operations		54,346.69	42,604.00
Other income	32	4.78	1.57
Total income		54,351.47	42,605.57
Expenses			
Employee benefits expenses	33	4,755.11	3,801.77
Finance costs	34	9,338.53	6,540.03
Fees and commission expense	35	2,206.10	1,692.77
Impairment on financial instruments	36	4,120.37	1,688.67
Claims incurred pertaining to insurance business		12,512.17	10,663.70
Reinsurance ceded		4,520.67	3,119.33
Net change in insurance/investment contract liabilities		4,353.87	3,701.96
Depreciation, amortisation and impairment	37	456.79	226.09
Other expenses	38	3,786.86	3,017.87
Total expenses		46,050.47	34,452.19
Share of profits of joint venture		0.66	1.36
Profit before tax		8,301.66	8,154.74
Tax expense			
Current tax		2,557.12	2,737.84
Deferred tax		(249.06)	43.05
Total tax expense	39	2,308.06	2,780.89
Profit after tax		5,993.60	5,373.85
Profit attributable to non-controlling interests		2,624.47	2,154.81
Profit for the year		3,369.13	3,219.04

Consolidated Statement of Profit and Loss (Contd.)

Particulars	Note No.	For the year ended 31 March	
		2020	2019
(₹ In Crore)			
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial gains/(losses) of defined benefit plans		(35.62)	(23.97)
Tax impacts on above		5.52	7.30
Changes in fair value of equity instruments carried at FVTOCI		(92.10)	-
Tax impacts on above		23.18	-
Items that will be reclassified to profit or loss			
Changes in fair value of debt securities carried at FVTOCI		994.25	206.70
Tax impacts on above		(177.08)	(46.47)
Derivative instruments in cash flow hedge relationship		(75.68)	-
Tax impacts on above		19.05	-
Other comprehensive income for the year (net of tax)		661.52	143.56
Total comprehensive income for the year		6,655.12	5,517.41
Profit attributable to			
Owners of the company		3,369.13	3,219.04
Non-controlling interests		2,624.47	2,154.81
Total comprehensive income attributable to			
Owners of the company		3,882.47	3,325.07
Non-controlling interests		2,772.65	2,192.34
Basic and diluted Earnings per share (in ₹)	40	211.7	202.3
(Nominal value per share ₹ 5)			
Summary of significant accounting policies followed by the Group	2		

The accompanying notes are an integral part of the consolidated financial statements

As per our report of even date

For S R B C & CO LLP
ICAI Firm Registration Number: 324982E/E300003
Chartered Accountants

per Arvind Sethi
Partner
Membership Number: 89802
Pune: 21 May 2020

S Sreenivasan
Chief Financial Officer

Sonal R Tiwari
Company Secretary

On behalf of the Board of Directors

Sanjiv Bajaj
Chairman & Managing Director

Madhur Bajaj
Director

Consolidated Statement of Changes in Equity**A Equity share capital**

Particulars	Note No.	(₹ In Crore)	
		For the year ended 31 March	
		2020	2019
At the beginning of the year		79.57	79.57
Changes in equity share capital during the year		-	-
At the end of the year	25	79.57	79.57

Consolidated Statement of Changes in Equity (Contd.)

B Other equity

(₹ in Crore)

Particulars	Note No.	Reserves and surplus					Other comprehensive income			Total			
		Securities premium	General reserve	Reserve fund in terms of section 45-1C(i) of the Reserve Bank of India Act, 1934	Reserve fund in terms of section 29C of the National Housing Bank Act, 1987	Infrastructure reserve in terms of section 36(1)(viii) of the Income Tax Act, 1961	Share based payments reserve	Treasury shares	Retained earnings		Equity instruments through other comprehensive income	Debt and Hedge instruments through other comprehensive income	Total attributable to equity holders of the parent
Balance as at 31 March 2018	26	4,996.76	2,094.63	966.83	2.49	5.08	46.43	12,266.79	-	24.36	20,403.37	10,774.35	31,177.72
Profit for the year		-	-	-	-	-	-	3,219.04	-	-	3,219.04	2,154.81	5,373.85
Other comprehensive income (net of tax)		-	-	-	-	-	-	(10.53)	-	116.56	106.03	37.53	143.56
Total Comprehensive income for the year ended 31 March 2019		-	-	-	-	-	-	3,208.51	-	116.56	3,325.07	2,192.34	5,517.41
Transactions with owners in their capacity as owners													
Issue of equity share capital		9.95	-	-	-	-	-	-	-	-	9.95	8.09	18.04
Transfer to Reserve Fund in terms of section 45C(i) of the Reserve Bank of India Act, 1934 and section 29C of the National Housing Bank Act, 1987		-	-	428.36	7.79	-	-	(436.15)	-	-	-	-	-
Transfer to Infrastructure Reserve in terms of section 36(1)(vii) of the Income Tax Act, 1961		-	-	-	-	4.07	-	(4.07)	-	-	-	-	-
Final dividend, declared and paid during the year		-	-	-	-	-	-	(27.85)	-	-	(27.85)	(172.14)	(199.99)
Tax on final dividend		-	-	-	-	-	-	(58.94)	-	-	(58.94)	(21.39)	(80.33)
Recognition of share based payments to employees		-	-	-	-	-	44.17	-	-	-	44.17	33.67	77.84
Received on allotment of shares to trust for employees pursuant to stock options		-	-	-	-	-	-	-	(9.88)	-	(9.88)	(8.09)	(17.97)
Treasury shares held by ESOP trust		-	-	-	-	-	-	(25.85)	-	-	(25.85)	-	(25.85)
Transfer on cancellation of stock options		-	0.54	-	-	-	-	(0.54)	-	-	-	0.45	0.45
Adjustment of dividend to ESOP trust		-	-	-	-	-	-	0.46	-	-	0.46	0.37	0.83
Balance as at 31 March 2019	26	5,006.71	2,095.17	1,395.19	10.28	9.15	80.18	14,948.75	-	140.92	23,660.50	12,807.65	36,468.15

Consolidated Statement of Changes in Equity (Contd.)

B Other equity (Contd.)

Particulars	Note No.	Reserves and surplus						other comprehensive income		Total			
		Securities premium	General reserve	Reserve fund in terms of section 45-1C(i) of the Reserve Bank of India Act, 1934	Reserve fund in terms of section 29C of the National Housing Bank Act, 1987	Infrastructure reserve in terms of section 36(1)(viii) of the Income-tax Act, 1961	Share based payments reserve	Treasury shares	Retained earnings		Equity instruments through other comprehensive income	Debt and Hedge instruments through other comprehensive income	Total attributable to equity holders of the parent
Profit for the year		-	-	-	-	-	-	3,369.13	-	-	3,369.13	2,624.47	5,993.60
Other comprehensive income (net of tax)		-	-	-	-	-	-	(17.13)	(36.40)	566.87	513.34	148.18	661.52
Total comprehensive income for the year ended 31 March 2020		-	-	-	-	-	-	3,352.00	(36.40)	566.87	3,882.47	2,772.65	6,655.12
Transactions with owners in their capacity as owners													
Issue of equity share capital		4,553.24	-	-	-	-	-	-	-	-	4,553.24	4,066.88	8,620.12
Share issue expenses		(23.80)	-	-	-	-	-	-	-	-	(23.80)	(21.26)	(45.06)
Transfer to Reserve Fund in terms of section 451C(1) of the Reserve Bank of India Act, 1934 and section 29C of the National Housing Bank Act, 1987		-	497.19	31.31	-	-	-	(528.50)	-	-	-	-	-
Transfer to Infrastructure Reserve in terms of section 36 (1) (viii) of the Income tax Act, 1961		-	-	-	-	13.21	-	(13.21)	-	-	-	-	-
Final dividend, declared and paid during the year		-	-	-	-	-	-	(39.79)	-	-	(39.79)	(219.59)	(259.38)
Tax on final dividend		-	-	-	-	-	-	(70.59)	-	-	(70.59)	(33.74)	(104.33)
Interim dividend, declared and paid during the year		-	-	-	-	-	-	(79.57)	-	-	(79.57)	(283.88)	(363.45)
Tax on interim dividend		-	-	-	-	-	-	(65.33)	-	-	(65.33)	(58.35)	(123.68)
Recognition of share based payments to employees		-	-	-	-	-	-	-	65.60	-	65.60	39.16	104.76
Transfer on exercise of option		-	-	-	-	-	-	0.30	(0.30)	-	-	(0.10)	(0.10)
Treasury shares held by ESOP trust		-	-	-	-	-	-	-	(174.32)	-	(174.32)	-	(174.32)
Transfer on allotment of shares to employees pursuant to ESOP scheme		-	-	-	-	-	-	(0.21)	-	-	(0.21)	(0.18)	(0.39)
Transfer on cancellation of stock options		-	-	-	-	-	-	-	-	-	0.62	0.56	1.18
Adjustment of dividend to ESOP Trust		-	-	-	-	-	-	1.70	-	-	1.70	1.51	3.21
Adjustment because of change in shareholding in subsidiary		(180.43)	(17.03)	(56.42)	(0.03)	(0.36)	(2.92)	(250.64)	-	18.99	(488.84)	488.84	-
Balance as at 31 March 2020	26	9,355.72	2,078.76	1,835.96	41.56	22.00	142.56	17,254.91	(36.40)	726.78	31,221.68	19,560.15	50,781.83

Summary of significant accounting policies followed by the Group

The accompanying notes are an integral part of the consolidated financial statements

As per our report of even date

For S R B C & CO LLP
ICAI Firm Registration Number: 324982E/E300003
Chartered Accountants

per Arvind Sethi
Partner
Membership Number: 89802
Pune: 21 May 2020

On behalf of the Board of Directors

Sanjiv Bajaj
Chairman & Managing Director

Madhur Bajaj
Director

S Sreenivasan
Chief Financial Officer

Sonal R Tiwari
Company Secretary

Consolidated Statement of Cash Flows

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2020	2019
I. Operating activities		
Profit before tax	8,301.66	8,154.74
Adjustments for		
Interest income	(26,504.37)	(18,776.29)
Dividend income	(60.84)	(61.30)
Rental income	(4.17)	(5.20)
Unwinding of discount on security deposit	(0.90)	(0.31)
Realised gain on sale of investment	(281.54)	(99.74)
Depreciation and amortisation	456.79	226.09
Share of profits of joint venture	(0.66)	(1.36)
Impairment on financial instruments	4,120.37	1,688.67
Net (gain)/loss on disposal of property, plant and equipment	2.99	(1.22)
Finance costs	9,338.53	6,540.03
Share based payment to employees	127.70	77.83
Net gain on financial instruments at fair value through profit or loss	(333.37)	(1,978.10)
Interest from loans (other than financing activity)	(37.21)	(28.21)
Remeasurement gain/(loss) on defined benefit plans	(0.04)	(15.88)
Service fees for management of assigned portfolio of loans	(124.27)	(68.77)
Provision for doubtful debts	0.99	-
Cash inflow from service asset	61.70	74.41
Cash inflow from interest on loans under financing activity	22,903.15	16,148.51
Cash outflow towards finance cost	(8,366.49)	(6,344.49)
Cash from operation before working capital changes	9,600.02	5,529.41
Working capital changes		
(Increase)/decrease in trade receivables	(490.74)	(542.30)
(Increase)/decrease in other receivables	-	(38.52)
(Increase)/decrease in loans	(32,487.71)	(34,684.15)
(Increase)/decrease in other financial assets	(210.76)	(119.15)
(Increase)/decrease in other non-financial assets	(223.89)	9.78
(Increase)/decrease re-insurance assets	(605.74)	15.44
Increase/(decrease) in trade payables	245.65	(262.72)
Increase/(decrease) in other payables	(318.44)	171.19
Increase/(decrease) in other financial liabilities	(1,242.00)	173.28
Increase/(decrease) in provisions	(26.68)	9.24
Increase/(decrease) in other non-financial liabilities	628.11	380.45
Increase/(decrease) insurance contract liabilities	4,418.82	5,111.59
Income tax paid (net of refunds)	(2,655.67)	(2,829.91)
Net cash used in operating activities	(23,369.03)	(27,076.37)

Consolidated Statement of Cash Flows (Contd.)

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2020	2019
II. Investing activities		
Purchase of property, plant and equipment	(768.94)	(548.71)
Proceeds from sale of property, plant and equipment	9.34	77.16
Purchase of intangible assets	(110.38)	(97.80)
Purchase of investments measured at amortised cost	(169,402.65)	(68,364.12)
Proceeds from investments measured at amortised cost	164,286.59	63,269.85
Expenses related to investments	(10.66)	(3.86)
Purchase of investments measured at FVTOCI	(2,246.45)	(646.56)
Proceeds from sale of investments measured at FVTOCI	826.09	200.07
Purchase of investments measured at FVTPL	(442,984.73)	(475,228.84)
Proceeds from sale of investments measured at FVTPL	436,535.68	470,672.85
Purchase of equity investments designated at FVTOCI	(150.00)	-
Loan against policies	(76.77)	(64.97)
Repayment of loan received	16.67	16.67
Rent/interest/dividend received	4,195.45	3,742.88
Interest received on investment measured at FVTPL and FVTOCI	135.32	119.81
Fixed deposits placed during the year	(287.00)	(163.99)
Fixed deposits matured during the year	258.76	142.00
Investment in treasury shares by ESOP trust	(174.32)	(25.85)
Net cash used in investing activities	(9,948.00)	(6,903.41)

Consolidated Statement of Cash Flows (Contd.)

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2020	2019
III. Financing activities		
Issue of equity share capital (including securities premium)	8,568.12	57.52
Share issue expenses	(45.06)	-
Dividends paid	(559.15)	(182.38)
Dividend distribution tax	(239.54)	(91.86)
Deposits received, net	7,987.85	5,264.44
Debt securities issued, net	1,972.98	12,922.92
Borrowings other than debt securities issued, net	16,794.15	16,564.18
Net cash flow from financing activities	34,479.35	34,534.82
Net change in cash and cash equivalents	1,162.32	555.04
Cash and cash equivalents at the beginning of the year	4,099.01	3,543.97
Cash and cash equivalents at year end*	5,261.33	4,099.01

***Cash and cash equivalents at year end**

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Cash and cash equivalents as per note 3	2,395.52	1,582.91
Other short-term liquid investment	3,000.53	2,339.35
Temporary overdraft, units receivable and others	(134.72)	176.75
	5,261.33	4,099.01
Summary of significant accounting policies followed by the Group	2	

The accompanying notes are an integral part of the consolidated financial statements

As per our report of even date

For S R B C & CO LLP
ICAI Firm Registration Number: 324982E/E300003
Chartered Accountants

per Arvind Sethi
Partner
Membership Number: 89802
Pune: 21 May 2020

S Sreenivasan
Chief Financial Officer

Sonal R Tiwari
Company Secretary

On behalf of the Board of Directors

Sanjiv Bajaj
Chairman & Managing Director

Madhur Bajaj
Director

Notes to consolidated financial statements for the year ended 31 March 2020

1A Principles of consolidation and equity accounting

The consolidated financial statements include financial statements of the following subsidiaries and joint venture of Bajaj Finserv Ltd., consolidated in accordance with Ind AS 110 'Consolidated Financial Statements' and Ind AS 28 'Investments in Associates and Joint Ventures'. The consolidated financial statements comprise financial statements of Bajaj Finserv Ltd. (the 'Company'), its subsidiaries and joint venture (collectively, the 'Group') for the year ended 31 March 2020.

Name of the company	Country of incorporation	% Shareholding of Bajaj Finserv Ltd.	Consolidated as
Bajaj Allianz General Insurance Company Ltd.	India	74%	Subsidiary
Bajaj Allianz Life Insurance Company Ltd.	India	74%	Subsidiary
Bajaj Finance Ltd.*	India	52.82%	Subsidiary
Bajaj Finserv Direct Ltd. (Formerly Bajaj Financial Holdings Ltd.)	India	100%	Subsidiary
Bajaj Finserv Health Ltd.	India	100%	Subsidiary
Bajaj Allianz Financial Distributors Ltd.**	India	50%	Joint Venture

* The consolidated financial statements of Bajaj Finance Ltd. includes 100% interest in both, Bajaj Housing Finance Ltd. and Bajaj Financial Securities Ltd. as a subsidiary.

** The consolidated financial statements of Bajaj Allianz Financial Distributors Ltd. include 100% interest in Bajaj Allianz Staffing Solutions Ltd.

i. Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group.

The group combines the financial statements of the parent and its subsidiaries line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated financial Statement of Profit and Loss and Balance Sheet respectively.

ii. Joint venture

Interests in joint ventures are accounted for using the equity method, after initially being recognised at the cost in the consolidated Balance Sheet. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit and loss, and the group's share of other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint venture are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

1B Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are recognised at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss or OCI, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of Ind AS 109 Financial Instruments, is measured at fair value with changes in fair value recognised in profit or loss in accordance with Ind AS 109. If the contingent consideration is not within the scope of Ind AS 109, it is measured in accordance with the appropriate Ind AS and shall be recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and subsequent its settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in OCI and accumulated in equity as capital reserve. However, if there is no clear evidence of bargain purchase, the entity recognises the gain directly in equity as capital reserve, without routing the same through OCI.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted through goodwill during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date. These adjustments are called as measurement period adjustments. The measurement period does not exceed one year from the acquisition date.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

1C Basis of preparation

These financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under section 133 of the Companies Act, 2013 ('the Act') read together with the Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time, other relevant provisions of the Act and the RBI guidelines/regulations to the extent applicable on an accrual basis.

The financial statements have been prepared on a historical cost basis, except for certain financial assets and financial liabilities that are measured at fair value.

The financial statements are presented in INR, which is also the Group's functional currency and all values are rounded to the nearest crore (INR 0,000,000), except when otherwise indicated.

Notes to these consolidated financial statements are intended to serve as a means of informative disclosure and a guide to better understanding of the consolidated position of the companies. Recognising this purpose, the Company has disclosed only such notes from the individual financial statements, which fairly present the needed disclosures. The accounting policies, notes and disclosures made by the parent are best viewed in its standalone financial statements to which these consolidated financial statements are attached.

The financial statements of the two insurance companies have been adjusted for giving effects of Ind AS (notified under section 133 of the Companies Act, 2013); (the special purpose Ind AS Financial Statements) and hence, would vary from those prepared for statutory purposes under the Insurance Act, 1938 and IRDAI (Preparation of Financial Statements and Auditors Report) regulations, 2002.

However, no adjustments have been made to the financial statements of the two insurance subsidiaries on account of diverse accounting policies to the extent they are specific to insurance companies as and are required by regulations which are in contrast to that of Bajaj Finserv Ltd. and hence not practicable to do so. Also, differences in accounting policies followed by the other entities consolidated have been reviewed and adjustments have been made, only if these differences are material and significant.

Accounting Policies followed by the subsidiaries and joint venture consolidated herein, to the extent they are different and unique are stated in note 2A below.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

2A Significant accounting policies followed by subsidiaries and joint venture, to the extent, different and unique from the parent

A. Bajaj Allianz Life Insurance Company Ltd. and Bajaj Allianz General Insurance Company Ltd.

Basis of preparation

The Special Purpose Ind AS Financial Statements ('Financial Statements') of the two Insurance subsidiaries have been prepared in accordance with the measurement and recognition principles of Ind AS framework (Companies (Indian Accounting Standards) Rules, 2015, as amended (Ind AS) prescribed under section 133 of the Companies Act, 2013), and other recognised accounting practices and policies including directions given in the Master Circular on Preparation of Financial Statements and Filing of Returns of Life and General Insurance Business ('the Master Circular') and other circulars issued by the IRDAI from time to time, to the extent they were not inconsistent with Ind AS.

The special purpose financial statements of the two insurance subsidiaries have been prepared on a historical cost basis except the following items, which are measured on alternative basis on each reporting date

- Certain financial assets and liabilities that are measured at fair value
- Insurance liabilities which are measured basis principles and methodologies specified by the regulator in existing regulations
- Employee share based payment obligation which is measured at fair value
- Defined benefit liability/(assets): fair value of plan assets less present value of defined benefit obligation

1. Product classification

Insurance contracts are those contracts when the insurer has accepted significant insurance risk from the policyholders' by agreeing to compensate the policyholders' if a specified uncertain future event adversely affects the policyholders'. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid on the occurrence of an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. Further, as suggested by IRDAI working committee report dated 29 December 2016, at least one of the below thresholds have been used to classify each Life Insurance product as 'Insurance' or 'Investment' contracts

- At least 5% of the Fund Value at any time during the life on the contract for unit linked products, or
- At least 5% of the annualised premium or single premium, as the case may be, at any time during the life on the contract for other than unit linked products, or
- Ratio of Expected Present Value (EPV) of death benefits to EPV of Other than death benefits is at least 5% measured at the inception of the policy.

Investment contracts are those contracts that transfer significant financial risk and no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Financial Instruments (investment contracts) are required to be separated from insurance contracts.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Life Insurance and investment contracts are further classified as being either with or without Discretionary Participating Feature (DPF). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are

- Likely to be a significant portion of the total contractual benefits;
- The amount or timing of which is contractually at the discretion of the issuer;
- That are contractually based on
 - The performance of a specified pool of contracts or a specified type of contract
 - Realised and or unrealised investment returns on a specified pool of assets held by the issuer
 - The profit or loss of the Company, fund or other entity that issues the contract.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

2A Significant accounting policies followed by subsidiaries and joint venture, to the extent, different and unique from the parent (Contd.)

A. Bajaj Allianz Life Insurance Company Ltd. and Bajaj Allianz General Insurance Company Ltd. (Contd.)

2. Property, plant and equipment

Property and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Depreciation is provided on a straight line basis over the estimated useful lives of the following classes of assets

Property	No. of years
Buildings	60 years
Electrical fittings	10 years
Furniture and fittings	10 years
Information technology equipment (including computers)	3 years
Server and networks	6 years
Air conditioner	5 years
Vehicles (in common use)	8 years
Vehicles (in use by specified employees)	4 years
Office equipment	5 years
Mobile phones/Tablets	2 years
Leasehold improvements	Over the balance period of lease

* Electrical fittings installed at leased premises are depreciated over an estimated useful life of 3 years

** Useful life of vehicle allotted to the employees is considered 4 years as per management estimation.

Lease hold improvements to leased properties are depreciated over the primary period of lease which is generally 3 years.

Assets costing individually less than ₹ 5,000 are depreciated fully in the year of acquisition.

Changes in the expected useful life are accounted for by changing the amortisation period or methodology, as appropriate, and treated as changes in accounting estimates.

3. Investments – Life Insurance

Basis the Life Insurance Company's evaluation of the business model/segment to which the investments pertain, the financial assets are classified as follows

Particulars	ULIPs*	Participating funds	Non-participating funds	Shareholders' funds
• Debt securities		Designated as		
• Government securities	FVTPL	FVTPL	FVTOCI	FVTOCI
• Fixed deposits			Amortised cost	
• Collateralised Borrowing and Lending Obligations (CBLO);				
• Financial assets other than investments				
• Equity shares				
• Mutual fund				
• AT1 Bonds			FVTPL	
• Security receipts				
• Venture capital fund				

* Unit Linked Insurance Plans

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

2A Significant accounting policies followed by subsidiaries and joint venture, to the extent, different and unique from the parent (Contd.)

A. Bajaj Allianz Life Insurance Company Ltd. and Bajaj Allianz General Insurance Company Ltd. (Contd.)

4. Investments – General Insurance

Particulars	Policyholders' funds	Shareholders' funds
• Debt securities		
• Government securities	FVTOCI	FVTOCI
• Fixed deposits		
• Financial assets other than investments	Amortised cost	Amortised cost
• Equity shares		
• Mutual fund	FVTPL	FVTPL
• AT1 Bonds		

5. Financial assets at FVTOCI

Financial assets are measured at FVTOCI when both of the following conditions are met

- The instrument is held within a business model, the objective of which is both collecting contractual cash flows and selling financial assets;
- The contractual terms of the financial asset meet the SPPI test.

Financial assets in this category are those that are intended to be held to collect contractual cash flows and which may be sold in response to needs for liquidity or in response to changes in market conditions.

FVTOCI instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income are recognised in Statement of Profit or Loss in the same manner as for financial assets measured at amortised cost. On de-recognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to Statement of Profit and Loss.

6. Financial liabilities

Financial liabilities include liabilities that represent a contractual obligation to deliver cash or another financial assets to another entity, or a contract that may or will be settled in the entities own equity instruments. Few examples of financial liabilities are trade payables, debt securities and other borrowings and subordinated debts.

Initial measurement

All financial liabilities are recognised initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade payables, other payables, debt securities and other borrowings.

Subsequent measurement

After initial recognition, all financial liabilities are subsequently measured at amortised cost using the EIR method. Any gains or losses arising on derecognition of liabilities are recognised in the Statement of Profit and Loss.

Derecognition

Company derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

2A Significant accounting policies followed by subsidiaries and joint venture, to the extent, different and unique from the parent (Contd.)

A. Bajaj Allianz Life Insurance Company Ltd. and Bajaj Allianz General Insurance Company Ltd. (Contd.)

7. Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the appropriate effective interest rate. ECLs are measured in a three-stage approach on financial assets measured at amortised cost and FVTOCI. The assets migrate through the following three stages based on an assessment of qualitative and quantitative considerations

- Significant financial difficulty of the issuer of security
- A breach of contract such as default or past due event
- Issuer of security may enter bankruptcy or financial reorganisation
- Disappearance of an active market for a security because of financial difficulties
- Downgrade of rating of the security.

ECL are a probability weighted estimate of credit losses measured by, determining the probability of default ('PD') and loss given default ('LGD'). For financial assets, PD has been computed by using a ratings based matrix. The loss allowance has been measured using ECL except for financial assets which are

- Government securities and other securities backed by GOI Securities,
- Loans to policyholder since is backed by the policy's surrender value.
- Any receivable from stock exchanges like BSE/NSE since the exchanges guarantees settlement
- Reinsurance assets as specified by the report of the Committee on Risk based capital.

The ECL for debt instruments measured at FVTOCI do not reduce the carrying amount of these financial assets in the Balance Sheet, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI with a corresponding charge to Statement of Profit and Loss. The accumulated gain recognised in OCI is recycled to the Statement of Profit and Loss upon de-recognition of the assets.

8. Impairment of non-financial assets

At each balance sheet date, management assesses whether there is any indication, based on internal/external factors, that an asset may be impaired. Impairment occurs where the carrying value exceeds the present value of future cash flows expected to arise from the continuing use of the asset and its eventual disposal. The impairment loss to be expensed is determined as the excess of the carrying amount over the higher of the asset's net sales price or present value as determined above. An assessment is made at the balance sheet date to see if there is an indication that a previously assessed impairment loss no longer exists or may have decreased. If such indication exists, the recoverable amount is reassessed, and the asset is reflected at the recoverable amount, subject to maximum of depreciable historical cost. After impairment, depreciation is provided on the revised carrying amount of the asset over the remaining useful life.

9. Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration receivable. After initial recognition, insurance receivables are measured at amortised cost. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of profit and loss.

Insurance receivables are derecognised when the derecognition criteria for financial assets, have been met.

10. Insurance contract liabilities

Insurance contract provisions have been computed using a gross premium valuation method, as prescribed under the Insurance Regulatory and Development Authority of India (Assets, Liabilities, and Solvency Margin of Life Insurance Business) Regulations, 2016. Derivatives embedded in an insurance contract are not separated and measured at fair value

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

2A Significant accounting policies followed by subsidiaries and joint venture, to the extent, different and unique from the parent (Contd.)

A. Bajaj Allianz Life Insurance Company Ltd. and Bajaj Allianz General Insurance Company Ltd. (Contd.)

if the embedded derivative itself qualifies for recognition as an insurance contract. In this case the entire contract is measured as described above.

11. Investment contract liabilities

Investment contracts are classified between contracts with and without DPF. The accounting policies for investment contract liabilities with DPF are the same as those for life insurance contract liabilities. Investment contract liabilities without DPF are recognised when contracts are entered into and premiums are charged.

Investment contract liabilities other than unit-linked business are recorded at amortised cost. The measurement of investment contracts without discretionary participation features is carried out in accordance with Ind AS 109 to reflect the deposit nature of the arrangement, with premiums and claims reflected as deposits and withdrawals and reflected in the balance sheet.

12. Undistributed participating policyholders' surplus (UPPS)

Undistributed participating policyholders surplus includes the amount of unappropriated profits held in based on the recommendations of the Panel Actuary. Transfers to and from the fund reflect the excess or deficit of income over expenses respectively and appropriations in each accounting period arising in the Company's participating policyholders' fund. Any allocation of bonus to the participating policyholders would also give rise to a transfer to shareholders' profit and loss account in the required proportion. All UPPS at the end of the reporting period are held within insurance contract liabilities.

13. Revenue recognition

For life insurance business, premium is recognised on insurance contract and investment contracts with DPF as income when due from policyholders. On unit linked policies, premium is recognised when associated units are created. In accordance with the terms of insurance policies, uncollected premium on lapsed policies is not recognised as income until revived. Top Up/Lump sum contributions are accounted as a part of single premium.

Income from unit linked policies, which includes fund management charges, policy administration charges, mortality charges and other charges, if any, are recovered from the unit linked funds in accordance with terms and conditions of policies issued and are recognised when due.

For General insurance business, premium (net of GST), including reinstatement premium on direct business and reinsurance accepted, is recognised as income at the commencement of risk over the contract period or the period of risk, whichever is appropriate, on a gross basis and for installment cases, it is recognised on installment due dates. Any subsequent revisions to premium are recognised in the year in which they occur over the remaining period of risk or contract period, as applicable. Adjustments to premium income arising on cancellation of policies are recognised in the period in which they are cancelled.

Reinsurance premium ceded

Reinsurance premium ceded is accounted on due basis at the time when related premium income is accounted for. Commission received on reinsurance ceded is recognised as income, in the period in which reinsurance premium is ceded.

Any subsequent revisions to, in case of General Insurance business, refunds or cancellations of premiums are recognised in the year in which they occur.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

2A Significant accounting policies followed by subsidiaries and joint venture, to the extent, different and unique from the parent (Contd.)

A. Bajaj Allianz Life Insurance Company Ltd. and Bajaj Allianz General Insurance Company Ltd. (Contd.)

Gains or losses on buying reinsurance are recognised in the statement of profit and loss immediately at the date of purchase and are not amortised.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

Premium received in advance

Premium received in advance represents premium received in respect of policies issued during the year, where the risk commences subsequent to the balance sheet date.

Re-insurance accepted

Reinsurance inward acceptances are accounted for based on reinsurance slips accepted from the reinsurers.

The Company also assumes reinsurance risk in the normal course of business for insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

14. Investment income

Interest income is recognised in the Statement of Profit and Loss as it accrues and is calculated by using the EIR method. Fees and commissions that are an integral part of the effective yield of the financial asset are recognised as an adjustment to the EIR of the instrument.

Investment income also includes dividends when the right to receive payment is established.

15. Life insurance contract liabilities

For Life Insurance business, benefits paid comprise of policy benefit amount, surrenders, claim investigation fees and specific claims settlement costs where applicable and change in the outstanding provision for claims at the reporting date. Death, surrender and rider claims are accounted for when intimated. Survival and annuity benefits are accounted for when due. Maturity claims are accounted for on the date of maturity. Amounts recoverable from reinsurers are accounted for in the same period of the related claim. Repudiated claims disputed before judicial authorities are provided for, based on the best judgment of the management considering the facts and evidence in respect of each such claims. Withdrawals and surrenders under unit-linked policies are accounted in respective schemes when the associated units are cancelled.

Reinsurance recoveries are accounted for in the same period as the related claims incurred. Repudiated claims disputed before judicial authorities are provided for based on the best judgment of the management considering the facts and evidence in respect of each such claim.

Amounts paid under investment contracts other than those with a discretionary participating feature are recorded as reductions of the investment contract liabilities.

16. Non-life insurance contract liabilities

Non-life insurance contract liabilities include the outstanding claims provision, the provision for unearned premium and the provision for premium deficiency. The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

2A Significant accounting policies followed by subsidiaries and joint venture, to the extent, different and unique from the parent (Contd.)

A. Bajaj Allianz Life Insurance Company Ltd. and Bajaj Allianz General Insurance Company Ltd. (Contd.)

handling costs and a reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims. Therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the obligation to pay a claim expires, is discharged or is cancelled.

Unearned premiums

The provision for unearned premiums in general insurance business represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract.

At each reporting date, the Company reviews its unexpired risk and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant non life insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums (less related deferred acquisition costs) is inadequate, the deficiency is recognised in the Statement of Profit and Loss by setting up a provision for premium deficiency.

Reserve for unexpired risk (URR)

Reserve for unexpired risk represents that part of the net premium (i.e., premium, net of reinsurance ceded) which is attributable to, and set aside for subsequent risks to be borne by the Company under contractual obligations on contract period basis or risk period basis, whichever is appropriate, subject to a minimum of 100% in case of marine hull business and in case of other line of business based on net premium written on all unexpired policies at balance sheet by applying 1/365th method on the unexpired period of respective policies.

17. a. Claims incurred

For General Insurance business, claims are recognised as and when reported. Claims incurred comprises claims paid and includes survey fees, legal expenses and other costs directly attributable to claims.

Claims paid (net of recoveries including salvage retained by the insured and includes interest paid towards claims) are charged to the respective revenue account when approved for payment. Where salvage is retained by the Company, the recoveries from sale of salvage are recognised at the time of sale.

Amounts received/receivable from the reinsurers and co-insurers, under the terms of the reinsurance and co-insurance arrangements respectively, are recognised together with the recognition of the claim under recoveries from reinsurers-claims.

b. IBNR and IBNER (Claims incurred but not reported and claims incurred but not enough reported)

Incurred But Not Reported (IBNR) reserve is a provision for all claims that have occurred prior to the end of the current accounting period but have not been reported to the Company. The IBNR reserve also includes provision for claims Incurred But Not Enough Reported (IBNER). The said liability is determined by Appointed Actuary based on actuarial principles. The actuarial estimate is derived in accordance with relevant IRDAI regulations and guidance note 21 issued by the Institute of Actuaries of India. The Appointed Actuary has certified that the methodology and assumptions used to estimate the liability are appropriate and in accordance with guidelines and norms issued by the Institute of Actuaries of India in concurrence with the IRDAI regulations.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

2A Significant accounting policies followed by subsidiaries and joint venture, to the extent, different and unique from the parent (Contd.)

A. Bajaj Allianz Life Insurance Company Ltd. and Bajaj Allianz General Insurance Company Ltd. (Contd.)

18. New standard – Ind AS 116 leases

As mandated by Companies (Indian Accounting Standards) Amendment Rules, 2019 dated 30 March 2019, the Company has adopted Ind AS 116 'Leases', with effect from 1 April 2019. Ind AS 116 supersedes Ind AS 17 Leases including its appendices (Appendix C of Ind AS 17 Determining whether an Arrangement contains a Lease, Appendix A of Ind AS 17 Operating Leases-Incentives and Appendix B of Ind AS 17 Evaluating the Substance of Transactions Involving the Legal Form of a Lease).

The Company's lease asset classes primarily consist of leases for office buildings. The Company assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the date of commencement of the lease, the Company recognises a right-of-use asset ('ROU') and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease. Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The right-of-use assets are initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses (if any). Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset. Right of use assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rate for the average lease period. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Company changes its assessment if whether it will exercise an extension or a termination option. Lease liability and ROU asset have been separately presented in the Balance Sheet.

19. Employee benefits

Defined Contribution Plan

National Pension Scheme Contributions

For eligible employees, the Group makes contributions to National Pension Scheme. The contributions are charged to the Statement of Profit and Loss Account, as relevant, in the year the contributions are made.

20. Acquisition cost

Acquisition costs are costs that vary with and are primarily related to acquisition of new insurance contracts. Acquisition cost mainly consist of commission and policy issuance expenses. These costs are expensed out in the year in which they are incurred, unless deferment has a material impact.

21. Key assumptions made

a. Valuation of financial instruments

When the fair values of financial assets and financial liabilities recorded in the Balance Sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. For discounted cash

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

2A Significant accounting policies followed by subsidiaries and joint venture, to the extent, different and unique from the parent (Contd.)

A. Bajaj Allianz Life Insurance Company Ltd. and Bajaj Allianz General Insurance Company Ltd. (Contd.)

flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics.

b. Valuation of life insurance contract liabilities

The liability for insurance contracts is either based on current assumptions or on assumptions established at the inception of the contract, reflecting the best estimate at the time together with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows. The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates.

c. Valuation of investment contract liabilities without DPF

Fair values of unitised investment contracts are determined by reference to the values of the assets backing the liabilities, which are based on the value of the unit-linked fund.

Fair values of non-unitised investment contract are determined by using valuation techniques, such as discounted cash flow methods and stochastic modelling. A variety of factors are considered in these valuation techniques, including time value of money, volatility, policyholder behaviour, servicing cost and fair value of similar instruments.

22. Foreign currency translation

For General Insurance business, transactions in foreign currencies are initially recorded in the functional currency at the spot rate of ex-change ruling at the date of the transaction. However, for practical reasons, the Company uses an average rate if the average approximates the actual rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date. All differences arising on non-trading activities are taken to other income/expense in the Statement of Profit and Loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

23. Net change in insurance contract liabilities

For General Insurance business, net change in insurance contract liabilities comprises of change in the outstanding provision of claims and estimated liability for claims incurred but not reported ('IBNR') and claims incurred but not enough reported ('IBNER').

Provision is made for estimated value of outstanding claims at the balance sheet date net of reinsurance, salvage and other recoveries. Such provision is made on the basis of the ultimate amounts that are likely to be paid against each claim, as anticipated and estimated by the management in light of past experience and subsequently modified for changes, as appropriate.

B. Bajaj Finance Ltd. (BFL)

1. Estimation of impairment allowance under COVID-19 pandemic

Estimates and associated assumptions, especially for determining the impairment allowance for BFL's financial assets (loan receivables and investments), are based on historical experience and other emerging factors on account of the pandemic which may also have an effect on the expected credit loss. BFL believes that the factors considered are reasonable under the current circumstances. BFL has used early indicators of moratorium and delayed payment metrics observed along with an estimation of potential stress on probability of default and exposure at default due to COVID-19

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

2A Significant accounting policies followed by subsidiaries and joint venture, to the extent, different and unique from the parent (Contd.)

B. Bajaj Finance Ltd. (BFL) (Contd.)

situation in developing the estimates and assumptions to assess the expected credit losses on loans. Given the dynamic nature of the pandemic situation, these estimates are subject to uncertainty and may be affected by the severity and duration of the pandemic.

2. Revenue recognition

a) Interest income

BFL recognises interest income using effective interest rate (EIR) on all financial assets subsequently measured at amortised cost or fair value through other comprehensive income (FVTOCI). EIR is calculated by considering all costs and incomes attributable to acquisition of a financial asset or an assumption of a financial liability and it represents a rate that exactly discounts estimated future cash payments/receipts through the expected life of the financial asset/financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

BFL calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. In case of credit-impaired financial assets, BFL recognises interest income on the amortised cost net of impairment loss of financial assets at EIR. If financial asset is no longer credit-impaired, BFL reverts to calculating interest income on a gross basis.

Delayed payment interest (penal interest) levied on customers for delay in repayments of contractual cashflows is recognised on realisation.

Interest on financial assets subsequently measured at fair value through profit or loss (FVTPL) is recognised at the contractual rate of interest.

- b)** BFL generally reports financial assets and financial liabilities on a gross basis in the balance sheet. They are offset and reported net only when Ind AS specifically permits the same or it has an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event. Similarly, BFL offsets incomes and expenses and reports the same on a net basis when permitted by Ind AS specifically unless they are material in nature.

c) Fees and commission

BFL recognises service and administration charges towards rendering of additional services to its loan customers on satisfactory completion of service delivery. Bounce charges levied on customers for non payment of installment on the contractual date is recognised on realisation.

Fees on value added services and products are recognised on rendering of services and products to the customer.

Distribution income is earned by selling of services and products of other entities under distribution arrangements. The income so earned is recognised on successful sales on behalf of other entities subject to there being no significant uncertainty of its recovery.

Foreclosure charges are collected from loan customers for early payment/closure of loan and are recognised on realisation.

d) Sale of services

BFL, on derecognition of financial assets where a right to service the derecognised financial assets for a fee is retained, recognises the fair value of future service fee income over service obligations cost on net basis as service fee income in the statement of profit and loss and, correspondingly creates a service asset in balance sheet. Any subsequent increase in the fair value of service assets is recognised as service income and any decrease is recognised as an expense in the period in which it occurs. The embedded interest component in the service asset is recognised as interest income in line with Ind AS 109 - 'Financial instruments'.

Other revenues on sale of services are recognised as per Ind AS 115 - 'Revenue from contracts with customers'.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

2A Significant accounting policies followed by subsidiaries and joint venture, to the extent, different and unique from the parent (Contd.)

B. Bajaj Finance Ltd. (BFL) (Contd.)

e) Recoveries of financial assets written off

BFL recognises income on recoveries of financial assets written off on realisation or when the right to receive the same without any uncertainties of recovery is established.

3. Fees and commission expenses

Fees and commission expenses which are not directly linked to the sourcing of financial assets, such as commission/incentive incurred on value added services and products distribution, recovery charges and fees payable for management of portfolio etc., are recognised in the statement of profit and loss on an accrual basis.

4. Depreciation and amortisation

In respect of

- Digital Platform, EMI Card and Website amortised over a period of 5 years for BFS.
- Vehicles are depreciated over a useful life of 4 years in case of Bajaj Finance Ltd.

5. Financial assets at FVTOCI

Debt instruments at FVTOCI

BFL classifies its financial assets as FVTOCI, only if both of the following criteria are met

- The objective of the business model is achieved both by collecting contractual cash flows and selling the financial assets; and
- Contractual terms of the asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding

Debt instruments included within the FVTOCI category are measured at each reporting date at fair value with such changes being recognised in other comprehensive income (OCI). The interest income on these assets is recognised in profit or loss. The ECL calculation for debt instruments at FVTOCI is explained in subsequent notes in this section.

Debt instruments such as long-term investments in Government securities to meet regulatory liquid asset requirement of the BFL's deposit program and mortgage loans portfolio where the BFL periodically resorts to partially selling the loans by way of assignment to willing buyers are classified as FVTOCI.

On derecognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from other comprehensive income to profit or loss.

Equity instruments at FVTOCI

All equity investments in scope of Ind AS 109 'Financial instruments' are measured at fair value. BFL has strategic investments in equity for which it has elected to present subsequent changes in the fair value in other comprehensive income. The classification is made on initial recognition and is irrevocable.

All fair value changes of the equity instruments, excluding dividends, are recognised in OCI and not available for reclassification to profit or loss, even on sale of investments. Equity instruments at FVTOCI are not subject to an impairment assessment.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

2A Significant accounting policies followed by subsidiaries and joint venture, to the extent, different and unique from the parent (Contd.)

B. Bajaj Finance Ltd. (BFL) (Contd.)

6. Financial liabilities

Financial liabilities include liabilities that represent a contractual obligation to deliver cash or another financial assets to another entity, or a contract that may or will be settled in the entity's own equity instruments. Few examples of financial liabilities are trade payables, debt securities and other borrowings and subordinated debts.

Initial measurement

All financial liabilities are recognised initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. BFL's financial liabilities include trade payables, other payables, debt securities and other borrowings.

Subsequent measurement

After initial recognition, all financial liabilities are subsequently measured at amortised cost using the EIR method. Any gains or losses arising on derecognition of liabilities are recognised in the statement of profit and loss.

Derecognition

BFL derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

Finance costs

Borrowing costs on financial liabilities are recognised using the EIR explained above.

With effect from 1 April 2019, BFL has applied Ind AS 116 'Leases' for all long-term and material lease contracts covered by the Ind AS. BFL has adopted modified retrospective approach as stated in Ind AS 116 for all applicable leases on the date of adoption.

Measurement of lease liability

At the time of initial recognition, BFL measures lease liability as present value of all lease payments discounted using the BFL's incremental cost of borrowing and directly attributable costs. Subsequently, the lease liability is

- increased by interest on lease liability;
- reduce by lease payments made; and
- remeasured to reflect any reassessment or lease modifications specified in Ind AS 116 'Leases', or to reflect revised fixed lease payments.

Measurement of right-of-use assets

At the time of initial recognition, BFL measures 'Right-of-Use assets' as present value of all lease payments discounted using the BFL's incremental cost of borrowing w.r.t said lease contract. Subsequently, 'Right-of-Use assets' is measured using cost model i.e. at cost less any accumulated depreciation and any accumulated impairment losses adjusted for any re-measurement of the lease liability specified in Ind AS 116 'Leases'.

Depreciation on 'Right-of-Use assets' is provided on straight line basis over the lease period.

The exception permitted in Ind AS 116 for low value assets and short-term leases has been adopted by BFL.

7. Expected credit loss

Expected Credit Losses ('ECL') are recognised for financial assets held under amortised cost, debt instruments measured at FVTOCI, and certain loan commitments as per the approved by BFL board and internal policies for business model.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

2A Significant accounting policies followed by subsidiaries and joint venture, to the extent, different and unique from the parent (Contd.)

B. Bajaj Finance Ltd. (BFL) (Contd.)

At initial recognition, allowance (or provision in the case of loan commitments) is required for ECL resulting from default events that are possible in the next 12 months, or less, where the remaining life is less than 12 months.

In the event of a significant increase in credit risk, allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL').

Financial assets where 12 month ECL is recognised are considered to be in 'stage 1'; financial assets that are considered to have significant increase in credit risk are considered to be in 'stage 2'; and financial assets which are in default or financial assets for which there is objective evidence of impairment are considered to be in 'stage 3'. The treatment of the different stages of financial assets and the methodology of determination of ECL is set out below.

Credit impaired (stage 3)

We have determined that a financial asset is credit impaired and in stage 3 by considering relevant objective evidence, primarily whether

- Contractual payments of either principal or interest are past due for more than 90 days;
- The loan is considered otherwise considered to be in default

Interest income is recognised by applying the effective interest rate to the net amortised cost amount i.e. gross carrying amount less ECL allowance.

Write off

Financial assets (and the related impairment allowances) are written off in full, when there is no realistic prospect of recovery.

Restructured financial assets

A loan where repayment terms are renegotiated on substantially different terms as compared to the original contracted terms due to significant credit distress of the borrower are classified as credit impaired. Such loans continue to be in stage 3 until they exhibit regular payment of renegotiated principal and interest over a minimum observation period typically 12 months-post renegotiation, and there are no other indicators of impairment. Having satisfied the conditions of timely payment over the observation period these loans could be transferred to stage 1 or 2 and a fresh assessment of the risk of default be done for such loans.

Significant increase in credit risk (stage 2)

An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering the change in the risk of default occurring over the remaining life of the loan exposure. However, unless identified at an earlier stage, we have determined all assets are deemed to have suffered a significant increase in credit risk when 30 days past due.

Based on other indications of borrower's delaying payments beyond due dates though not 30 days past due and other indications like non-cooperative borrowers, customer's overall indebtedness, death of customer, adverse impact on the business, serious erosion in the value of the underlying collateral, certain accounts are included in stage 2.

The measurement of risk of defaults under stage 2 are done by classifying them into homogenous portfolios, generally by nature of loans, tenors, underlying collateral, geographies and borrower profiles.

The default risk is assessed using PD (probability of default) derived from past behavioral trends of default across the identified homogenous portfolios.

For retail portfolios in stage 2, the PDs initially based on are average lifetime PDs experienced for stage 2 customers in each homogenous groups in the past. These past trends factor in the past customer centric behavioral trends, credit

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

2A Significant accounting policies followed by subsidiaries and joint venture, to the extent, different and unique from the parent (Contd.)

B. Bajaj Finance Ltd. (BFL) (Contd.)

transition probabilities and macroeconomic conditions. The assessed PDs are then aligned considering future economic conditions that are determined to have a bearing on ECL.

For wholesale loans, the default risk is established based on multiple factors like Nature of security, Customer industry segments external credit ratings, credit transition probabilities, current conditions and future macroeconomic conditions.

Unimpaired and without significant increase in credit risk (stage 1)

ECL resulting from default events that are possible in the next 12 months are recognised for financial instruments that remain in stage 1.

We have ascertained default events based on past behavioral trends witnessed for each homogenous portfolio. These trends are established based on customer centric scores, economic trends of industry segments in wholesale portfolios.

Movement between stages

Financial assets can be transferred between different categories depending on their relative increase in credit risk since initial recognition. Financial assets are transferred out of stage 2 if their credit risk is no longer considered significantly increased since initial recognition based on assessments described above. Except for restructured assets, financial assets are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment as described above. Restructured loans continue to be in stage 3 until they exhibit regular payment of renegotiated principal and interest over a minimum observation period typically 12 months- post renegotiation, and there are no other indicators of impairment. Having satisfied the conditions of timely payment over the observation period these loans could be transferred to stage 1 or 2 and a fresh assessment of the risk of default be done for such loans.

Measurement of ECL

The assessment of credit risk and the estimation of ECL are unbiased and probability weighted and incorporate all information that is relevant including information about past events, current conditions and reasonable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL takes into account the time value of money.

BFL has calculated ECL using three main components: a probability of default (PD), a loss given default (LGD) and the exposure at default (EAD).

ECL is calculated by multiplying the PD, LGD and EAD. For stage 1 assets, the 12 month ECL is calculated. For assets in stage 2 and 3, Lifetime ECL is calculated using the lifetime PD.

The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the date of default together with any expected drawdowns of committed facilities.

The LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realised and the time value of money.

The ECL for stage 2 and stage 3 is determined based on the expected future cash flows based on the estimates supported by past trends. Collateral is taken into account if it is likely that the recovery of the outstanding amount will include realisation of collateral based on the estimated value of the collateral at the time of estimated realisation, less costs for obtaining and selling the collateral. The cash flows are discounted at a reasonable approximation of the original effective interest rate.

Forward looking economic inputs

Forward looking economic scenarios have been determined with reference to external forecasts of economic parameters that have demonstrated a linkage to the performance of our portfolios over a period of time. The central consensus of

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

2A Significant accounting policies followed by subsidiaries and joint venture, to the extent, different and unique from the parent (Contd.)

B. Bajaj Finance Ltd. (BFL) (Contd.)

these projected factors represents a most likely outcome. Then two less likely outer scenarios referred to as the upside and downside scenarios are considered. The central scenario is the basis used for our internal loss estimations. The upside and downside scenarios are constructed following a standard process supported by a scenario narrative reflecting the managements view of the risks and by seeking consensus amongst internal and external assessments. The relationship between the outer scenarios and central scenarios has been fixed with the central scenario being assigned a weighting of 80% and the Upside and Downside scenario, 10% each. The economic factors include GDP growth, unemployment rates, consumer price index, central bank base rate and house price index.

8. Common control business combination means a business combination involving entities or businesses in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. BFL accounts for business combinations under common control as per the pooling of interest method.

The pooling of interest method involves the following

- The assets and liabilities of the combining entities are reflected at their carrying amounts.
- No adjustments are made to reflect fair values, or recognise any new assets or liabilities. The only adjustments that are made are to harmonise accounting policies.
- The financial information in the financial statements in respect of prior periods should be restated as if the business combination had occurred from the beginning of the preceding period in the financial statements, irrespective of the actual date of the combination. However, if business combination had occurred after that date, the prior period information shall be restated only from that date.

9. Derivative financial instruments

During the financial year ended 31 March 2020, BFL has entered into derivative financial instruments to manage its exposure to interest rate risk and foreign exchange rate risk. Derivatives held by BFL are Cross Currency Interest Rate Swaps (CCIRS). Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain/loss is recognised in the statement of profit and loss immediately unless the derivative is designated and is effective as a hedging instrument, in which event the timing of the recognition in the statement of profit and loss depends on the nature of the hedge relationship. The BFL has designated derivatives as cash flow hedges of a recognised liability and has not fair value hedges. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

Hedge accounting

BFL makes use of derivative instruments to manage exposures to interest rate risk and foreign currency risk. In order to manage particular risks, BFL applies hedge accounting for transactions that meet specified criteria.

At the inception of a hedge relationship, BFL formally designates and documents the hedge relationship to which BFL wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the BFL's risk management objective and strategy for undertaking hedge, the hedging/economic relationship, the hedged item or transaction, the nature of the risk being hedged, hedge ratio and how BFL would assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

During the year, hedges that meet the criteria for hedge accounting and qualify as cash flow hedges are accounted accordingly

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

2A Significant accounting policies followed by subsidiaries and joint venture, to the extent, different and unique from the parent (Contd.)

B. Bajaj Finance Ltd. (BFL) (Contd.)

Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability and could affect profit or loss.

For designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognised directly in OCI within equity (cash flow hedge reserve). The ineffective portion of the gain or loss on the hedging instrument is recognised immediately as finance cost in the statement of profit and loss.

When the hedged cash flow affects the statement of profit and loss, the effective portion of the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the statement of profit and loss.

10. Change in accounting estimates

During the year, BFL has revised its estimate for charging off Loans considered as bad debts. Had BFL applied the estimates followed in the previous year, the profit before tax for the period would have been higher by ₹ 20.64 crore.

3 Cash and cash equivalents

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Balances with banks	464.74	1,116.71
Cash on hand	28.49	204.38
Cash equivalents		
Cheques, drafts on hand	138.12	152.49
Certificate of Deposits with maturity of less than three months from date of acquisition	1,764.17	109.33
	2,395.52	1,582.91

4 Bank balance other than cash and cash equivalents

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Earmarked balances with bank (against fixed deposit maturities and unclaimed dividend)	129.71	5.98
	129.71	5.98

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

5 Derivative financial instruments

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Cross Currency Interest Rate Swaps (Notional amount - ₹ 4,082.66 crore)	171.76	-
	171.76	-

6 Trade receivables

(Unsecured, considered good)

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Interest subsidy receivables	536.58	572.35
Outstanding premiums	1,569.27	1,243.09
Others	551.96	457.64
	2,657.81	2,273.08

No trade receivables are due from directors or other officers of the group either severally or jointly with any other person. Nor any trade receivable are due from firms or private companies respectively in which any director is a partner, a director or a member.

Trade receivables are non-interest bearing.

7 Other receivables

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Receivables considered good - Unsecured	157.07	92.19
	157.07	92.19

No other receivables are due from directors or other officers of the group either severally or jointly with any other person. Nor any other receivables are due from firms or private companies respectively in which any director is a partner, a director or a member.

8 Loans

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Loans under financing activity [See note 46(5)]	141,325.29	112,512.82
Unsecured, considered good		
Loan against policies (at amortised cost)	421.43	321.18
Other loans (at amortised cost)	-	16.67
Less: Impairment loss allowance	3.96	2.77
	141,742.76	112,847.90

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

9A Investment in a joint venture

Particulars	(₹ In Crore)
	At Cost
As at 31 March 2020	
Equity instruments	
joint venture	13.82
Total – gross	13.82
Less: Impairment loss allowance	-
Total – Net	13.82
As at 31 March 2019	
Equity instruments	
joint venture	13.18
Total – gross	13.18
Less: Impairment loss allowance	-
Total – Net	13.18

9B Shareholders' investments

Particulars	(₹ In Crore)				Total
	At amortised cost	At fair value			
		through other comprehensive income	through profit and loss	designated at fair value through profit and loss	
As at 31 March 2020					
Government and trust securities*	-	7,707.12	643.62	-	8,350.74
Debt securities	-	1,599.07	-	-	1,599.07
AT 1 bonds	-	-	39.57	-	39.57
Pass through certificates representing securitisation of loan receivables	20.32	-	-	-	20.32
Mutual funds	-	-	13,369.60	-	13,369.60
Equity instruments	-	57.92	1,691.79	-	1,749.71
Preference shares	-	262.31	-	-	262.31
Certificate of deposit	111.50	-	99.19	-	210.69
CBLO	1,701.77	-	-	-	1,701.77
Commercial paper	-	-	397.34	-	397.34
Total – gross	1,833.59	9,626.42	16,241.11	-	27,701.12
Less: Impairment loss allowance	0.06	1.36	-	-	1.42
Total – Net	1,833.53	9,625.06	16,241.11	-	27,699.70

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

9B Shareholders' investments (Contd.)

(₹ In Crore)

Particulars	At amortised cost	At fair value			Total
		through other comprehensive income	through profit and loss	designated at fair value through profit and loss	
As at 31 March 2019					
Government and trust securities*	-	7,872.76	425.68	-	8,298.44
Debt securities	-	3,806.08	-	-	3,806.08
AT 1 bonds	-	-	150.49	-	150.49
Pass through certificates representing securitisation of loan receivables	53.71	-	-	-	53.71
Mutual funds	-	-	4,947.39	-	4,947.39
Equity instruments	-	225.00	979.79	-	1,204.79
Certificate of deposit	65.06	-	1,761.88	-	1,826.94
CBLO	30.48	-	-	-	30.48
Total – gross	149.25	11,903.84	8,265.23	-	20,318.32
Less: Impairment loss allowance	-	0.35	-	-	0.35
Total – Net	149.25	11,903.49	8,265.23	-	20,317.97

All investments in 9A and 9B above are within India

* includes investments in approved securities as per RBI Act.

9C Policyholders' investments

(₹ In Crore)

Particulars	At amortised cost	At fair value			Total
		through other comprehensive income	through profit and loss	designated at fair value through profit and loss	
As at 31 March 2020					
Government and trust securities	-	12,860.15	4,936.48	10,671.84	28,468.47
Debt securities	-	11,431.76	1,303.92	4,026.81	16,762.49
AT 1 bonds	-	-	494.47	-	494.47
Mutual funds	-	-	-	-	-
Equity instruments	-	-	15,203.05	-	15,203.05
Preference shares	-	-	73.83	-	73.83
Certificate of deposit	1,283.23	-	-	-	1,283.23
CBLO	1,824.57	-	-	-	1,824.57
Others	-	-	-	0.22	0.22
Total – gross	3,107.80	24,291.91	22,011.75	14,698.87	64,110.33
Less: Impairment loss allowance	0.02	2.78	-	-	2.80
Total – Net	3,107.78	24,289.13	22,011.75	14,698.87	64,107.53

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

9C Policyholders' investments (Contd.)

(₹ In Crore)

Particulars	At amortised cost	At fair value			Total
		through other comprehensive income	through profit and loss	designated at fair value through profit and loss	
As at 31 March 2019					
Government and trust securities	229.96	9,865.21	-	13,330.54	23,425.71
Debt securities	16.67	9,797.37	-	6,218.53	16,032.57
AT 1 bonds	-	-	869.74	-	869.74
Mutual funds	-	-	110.57	-	110.57
Equity instruments	-	-	17,467.43	-	17,467.43
Preference shares	-	-	108.47	-	108.47
Certificate of deposit	1,426.80	-	-	-	1,426.80
CBLO	1,906.14	-	-	-	1,906.14
Others	-	-	0.67	-	0.67
Total – gross	3,579.57	19,662.58	18,556.88	19,549.07	61,348.10
Less: Impairment loss allowance	0.02	0.17	-	-	0.19
Total – Net	3,579.55	19,662.41	18,556.88	19,549.07	61,347.91

All investments in 9c above are within India

10 Other financial assets

(Unsecured, considered good, unless stated otherwise)

(₹ In Crore)

Particulars	As at 31 March	
	2020	2019
Credit receivable for windpower generated	2.22	4.53
REC sale proceeds/REC receivable ₹ 45,313 (31 March 2019: ₹ 28,826)		
Interest receivable on investments	1,280.98	1,232.40
Security deposits	141.73	121.47
Advances receivable in cash or kind	157.90	437.34
Receivable from brokers and counter parties	582.19	436.62
Others	199.47	41.46
	2,364.49	2,273.82

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

11A Deferred tax assets (net)

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Deferred tax liabilities		
On account of timing difference in		
Property, plant and equipment	10.29	18.93
Changes in fair value of FVTOCI debt securities - OCI	12.83	5.69
Impairment of financial instruments	38.19	-
Other temporary differences	22.19	7.67
Gross deferred tax liabilities	83.50	32.29
Deferred tax assets		
On account of timing difference in		
Disallowance u/s 43B of the Income Tax Act, 1961	49.41	126.25
Impairment of financial instruments	820.69	606.30
Financial instruments measured at EIR	-	24.13
Defined benefit plan provisions - OCI	1.60	6.22
Changes in fair value of FVTOCI hedge reserve	19.05	-
Changes in fair value of FVTOCI equity instruments	23.18	-
Other temporary differences	39.34	33.56
MAT credit entitlement	15.70	15.70
Gross deferred tax assets	968.97	812.16
Deferred tax assets (net)	885.47	779.87

11B Deferred tax liabilities (net)

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Deferred tax liabilities		
On account of timing difference in		
Changes in fair value of investments	238.17	230.05
Other temporary differences	4.57	5.92
Gross deferred tax liabilities	242.74	235.97
Deferred tax assets		
On account of timing difference in		
Changes in fair value of insurance contract liability	162.70	141.29
Other temporary differences	-	-
Gross deferred tax assets	162.70	141.29
Deferred tax liabilities (net)	80.04	94.68

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

11B Deferred tax liabilities (net) (Contd.)

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2020	2019
Changes in deferred tax recorded in profit or loss		
Deferred tax relates to the following		
Property, plant and equipment	(8.64)	(2.00)
Impairment of financial instruments	(214.39)	(152.29)
Disallowance u/s 43B of the Income Tax Act, 1961	7.42	2.07
Financial instruments measured at EIR	48.50	255.84
Changes in fair value of investments	(167.87)	63.33
Changes in fair value of insurance contract liability	(21.40)	(24.49)
Other temporary differences	107.32	(99.41)
	(249.06)	43.05

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2020	2019
Changes in deferred tax recorded in other comprehensive income		
Deferred tax relates to the following		
Changes in fair value of FVTOCI debt securities	(83.47)	(5.69)
Changes in fair value of investments	(70.44)	(40.78)
Defined benefit plan provisions	5.53	7.30
Cash flow hedge reserve	19.05	-
	(129.33)	(39.17)

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

12 Investment property

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Gross carrying amount		
Opening balance	41.76	41.11
Transfer from/to property, plant and equipment	0.07	0.65
Closing balance	41.83	41.76
Accumulated depreciation		
Opening balance	3.78	3.02
Depreciation charge	0.81	0.76
Closing balance	4.59	3.78
Net carrying amount	37.24	37.98

Fair value

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Investment property	121.39	114.03

Estimation of fair value

The best evidence of fair value is current prices in an active market for similar properties. Investment properties leased out by the Group are cancellable leases. The market rate for sale/purchase of such premises are representative of fair values. Group's investment properties are at a location where active market is available for similar kind of properties. Hence, fair value is ascertained on the basis of market rates prevailing for similar properties in those location determined by an independent registered valuer and consequently classified as a level 2 valuation.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

13A Property, plant and equipment

Current year

(₹ In Crore)

Particulars	Gross block			Accumulated depreciation			Net block		
	As at 1 April 2019	Additions	Deductions/ adjustments	As at 31 March 2020	As at 1 April 2019	Deductions/ adjustments	For the year	As at 31 March 2020	As at 31 March 2020
Land freehold	21.89	281.92	-	303.81	-	-	-	-	303.81
Land leasehold	8.19	-	-	8.19	-	-	-	-	8.19
Buildings	695.74	54.62	0.24	750.12	127.58	-	15.98	143.56	606.56
Leasehold improvements	180.62	77.47	3.55	254.54	97.04	2.87	40.85	135.02	119.52
Freehold improvements	2.42	-	-	2.42	2.42	-	-	2.42	-
Information technology equipment	363.10	114.12	26.71	450.51	211.78	21.01	73.92	264.69	185.82
Waterpumps, Reservoirs and Mains	-	0.94	-	0.94	-	-	0.02	0.02	0.92
Electric installations	0.46	0.66	-	1.12	0.06	-	0.10	0.16	0.96
Office equipment	202.17	75.42	8.68	268.91	110.57	6.66	38.21	142.12	126.79
Furniture and fixtures	277.35	58.86	5.79	330.42	123.44	4.92	36.99	155.51	174.91
Electric fittings	3.15	7.46	-	10.61	2.54	-	0.67	3.21	7.40
Vehicles	71.12	43.60	5.70	109.02	27.22	3.27	18.91	42.86	66.16
Wind energy generators	283.72	-	-	283.72	269.53	-	-	269.53	14.19
Total	2,109.93	715.07	50.67	2,774.33	972.18	38.73	225.65	1,159.10	1,615.23

Previous year

(₹ In Crore)

Particulars	Gross block			Accumulated depreciation			Net block		
	As at 1 April 2018	Additions	Deductions/ adjustments	As at 31 March 2019	As at 1 April 2018	Deductions/ adjustments	For the year	As at 31 March 2019	As at 31 March 2019
Land freehold	21.89	-	-	21.89	-	-	-	-	21.89
Land leasehold	8.19	-	-	8.19	-	-	-	-	8.19
Buildings	650.04	48.60	2.90	695.74	113.25	0.93	15.26	127.58	568.16
Leasehold improvements	114.69	71.18	5.25	180.62	76.53	4.79	25.30	97.04	83.58
Freehold improvements	2.42	-	-	2.42	2.42	-	-	2.42	-
Information technology equipment	321.40	95.51	53.81	363.10	209.24	50.59	53.13	211.78	151.32
Electric installations	-	0.46	-	0.46	-	-	0.06	0.06	0.40
Office equipment	141.10	74.54	13.47	202.17	89.62	9.63	30.58	110.57	91.60
Furniture and fixtures	218.91	72.65	14.21	277.35	104.91	13.67	32.20	123.44	153.91
Electric fittings	3.28	0.01	0.14	3.15	2.29	0.09	0.34	2.54	0.61
Vehicles	52.26	30.34	11.48	71.12	20.48	6.17	12.91	27.22	43.90
Wind energy generators	283.72	-	-	283.72	269.53	-	-	269.53	14.19
Total	1,817.90	393.29	101.26	2,109.93	888.27	85.87	169.78	972.18	1,137.75

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

13B Right-of-use asset

Current year

(₹ In Crore)

Particulars	Gross block			Accumulated depreciation			Net block		
	As at 1 April 2019	Additions	Deductions/ adjustments	As at 31 March 2020	As at 1 April 2019	Deductions/ adjustments	For the year	As at 31 March 2020	As at 31 March 2020
Right-of-use asset	-	683.19	4.14	679.05	-	3.50	141.96	138.46	540.59
Total	-	683.19	4.14	679.05	-	3.50	141.96	138.46	540.59

The Group has adopted Ind AS 116 - Leases with effect from 1 April 2019 using the Modified Retrospective Approach. Based on the same and as permitted under the specific transitional provisions in the standard, the Group has not restated the comparative figures and hence, there are no previous year figures.

14 Other intangible assets

Current year

(₹ In Crore)

Particulars	Gross block			Accumulated depreciation			Net block		
	As at 1 April 2019	Additions	Deductions/ adjustments	As at 31 March 2020	As at 1 April 2019	Deductions/ adjustments	For the year	As at 31 March 2020	As at 31 March 2020
Computer softwares	417.12	189.83	0.49	606.46	185.36	0.49	88.37	273.24	333.22

Previous year

(₹ In Crore)

Particulars	Gross block			Accumulated depreciation			Net block		
	As at 1 April 2018	Additions	Deductions/ adjustments	As at 31 March 2019	As at 1 April 2018	Deductions/ adjustments	For the year	As at 31 March 2019	As at 31 March 2019
Computer softwares	267.34	172.04	22.26	417.12	132.55	2.74	55.55	185.36	231.76

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

15 Other non-financial assets

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Capital advances	2.73	11.25
Indirect tax credits receivable	339.27	122.65
Reinsurance assets	4,942.65	4,336.91
Others	217.40	182.13
	5,502.05	4,652.94
Change in reinsurance assets		
At the beginning of the period	4,336.91	4,352.35
Add/(Less)		
Premium	72,448.71	64,107.46
Unwinding of the discount/interest credited	9.83	7.55
Insurance liabilities released	(71,873.33)	(64,123.36)
Others	20.53	(7.09)
	4,942.65	4,336.91

16 Trade payables

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Total outstanding dues of micro enterprises and small enterprises	4.31	3.04
Total outstanding dues of creditors other than micro enterprises and small enterprises		
Sundry creditors and dues to policyholders	1,809.30	1,162.79
Balances due to agents and other intermediaries	113.62	534.25
Balances due to other insurers	1,218.41	1,388.22
	3,141.33	3,085.26

17 Other payables

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Total outstanding dues of micro enterprises and small enterprises	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	793.25	852.35
	793.25	852.35

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

18 Debt securities

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
A. In India		
At amortised cost		
(I) Secured		
Privately placed redeemable non-convertible debentures/bonds secured by pari passu charge created by mortgage of BFL's Chennai office, on loan receivables as stated in the respective information memorandum. Until 5 July 2018, BFL had mortgaged its residential property at Pune on pari passu charge against specific debentures [See note 46(6)]	41,172.98	33,890.46
	41,172.98	33,890.46
(II) Unsecured		
Privately placed partly paid redeemable non-convertible debentures [See note 46(6)]	1,822.03	1,274.81
Borrowings by issue of commercial papers [See note 46(6)]	3,342.35	9,682.56
	5,164.38	10,957.37
	46,337.36	44,847.83

19 Borrowings (other than debt securities)

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
A. In India		
At amortised cost		
Term Loan [See note 46(7)]		
(i) from banks	46,785.00	34,339.00
(ii) from other parties	-	-
Cash Credit	670.38	1,773.93
Working capital demand loan [See note 46(7)]	2,095.00	796.59
Overdraft facility	-	250.07
External commercial borrowing	4,309.81	-
Collateralised borrowing and lending obligation, against Government Securities held by the Group [See note 46(7)]	839.98	414.85
	54,700.17	37,574.44
B. Out of above		
Secured against hypothecation of assets under finance, book debts and other receivables	54,700.17	37,574.44
Unsecured	-	-
	54,700.17	37,574.44

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

20 Deposits (Unsecured)

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
At amortised cost		
Public deposits [See note 46(8)]	13,127.33	6,828.35
From others [See note 46(8)]	8,299.77	6,364.66
	21,427.10	13,193.01

21 Subordinated liabilities

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
In India		
At amortised cost		
Privately placed Subordinated (Tier II) redeemable non-convertible debentures (Unsecured) [see note 46(9)]	4,141.75	4,139.07
	4,141.75	4,139.07

22A Lease liabilities

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
At amortised cost		
As at 1 April 2019 (Transition adjustment)	542.92	-
Add: Interest on lease liabilities	44.05	-
Additions/(Deletions)	18.68	-
	605.65	-

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

22B Other financial liabilities (at amortised cost)

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Unclaimed dividend	5.43	1.98
Directors' remuneration and commission payable	8.23	5.94
Book overdraft	139.18	1,340.16
Employee benefits payable	25.87	21.41
Unclaimed amounts	-	21.45
Security deposits	112.93	86.46
Unsettled investment contract payables	76.93	123.38
Others	295.83	259.62
	664.40	1,860.40

23 Provisions

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Provision for employee benefits [See note 45]		
Provision for gratuity	55.12	36.97
Provision for compensated absences	41.26	47.75
Provision for long-term incentive plan	79.15	71.52
Others	0.27	9.95
	175.80	166.19

24 Other non-financial liabilities

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Taxes and duties payable	497.30	433.67
Solatium fund	13.98	10.85
Premiums received in advance	1,150.01	678.59
Unallocated premium	526.28	467.20
Other payables	100.68	74.95
	2,288.25	1,665.26

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

25 Equity share capital

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Authorised		
200,000,000 equity shares of ₹ 5 each	100.00	100.00
Issued, subscribed and fully paid-up shares		
159,137,290 (31 March 2019: 159,136,111) equity shares of ₹ 5 each	79.57	79.57
	79.57	79.57

a. Reconciliation of the shares outstanding at the beginning and at the end of the year

Particulars	As at 31 March 2020		As at 31 March 2019	
	Nos.	₹ In Crore	Nos.	₹ In Crore
Equity shares				
At the beginning of the year	159,136,111	79.57	159,135,097	79.57
Equity shares earlier held in abeyance, issued during the year [See note 25 d.]	1,179	-	1,014	-
Outstanding at the end of the year	159,137,290	79.57	159,136,111	79.57

b. Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 5 per share. Each holder of equity shares is entitled to one vote per share. The interim dividend declared by the Board of Directors and the final dividend proposed by the Board of Directors and approved by the shareholders in the annual general meeting is paid in Indian rupees. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

c. Details of shareholders holding more than 5% shares in the Company

Particulars	As at 31 March 2020		As at 31 March 2019	
	Nos.	% Holding	Nos.	% Holding
Equity shares of ₹ 5 each fully paid				
Bajaj Holdings & Investment Ltd.	62,314,214	39.16%	62,314,214	39.16%
Jamnalaal Sons Pvt. Ltd.	15,345,384	9.64%	15,270,784	9.60%

d. Shares reserved for issue at a subsequent date

14,571 (31 March 2019: 15,750) equity shares of ₹ 5 each offered by way of right in an earlier year, have been held in abeyance pending adjudication of title and subscription thereafter. During the year, the Company issued and allotted 1,179 of such equity shares at the offered price of ₹ 650, thereby collecting ₹ 0.08 crore as premium.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

26 Other equity

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
a. Reserves and surplus		
Securities premium		
Balance as at the beginning of the year	5,006.71	4,996.76
Add/(Less): Adjustment because of change in shareholding in subsidiary	(180.43)	-
Add: Received during the year	4,553.24	9.95
Less: Share issue expenses, net of GST availed	23.80	-
Balance as at the end of the year	9,355.72	5,006.71
General reserve		
Balance as at the beginning of the year	2,095.17	2,094.63
Add/(Less): Adjustment because of change in shareholding in subsidiary	(17.03)	-
Add: Transfer on cancellation of stock options	0.62	0.54
Balance as at the end of the year	2,078.76	2,095.17
Share based payments reserve		
Balance as at the beginning of the year	80.18	46.43
Add/(Less): Adjustment because of change in shareholding in subsidiary	(2.92)	-
Add: charge for the year	65.60	44.17
Less: transfer on exercise of option	0.30	9.88
Less: transfer on cancellation of vested option	-	0.54
	142.56	80.18
Treasury shares		
Balance as at the beginning of the year	(25.85)	-
Add: Movement during the year	(174.32)	(25.85)
Balance as at the end of the year	(200.17)	(25.85)
Reserve fund in terms of section 45-IC(1) of the Reserve Bank of India Act, 1934		
Balance as at the beginning of the year	1,395.19	966.83
Add/(Less): Adjustment because of change in shareholding in subsidiary	(56.42)	-
Add: Transferred from surplus in Statement of Profit and Loss	497.19	428.36
Balance as at the end of the year	1,835.96	1,395.19
Reserve fund in terms of section 29C of the National Housing Bank Act, 1987		
Balance as at the beginning of the year	10.28	2.49
Add/(Less): Adjustment because of change in shareholding in subsidiary	(0.03)	-
Add: Transferred from surplus in Statement of Profit and Loss	31.31	7.79
Balance as at the end of the year	41.56	10.28

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

26 Other equity (Contd.)

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Infrastructure reserve in terms of section 36 (1) (viii) of the Income-tax Act, 1961		
Balance as at the beginning of the year	9.15	5.08
Add/(Less): Adjustment because of change in shareholding in subsidiary	(0.36)	-
Add: Transferred from surplus in Statement of Profit and Loss	13.21	4.07
Balance as at the end of the year	22.00	9.15
Retained earnings		
Balance as at the beginning of the year	14,948.75	12,266.79
Add/(Less): Adjustment because of change in shareholding in subsidiary	(250.64)	-
Add: Transfer on exercise of stock options	0.30	-
Profit for the year	3,369.13	3,219.04
Items of other comprehensive income recognised directly in retained earnings		
Actuarial gains/losses of defined benefit plans	(17.13)	(10.53)
Less: Appropriations		
Final dividend, declared and paid during the year	39.79	27.85
Tax on final dividend	70.59	58.94
Interim dividend, declared and paid during the year	79.57	-
Tax on interim dividend	65.33	-
Transfer to Reserve fund in terms of section 45-IC(1) of the Reserve Bank of India Act, 1934	497.19	428.36
Transfer to Reserve fund in terms of section 29 C of the National Housing Bank Act, 1987	31.31	7.79
Transfer to Infrastructure reserve in terms of section 36 (1) (viii) of the Income-tax Act, 1961	13.21	4.07
Transfer to General reserve	0.21	-
Adjustment of dividend to ESOP Trust	(1.70)	(0.46)
Total appropriations	795.50	526.55
Balance as at the end of the year	17,254.91	14,948.75
Other reserves		
Debt instruments FVTOCI		
Balance as at the beginning of the year	140.92	24.36
Add/(Less): Adjustment because of change in shareholding in subsidiary	18.99	-
Add/(Less): Changes in fair value of FVTOCI debt securities	596.78	116.56
Balance as at the end of the year	756.69	140.92

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

26 Other equity (Contd.)

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Equity instruments FVTOCI		
Balance as at the beginning of the year	-	-
Add/(Less): Changes in fair value of FVTOCI equity securities	(36.40)	-
Balance as at the end of the year	(36.40)	-
Hedge instruments FVTOCI		
Balance as at the beginning of the year	-	-
Add/(Less): Changes in fair value of FVTOCI hedge instruments	(29.91)	-
Balance as at the end of the year	(29.91)	-
	31,221.68	23,660.50

b. Nature and purpose of reserve**Securities premium**

Securities premium is used to record the premium on issue of shares. The reserve can be utilised only for limited purposes such as issuance of bonus shares in accordance with the provisions of the Companies Act, 2013.

General reserve

General reserve is free reserve available for distribution as recommended by Board in accordance with requirements of the Companies Act, 2013.

Reserve fund in terms of section 45 IC(1) of the Reserve Bank of India Act, 1934

Reserve fund is created as per the terms of section 45 IC(1) of the Reserve Bank of India Act, 1934 as a statutory reserve.

Reserve fund in terms of section 29C of the National Housing Bank Act, 1987

Reserve fund is created as per the terms of section 29C of the National Housing Bank Act, 1987 as a statutory reserve.

Infrastructure reserve created under section 36 (1) (viii) of the Income Tax Act, 1961

Infrastructure reserve is created to avail the deduction as per the provisions of section 36(1)(viii) of the Income Tax Act, 1961 on profits derived from the business of providing long-term finance for construction or purchase of houses in India for residential purposes and for development of infrastructure facility in India.

Share based payments reserve

Share based payments reserve is created as required by Ind AS 102 - 'Share Based Payments' on the Employee Stock Option Scheme.

Treasury shares

The reserve for shares of the Company held by the BFS ESOP Trust (ESOP Trust). Company has issued employees stock option scheme for its employees. The equity shares of the Company have been purchased and held by ESOP Trust. Trust to issue and allot to employees at the time of exercise of option by employees.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

26 Other equity (Contd.)**Other comprehensive income****FVTOCI Debt instruments**

The Group recognises changes in the fair value of certain debt instruments held with a dual business objective of collect and sell in other comprehensive income. These changes are accumulated in the FVTOCI debt investments reserve. The Group transfers amounts from this reserve to profit or loss when the debt instrument is sold. Any impairment loss on such instruments is reclassified immediately to the statement of profit and loss.

FVTOCI equity instruments

The Company has elected to recognise changes in the fair value of certain investments in equity securities in other comprehensive income. These changes are accumulated within the FVTOCI equity investments reserve within equity. The Company transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

Hedge instruments through other comprehensive income

It represents the cumulative gains/(losses) arising on revaluation of the derivative instruments designated as cash flow hedges through OCI.

27 Interest income

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2020	2019
Interest income on		
Loans (at amortised cost)	21,139.03	14,886.18
Loans (at FVTOCI)	1,660.60	1,330.71
Investments (at amortised cost)	188.59	105.65
Investments (at FVTPL)	1,072.74	70.69
Investments (at FVTOCI)	2,425.04	2,379.08
Others	18.37	3.98
	<u>26,504.37</u>	<u>18,776.29</u>

28 Fees and commission income

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2020	2019
Loan related charges	899.61	580.64
Non-loan related charges	418.65	328.51
Foreclosure income	157.43	105.16
Distribution income	1,000.65	667.56
	<u>2,476.34</u>	<u>1,681.87</u>

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

29 Net gain on fair value changes

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2020	2019
Net gain/(loss) on financial instruments at fair value through profit or loss		
On trading portfolio		
Debt instruments at FVTPL	526.85	294.62
Equity investments at FVTPL	(485.91)	1,467.95
Profit on sale on investments	0.94	1.39
Others		
Gain on sale of debt instrument at amortised cost	0.01	0.10
Gain/(loss) on sale of debt FVTOCI instruments	291.48	214.04
Total net gain on fair value changes	333.37	1,978.10
Fair value changes		
Realised	604.17	1,636.32
Unrealised	(270.80)	341.78
	333.37	1,978.10

30 Sale of services

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2020	2019
Windpower income		
Income from power generation (within India)	26.53	59.11
Income from Renewable Energy Certificates (REC) (within India)	12.70	11.99
	39.23	71.10
Service income	24.19	12.38
Service fees for management of assigned portfolio of loans	124.27	63.77
	187.69	147.25

31 Others

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2020	2019
Bad debt recoveries	140.90	83.11
Sundry credit balances appropriated	-	4.69
Miscellaneous charges and receipts	140.45	8.87
	281.35	96.67

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

32 Other income

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2020	2019
Business support service	4.68	1.40
Miscellaneous receipts	0.10	0.17
	4.78	1.57

33 Employee benefits expenses

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2020	2019
Salaries, wages and bonus to employees	4,373.26	3,523.51
Contribution to provident and other funds	195.98	126.51
Share based payments to employees	127.70	80.33
Staff welfare expenses	58.17	71.42
	4,755.11	3,801.77

34 Finance costs

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2020	2019
On financial liabilities measured at amortised cost		
Interest on deposits	1,512.16	868.22
Interest on borrowings other than debt securities	3,669.24	2,146.97
Interest on debt securities	3,760.55	3,168.00
Interest on subordinated liabilities	345.94	352.29
Interest on lease liability	44.05	-
Other interest expenses	6.59	4.55
	9,338.53	6,540.03

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

35 Fees and commission expense

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2020	2019
Dealer incentives	62.81	61.33
Recovery costs	959.39	646.87
Commission, operating and other expenses pertaining to insurance business	1,149.66	979.89
Others	34.24	4.68
	2,206.10	1,692.77

36 Impairment on financial instruments

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2020	2019
Expected credit losses		
on loans measured at amortised cost	3,880.12	1,431.61
on loans measured at FVTOCI	35.80	60.76
on other financial assets measured at amortised cost	146.30	13.17
on other financial assets measured at FVTOCI	58.15	183.13
	4,120.37	1,688.67

37 Depreciation, amortisation and impairment

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2020	2019
Depreciation on property, plant and equipment	225.65	169.78
Depreciation on investment property	0.81	0.76
Amount amortised/written off of intangible asset	88.37	55.55
Depreciation on right-of-use asset	141.96	-
	456.79	226.09

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

38 Other expenses

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2020	2019
Rent	81.75	171.76
Repairs to buildings	1.83	1.62
Repairs to machinery - windmill	8.43	8.10
Repairs to others	136.20	103.09
Energy generation expenses	9.60	40.90
REC registration, issuance and brokerage charges	0.37	0.33
Rates and taxes	2.17	0.67
Insurance	4.70	1.46
Payment to auditor	3.87	3.28
Directors' fees and travelling expenses	6.83	5.22
Commission to non-executive directors	1.18	0.62
Advertisement and publicity	663.65	446.89
Travelling (including foreign travel) expenses	287.70	258.76
Business support service expenses	1.70	31.54
Expenditure towards Corporate Social Responsibility (CSR) activities	124.51	98.63
Legal and professional charges	113.80	78.59
Communication expenses	235.68	202.56
Outsourcing/back office expenses	242.82	209.90
Marketing and support services	836.92	417.46
Bank charges	161.08	117.37
Information technology expenses	363.61	302.72
Miscellaneous expenses	498.46	516.40
	3,786.86	3,017.87
Payment to auditor		
As auditor		
Audit fee	2.33	2.29
Tax audit fee	0.21	0.20
Limited review	0.19	0.18
Other services (certification fees and other matters)	0.78	0.28
Reimbursement of expenses	0.30	0.10
Tax on above charged to Statement of Profit and Loss	0.06	0.23
	3.87	3.28

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

39 Tax expense

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2020	2019
Tax expense		
Current tax		
Current tax on profits for the year	2,557.12	2,737.84
Adjustments for current tax of prior periods	-	-
Total current tax expense	2,557.12	2,737.84
Deferred tax		
Decrease/(increase) in deferred tax assets	(257.38)	42.89
(Decrease)/increase in deferred tax liabilities	8.32	0.16
Total deferred tax expense/(benefit)	(249.06)	43.05
Tax expense	2,308.06	2,780.89
Reconciliation of tax expense and the accounting profit multiplied by Statutory tax rate		
Profit before tax	8,301.66	8,154.74
Tax at the Indian tax rate of 29.12% (Previous year - 29.12%)	2,417.44	2,374.66
Tax on expenditure not considered for tax provision	53.76	47.27
Income taxed at higher/(lower) rates	(338.96)	313.95
Tax amount on income not subject to tax	(2.08)	(34.86)
Tax impact due to revaluation of deferred tax due to change in Income tax rate	219.30	(0.17)
Others	(41.40)	80.04
Tax expense	2,308.06	2,780.89

40 Earnings per share (EPS)

Particulars	For the year ended 31 March	
	2020	2019
	Profit for the year (₹ In Crore)	3,369.13
Weighted average number of shares outstanding during the year (Nos)	159,136,747	159,135,642
Weighted average number of shares outstanding during the year (Nos) - Diluted	159,173,555	159,159,216
Earnings per share (Basic) ₹	211.7	202.3
Earnings per share (Diluted) ₹	211.7	202.3
Face value per share ₹	5.0	5.0

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

41 Contingent liabilities

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
a. Claims against the Group not acknowledged as debts	53.50	36.62
b. Income-tax matters under dispute		
Appeal by Group	5.42	2.56
Appeal by Department	0.24	0.24
c. ESI matters under appeal	5.14	5.14
d. VAT matters under appeal	5.62	6.21
e. Service tax matters under appeal		
On interest subsidy	1,971.65	1,340.49
On penal interest/charges	223.15	245.19
On others	182.13	169.84
f. Claims, under policies, not acknowledged as debts*		
Death repudiation cases pending	49.03	43.60
Cases pending against servicing failure	5.41	5.31
g. Other matters	-	0.46

* Pertains to litigations pending with various consumer forums/courts.

- i) The Group is of the opinion that the above demands are not tenable and expects to succeed in its appeals/defense.
- ii) The Commissioner, Service Tax Commissionerate, Pune, through an order dated 31 March 2017, has confirmed the demand of service tax of ₹ 644.65 crore and penalties of ₹ 198.95 crore from BFL in relation to the interest subsidy BFL received from manufacturers and dealers during the period 1 April 2010 to 30 September 2016. The Commissioner has also demanded payment of interest on the service tax amount confirmed until the date BFL pays the service tax demanded, which as at 31 March 2020 amounted to ₹ 593.86 crore. In accordance with legal advice, BFL filed an appeal on 6 July 2017 with the Customs, Excise and Service Tax Appellate Tribunal (CESTAT), Mumbai disputing the demands. BFL, in line with the opinion obtained from a senior legal counsel, is of view that the said demands are not tenable.

In addition, the Commissioner, Central Excise and CGST, Pune-I, Commissionerate, has issued a periodical show cause notice on 9 September 2019 demanding payment of service tax of ₹ 217.22 crore and penalty thereon of ₹ 217.22 crore on the interest subsidy, BFL received from manufacturers and dealers during the period 1 October 2016 to 30 June 2017. The Commissioner has also demanded payment of interest on the service tax amount demanded, until the date BFL pays the demand, which as at 31 March 2020, amounted to ₹ 99.76 crore. BFL has filed reply to the notice, awaiting the hearing. BFL, in line with the opinion obtained from a legal counsel, is of view that the said demands are not tenable.

- iii) The Commissioner, Central Excise and CGST, Pune-I, Commissionerate, through an order dated 7 September 2018, has confirmed the demand of service tax of ₹ 53.87 crore and penalties of ₹ 53.87 crore from BFL in relation to the penal interest/charges BFL received from the customers during the period 1 July 2012 to 31 March 2017. In addition, the Commissioner has demanded payment of interest on the service tax amount confirmed until the date BFL pays the service tax demanded, which as at 31 March 2020 amounted to ₹ 51.46 crore. In accordance with legal advice, BFL filed an appeal on 26 December 2018 with the Customs, Excise and Service Tax Appellate Tribunal, Mumbai disputing the demands. BFL, in line with the opinion obtained from a legal counsel, is of view that the said demands are not tenable.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

41 Contingent liabilities (Contd.)

In addition, the Commissioner, Central Excise and CGST, Pune-I, Commissionerate, through an order dated 30 December 2019, has confirmed the demand of service tax of ₹ 40.22 crore and reduced penalty thereon to ₹ 4.02 crore on penal interest/charges received by BFL from the customers during the period 1 April 2016 to 30 June 2017. The Commissioner has also demanded payment of interest on the service tax amount demanded, until the date BFL pays the demand, which as at 31 March 2020, amounted to ₹ 19.70 crore. In accordance with legal advice, BFL is in process of filing of an appeal with the Customs, Excise and Service Tax Appellate Tribunal (CESTAT), Mumbai disputing the said demand. BFL, in line with the opinion obtained from a legal counsel, is of view that the said demands are not tenable.

- iv) It is not practicable for BFL to estimate the timings of the cash flows, if any, in respect of the above pending resolution of the respective proceedings.

42 Capital and other commitments

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Capital commitments, net of capital advances	167.57	129.58
Commitments made for investments	75.00	81.39
Other commitments towards partially disbursed/un-encashed loans	3,110.05	481.31

BALIC holds investments with commitments outstanding as at 31 March 2020 of ₹ 3,098 crore (At 31 March 2019: ₹ 1,429 crore)

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

43 Segment information

Segment information is based on the consolidated financial statements.

Segment wise revenue, results and capital employed for the year ended 31 March 2020

(a) Primary segment: Business segment

(₹ In Crore)

Particulars	Insurance	Windmill	Retail financing	Investments and others	Consolidated
Revenue					
External sales and other income	28,006.78	39.23	26,269.84	35.62	54,351.47
Inter segment sales and other income	133.48	-	115.82	868.26	1,117.56
Total revenue	28,140.26	39.23	26,385.66	903.88	55,469.03
Segment result	1,073.33	19.83	7,442.35	(233.85)	8,301.66
Tax expense	-	-	-	-	2,308.06
Non-controlling interest	-	-	-	-	2,624.47
Net profit	1,073.33	19.83	7,442.35	(233.85)	3,369.13
Segment assets	85,701.16	31.63	164,232.89	508.43	250,474.11
Unallocated corporate assets	-	-	-	-	24.61
Total assets	85,701.16	31.63	164,232.89	508.43	250,498.72
Segment liabilities	71,477.34	1.02	2,253.34	87.26	73,818.96
Unallocated corporate liabilities	-	-	-	-	17.41
Total liabilities	71,477.34	1.02	2,253.34	87.26	73,836.37
Capital employed	14,223.82	30.61	161,979.55	421.17	176,662.35

Business segments of the consolidated group have been identified as distinguishable components that are engaged in a group of related product or services and that are subject to risks and returns different from other business segments. Accordingly Insurance, Windmill, Retail financing and Investments and others have been identified as the business segments.

(b) All the companies included in above reporting operate within India. Hence Geographic segment is not applicable.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

43 Segment information (Contd.)

Segment information is based on the consolidated financial statements.

Segment wise revenue, results and capital employed for the year ended 31 March 2019

(a) Primary segment: Business segment

(₹ In Crore)

Particulars	Insurance	Windmill	Retail financing	Investments and others	Consolidated
Revenue					
External sales and other income	24,144.95	71.10	18,384.51	5.01	42,605.57
Inter segment sales and other income	81.22	-	117.25	455.24	653.71
Total revenue	24,226.17	71.10	18,501.76	460.25	43,259.28
Segment result	2,026.98	20.37	6,264.80	(157.41)	8,154.74
Tax expense	-	-	-	-	2,780.89
Non-controlling interest	-	-	-	-	2,154.81
Net profit	2,026.98	20.37	6,264.80	(157.41)	3,219.04
Segment assets	83,114.18	36.56	124,283.84	287.98	207,722.56
Unallocated corporate assets	-	-	-	-	20.43
Total assets	83,114.18	36.56	124,283.84	287.98	207,742.99
Segment liabilities	69,113.79	3.32	2,932.95	58.64	72,108.70
Unallocated corporate liabilities	-	-	-	-	17.41
Total liabilities	69,113.79	3.32	2,932.95	58.64	72,126.11
Capital employed	14,000.39	33.24	121,350.89	229.34	135,616.88

Business segments of the consolidated group have been identified as distinguishable components that are engaged in a group of related product or services and that are subject to risks and returns different from other business segments. Accordingly Insurance, Windmill, Retail financing and Investments and others have been identified as the business segments.

(b) All the companies included in above reporting operate within India. Hence Geographic segment is not applicable.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

44 Disclosure of transactions with related parties as required by Ind AS 24

(₹ In Crore)

Name of the related party and nature of relationship	Nature of transaction	2019-20		2018-19	
		Transaction value	Outstanding amounts carried in the Balance Sheet	Transaction value	Outstanding amounts carried in the Balance Sheet
A. Holding company, subsidiaries and fellow subsidiary					
Since consolidated financial statements present information about the holding and its subsidiaries as a single reporting enterprise, it is unnecessary to disclose intra - group transactions.					
B. Associates, joint ventures and investing parties:					
Bajaj Holdings & Investment Ltd. (investing party - holds 39.16% shares of Bajaj Finserv Ltd.)	Contribution to Equity (62,314,214 shares of ₹ 5 each)	-	(31.16)	-	(31.16)
	Dividend paid	46.74	-	10.90	-
	Business support services received	15.90	-	2.62	-
	Business support services rendered	0.51	-	0.38	-
	Other payments	0.04	-	0.03	-
	Other receipts	-	-	0.01	-
	Insurance premium received by BAGICL/BALICL	0.46	-	0.01	-
	Unallocated premium	-	(0.89)	-	(0.57)
	Billable expenses reimbursed on behalf	0.52	-	0.06	-
	Secured non convertible debentures issued	-	(311.87)	-	-
Bajaj Allianz Financial Distributors Ltd. (a joint venture - 50% shares held by Bajaj Finserv Ltd.)	Contribution to Equity (1,200,000 shares of ₹ 10 each)	-	1.20	-	1.20
	Services received	1.76	-	1.05	-
	Insurance premium received by BAGICL/BALICL	0.10	-	0.11	-
	Insurance commission paid by BAGICL/BALICL	15.22	(1.29)	15.68	(1.74)
	Business support services rendered	-	-	0.03	-
	Unallocated premium	-	(0.01)	-	-
	Security deposit received	0.01	(0.01)	-	-
Bajaj Allianz Staffing Solutions Ltd (100% owned subsidiary of Bajaj Allianz Financial Distributors Ltd.)	Insurance premium received by BAGICL/BALICL	0.01	-	1.01	-
	Unallocated premium	0.77	(0.02)	-	(0.05)
	Manpower supply charges	116.06	0.01	102.94	-
	Business support services received	0.11	-	-	-
	Claims paid	0.05	-	-	-
	Security deposits received	0.05	(0.05)	-	-
Allianz SE	Contribution to equity of BALICL including premium	-	(1,099.13)	-	(1,099.13)
	Contribution to equity of BAGICL including premium	-	(195.27)	-	(195.27)
	Dividend paid	56.08	-	56.08	-
	Billable expenses incurred on behalf	0.04	-	-	-
Allianz Insurance Management Asia Pacific Pte.	Billable expenses incurred	-	(0.04)	-	(0.04)
	Paid towards revenue expenditure	-	-	-	0.01
AGCS Marine Insurance Company	Reinsurance premium paid/payable	-	-	-	0.03
	Claims recovery on reinsurance	-	-	0.03	-
Allianz Global Risks US Insurance Company	Reinsurance premium paid	170.45	(37.96)	0.03	(0.04)
	Commission on reinsurance premium	18.02	-	0.02	-
	Claims recovery on reinsurance	44.92	-	0.01	-
Allianz Global Corporate & Speciality SE, UK	Reinsurance premium paid	0.08	(1.36)	(0.13)	1.51
	Commission on reinsurance received	0.01	-	(0.01)	-
	Claims recovery on reinsurance	-	-	11.50	-
Allianz Global Corporate & Speciality SE, Italy	Reinsurance premium paid	0.03	(0.08)	0.02	(0.06)
	Commission on reinsurance received	0.01	-	-	-

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

44 Disclosure of transactions with related parties as required by Ind AS 24 (Contd.)

		(₹ In Crore)			
Name of the related party and nature of relationship	Nature of transaction	2019-20		2018-19	
		Transaction value	Outstanding amounts carried in the Balance Sheet	Transaction value	Outstanding amounts carried in the Balance Sheet
Allianz Global Corporate & Speciality SE, Munich	Reinsurance premium paid	0.02	(3.19)	0.67	19.72
	Commission on reinsurance received	-	-	0.22	-
	Claims recovery on reinsurance	12.78	-	36.50	-
	Billable expenses incurred on behalf	-	-	-	(0.03)
Allianz SE Reinsurance, Branch Asia Pacific	Reinsurance premium paid	35.34	(5.50)	20.27	(9.17)
	Commission on reinsurance received	7.01	-	7.41	-
	Claims recovery on reinsurance	4.67	-	14.50	-
	CAT XOL premium paid	0.32	-	0.27	-
	CAT XOL claim recovered	0.78	-	2.04	-
Allianz Global Corporate & Speciality AG Singapore (Previously known as Allianz Insurance Company of Singapore - PTE)	Reinsurance premium paid	0.21	0.73	4.64	0.49
	Commission on reinsurance received	0.02	-	0.90	-
	Claim recovery on reinsurance	0.28	-	0.66	-
	Billable expenses reimbursed on behalf	-	-	0.05	0.05
Allianz Global Corporate & Speciality SE, France	Reinsurance premium paid	0.14	(0.39)	-	(0.61)
	Commission on reinsurance received	0.01	-	0.02	-
	Claims recovery on reinsurance	0.10	-	3.50	-
Allianz Risk Transfer AG	Claims recovery on reinsurance	-	-	0.50	-
Euler Hermes Deutschland [Formerly known as Euler Hermes Cr Insurance (S) Ltd.]	Billable expenses incurred on behalf	-	-	2.28	(1.85)
Euler Hermes Europe, Singapore Branch	Reinsurance premium paid	10.63	1.27	9.56	1.21
	Commission on reinsurance received	0.70	-	0.72	-
	Claims recovery on reinsurance	3.93	-	3.78	-
	Billable expenses recovery	2.50	-	-	-
	Other receivables	-	0.40	-	-
Allianz Technology SE (Previously Allianz Managed Operations & Services SE)	Paid towards opus revenue expenditure	3.27	(5.56)	2.79	(2.60)
	License and maintenance fees paid	1.44	(3.66)	0.86	(1.93)
	Billable expenses recovery	0.49	-	-	-
	Benefits paid	-	-	0.01	-
Allianz Technology SE, India (Previously Allianz Managed Operations & Services SE India)	Insurance premium received	0.01	-	0.01	-
Allianz Fire and Marine Insurance Japan Ltd.	Reinsurance premium paid	16.50	(14.69)	-	-
	Commission on reinsurance received	1.80	-	-	-
	Claims recovery on reinsurance	0.01	-	-	-
AWP Assistance India Pvt. Ltd. (Previously AGA Assistance (India) Pvt. Ltd.)	Insurance claims paid	8.19	-	7.75	-
	Premium received as an agent	-	(0.10)	-	(0.69)
	Insurance commission paid	1.24	-	1.61	(0.12)
	Benefits paid	-	-	3.36	-
	Claim assistance fee paid	-	-	5.01	-
AWP Services India Pvt. Ltd. (Previously AGA Services (India) Pvt. Ltd.)	Billable expenses incurred on behalf	0.01	0.01	0.02	0.03
	Insurance claims paid	10.40	-	16.71	-
	Claim assistance fee paid	-	-	3.17	-
	Other expenses paid	4.41	(0.44)	5.22	(2.65)
Euler Hermes Services India Pvt Ltd.	Credit risk assessment fees paid	2.21	-	2.06	-

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

44 Disclosure of transactions with related parties as required by Ind AS 24 (Contd.)

		(₹ In Crore)			
Name of the related party and nature of relationship	Nature of transaction	2019-20		2018-19	
		Transaction value	Outstanding amounts carried in the Balance Sheet	Transaction value	Outstanding amounts carried in the Balance Sheet
AWP P&C SA Saint Ouen Paris	Reinsurance premium paid	273.19	(16.95)	168.31	(29.57)
	Commission on reinsurance paid	173.19	-	104.46	-
	Claims paid on reinsurance accepted	71.98	-	17.84	-
C Individuals controlling voting power/exercising significant influence and their Relatives:					
Rahul Bajaj (Chairman up to 16 May 2019, Chairman Emeritus w.e.f. 17 May 2019)	Sitting fees	0.11	-	0.10	-
	Commission	0.21	(0.21)	0.14	(0.13)
Madhur Bajaj	Sitting fees	0.08	-	0.07	-
	Commission	0.14	(0.14)	0.11	(0.10)
Rajiv Bajaj	Sitting fees	0.10	-	0.07	-
	Commission	0.18	(0.18)	0.10	(0.09)
Sanjiv Bajaj (Managing Director, also Chairman w.e.f. 17 March 2020) (Also Key management personnel)	Short-term employee benefits (including Commission)	10.24	(7.39)	7.47	(5.46)
	Post-employment benefits	0.91	-	0.63	-
	Deposit paid	0.02	0.41	0.39	0.39
	Rent paid	0.41	-	0.33	-
	Sitting fees	0.22	-	0.09	-
Tapan Singhel (MD & CEO - BAGICL)	Remuneration	11.78	-	9.68	-
Tarun Chugh (MD & CEO - BALICL)	Remuneration	9.86	-	8.45	-
Rajeev Jain (MD & CEO - BFL)	Remuneration	11.43	-	11.75	(6.36)
	Equity shares issued pursuant to stock option scheme	1.65	-	2.19	-
	Fair value of stock options granted	13.05	-	10.91	-
	Brokerage and service charges received	0.03	-	-	-
D Other entities/persons:					
Bajaj Auto Ltd.	Sale of windpower	14.57	-	13.82	-
	Business support services received	27.20	-	26.09	(0.83)
	Business support services rendered	0.23	-	0.23	-
	Interest subsidy	0.36	0.04	9.85	-
	Insurance premium received by BAGICL/BALICL	12.34	-	13.15	-
	Insurance claims paid by BAGICL/BALICL	1.65	-	2.30	-
	Security deposit paid	-	0.23	0.02	0.23
	Rent paid	-	-	0.01	-
	Unallocated premium	-	(8.09)	-	(4.67)
	Dividend income	2.25	-	0.75	-
	Investments held	-	25.28	-	36.39
	Lease liability recognised at inception	2.97	(1.91)	-	-
	Payment towards lease obligation	1.06	-	-	-
	Revenue expenses reimbursement paid	0.10	-	-	-
	Fixed deposit accepted	500.00	(500.00)	-	-
Fixed deposit interest accrued	15.50	(15.50)	-	-	
Bajaj Electricals Ltd.	Purchases	-	-	0.49	(0.06)
	Purchase of property, plant and equipment	0.45	(0.08)	-	-
	Interest subsidy	0.03	-	-	-
	Insurance claims paid by BAGICL/BALICL	4.09	-	1.58	-
	Insurance premium received by BAGICL/BALICL	18.77	-	8.41	-
Unallocated premium	-	(6.22)	-	(0.13)	

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

44 Disclosure of transactions with related parties as required by Ind AS 24 (Contd.)

		(₹ In Crore)			
Name of the related party and nature of relationship	Nature of transaction	2019-20		2018-19	
		Transaction value	Outstanding amounts carried in the Balance Sheet	Transaction value	Outstanding amounts carried in the Balance Sheet
Bajaj Auto Holdings Ltd.	Shares of BFS held by BAHL (209,005 shares of ₹ 5 each)	-	(0.10)	-	(0.10)
	Dividend paid	0.16	-	0.04	-
Hind Musafir Agency Ltd.	Services received	74.36	(0.41)	79.36	(3.18)
	Service charges paid	0.40	-	0.29	-
	Insurance premium received by BAGIC/BALICL	0.03	-	0.02	-
	Advances	-	0.09	-	-
Hind Lamps Ltd.	Insurance premium received by BAGIC/BALICL	0.15	-	0.15	-
Mukand Ltd.	Sale of windpower	13.56	0.44	43.41	0.29
	Insurance premium received by BAGIC/BALICL	4.18	-	1.02	-
	Insurance claims paid by BAGIC/BALICL	0.87	-	0.61	-
	Unallocated premium	-	(0.51)	-	-
	Rent and other expenses paid	0.05	-	0.06	-
	Security deposit paid	(3.90)	0.10	-	4.00
	Interest received	4.21	-	4.17	-
	Loan given	25.00	25.14	-	24.41
	Principal repayment received	24.27	-	18.22	-
Mukand Engineers Ltd.	Insurance premium received by BAGIC/BALICL	0.51	-	0.73	-
	Insurance claims paid by BAGIC/BALICL	0.26	-	0.33	-
	Unallocated premium	-	(0.30)	-	(0.01)
Hercules Hoists Ltd.	Fixed deposits accepted	6.50	(6.50)	-	-
	Interest accrued on fixed deposits	0.09	(0.09)	-	-
Maharashtra Scooters Ltd.	Business support charges received	0.14	-	0.12	1.86
	Non convertible debentures issued	-	(95.56)	-	(140.00)
	Interest on non-convertible debentures issued	11.11	-	10.24	-
	Contribution to equity of BFL (18,974,660 shares of ₹ 2 each)	-	(3.79)	-	(3.79)
	Contribution to equity of BFS (3,725,740 shares of ₹ 5 each)	-	(1.86)	-	(1.86)
	Dividend paid	33.15	-	8.24	-
	Secured non-convertible debentures redemption	110.00	-	5.00	-
Sanjali Family Trust	Rent paid	0.14	-	-	-
	Security deposit paid	0.14	0.14	-	-
	Revenue expenses reimbursement received	0.03	-	-	-
Jamnalal Sons Pvt. Ltd.	Security deposit	-	0.29	-	0.29
	Rent and other expenses	0.31	-	0.70	-
	Contribution to equity	-	(0.03)	-	-
	Lease liability recognised at inception	1.31	(0.97)	-	-
	Payment towards lease obligation	0.34	-	-	-
	Interest expense on lease obligation	0.10	-	-	-
Nanoo Pamnani (Chairman w.e.f. 18 May 2019 and up to demise on 22 February 2020)	Sitting fees	0.32	-	0.18	-
	Commission	2.46	(2.46)	2.26	(2.24)
D J Balaji Rao	Sitting fees	0.18	-	0.12	-
	Commission	0.31	(0.31)	0.16	(0.15)
Dr. Gita Piramal	Sitting fees	0.21	-	0.13	-
	Commission	0.36	(0.36)	0.17	(0.16)
Dr. Naushad Forbes	Sitting fees	0.17	-	0.05	-
	Commission	0.30	(0.30)	0.05	(0.05)

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

44 Disclosure of transactions with related parties as required by Ind AS 24 (Contd.)

(₹ In Crore)

Name of the related party and nature of relationship	Nature of transaction	2019-20		2018-19	
		Transaction value	Outstanding amounts carried in the Balance Sheet	Transaction value	Outstanding amounts carried in the Balance Sheet
Manish Kejriwal	Sitting fees	0.03	-	0.01	-
	Commission	0.05	(0.05)	0.01	(0.01)
Anami Roy	Sitting fees	0.13	-	0.01	-
	Commission	0.23	(0.23)	0.01	(0.01)
Dipak Poddar	Sitting fees	0.03	-	0.05	-
	Commission	0.06	(0.06)	0.10	(0.09)
D.S.Mehta	Sitting fees	-	-	0.05	-
	Commission	-	-	0.10	(0.09)
Ranjan Sanghi	Fixed deposit accepted	-	-	2.95	(8.28)
	Fixed deposit interest accrued	-	-	0.67	(0.87)
Rajendra Lakhotia	Sitting fees	0.14	-	0.07	-
	Commission	0.26	(0.26)	0.13	(0.12)
Omkar Goswami	Sitting fees	-	-	0.05	-
	Commission	-	-	0.10	(0.08)
Radhika Singh (Spouse of Omkar Goswami, director of BFL)	Sitting fees	0.12	-	0.06	-
	Commission	0.24	(0.24)	0.12	(0.11)
Bajaj Auto Ltd. Provident Fund	Fixed deposit accepted	2.00	(2.00)	-	-
	Fixed deposit interest accrued	0.01	(0.01)	-	-
Bajaj Auto Employees Superannuation Fund	Unsecured non convertible debentures issued	-	(54.61)	-	(52.00)
	Interest paid on non convertible debentures	4.91	-	4.92	-
	Provident fund contribution (Employer's share)	34.52	(10.29)	21.09	(5.82)
Bajaj Auto Employees Group Gratuity Fund	Superannuation contribution	1.06	-	0.92	-
Bajaj Auto Senior staff Group Gratuity Fund	Gratuity contribution	13.50	-	6.02	-
Bajaj Finserv Charitable Trust	Gratuity contribution	29.00	-	22.60	-
Bajaj Allianz Life Insurance Co. Ltd. - Employees	CSR payment	0.25	-	0.25	-
Group Gratuity Cum Life Assurance Trust	Insurance premium received	7.13	-	7.22	-
	Benefits paid	5.39	-	5.66	-
	Fund reserve	2.90	-	1.96	-

Name of the related party and nature of the related party relationship where control exists have been disclosed irrespective of whether or not there have been transactions between the related parties. In other cases, disclosure has been made only when there have been transactions with those parties.

Related parties as defined under para 9 of Ind AS 24 'Related Party Disclosures' have been identified based on representations made by key managerial personnel and information available with the Group.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

45 Employee benefits plan

Liability for employee benefits has been determined by an actuary, appointed for the purpose, in conformity with the principles set out in the Indian Accounting Standard 19 the details of which are as hereunder.

Funded schemes

Gratuity

The Group provides for gratuity payments to employees. The gratuity benefit payable to the employees of the Group is greater of the provisions of the Payment of Gratuity Act, 1972 and the Group's gratuity scheme. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The gratuity plan is a funded plan and the Group makes contributions to approved gratuity fund.

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Amount recognised in Balance Sheet		
Present value of funded defined benefit obligation	274.85	199.47
Fair value of plan assets	221.59	162.50
Net funded obligation*	55.12	36.97
Net funded assets**	1.86	-

* Entities having net asset or net obligation are consolidated for net asset or net obligation, respectively and shown in above disclosure

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2020	2019
Expense recognised in the Statement of Profit and Loss		
Current service cost	36.02	27.24
Interest on net defined benefit liability/(asset)	1.25	1.58
Total expense charged to Statement of Profit and Loss	37.27	28.82
Amount recorded as Other Comprehensive Income		
Opening amount recognised in OCI outside Statement of Profit and Loss	50.12	26.15
Remeasurements during the period due to		
Changes in financial assumptions	13.87	1.07
Changes in demographic assumptions	(0.89)	0.44
Experience adjustments	23.93	21.65
Actual return on plan assets less interest on plan assets	(1.28)	0.90
Adjustment to recognise the effect of asset ceiling	(0.01)	(0.09)
Closing amount recognised in OCI outside Statement of Profit and Loss	85.74	50.12

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

45 Employee benefits plan (Contd.)**Funded schemes** (Contd.)

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Movement in benefit obligation		
Opening of defined benefit obligation	199.47	150.29
Current service cost	36.35	27.54
Past service cost	(0.16)	-
Interest on defined benefit obligation	13.85	10.83
Remeasurements due to		
Actuarial loss/(gain) arising from change in financial assumptions	13.87	1.06
Actuarial loss/(gain) arising from change in demographic assumptions	(0.89)	0.45
Actuarial loss/(gain) arising on account of experience changes	23.86	22.69
Benefits paid	(12.75)	(13.39)
Liabilities assumed/(settled)	1.25	-
Closing of defined benefit obligation	274.85	199.47
Movement in plan assets		
Opening fair value of plan assets	162.50	122.06
Employer contributions	56.11	45.53
Interest on plan assets	12.70	9.29
Administration expenses	-	(0.02)
Remeasurements due to		
Actual return on plan assets less interest on plan assets	0.92	(0.91)
Benefits paid	(11.86)	(13.45)
Assets acquired/(settled)*	1.66	-
Assets distributed on settlements	(0.44)	-
Closing fair value of plan assets	221.59	162.50

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Disaggregation of assets		
Category of assets		
Insurer managed funds.	221.59	162.50

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

45 Employee benefits plan (Contd.)

Funded schemes (Contd.)

Particulars	As at 31 March	
	2020	2019
Principal Actuarial Assumptions (Expressed as weighted averages)		
Discount rate (p.a.)		
Bajaj Finserv Ltd.	6.80%	7.70%
Bajaj Allianz General Insurance Co. Ltd.	5.45%	6.80%
Bajaj Allianz Life Insurance Co. Ltd.	6.35%	7.10%
Bajaj Finance Ltd.	6.80%	7.70%
Bajaj Finserv Direct Ltd.	6.80%	7.70%
Bajaj Finserv Health Ltd.	6.80%	NA
Salary escalation rate (p.a.)		
Bajaj Finserv Ltd.	10.00%	10.00%
Bajaj Allianz General Insurance Co. Ltd.	7.00%	10.00%
Bajaj Allianz Life Insurance Co. Ltd.	5.00%	5.00%
Bajaj Finance Ltd.	11.00%	11.00%
Bajaj Finserv Direct Ltd.	10.00%	10.00%
Bajaj Finserv Health Ltd.	10.00%	NA

The estimates of future salary increases, considered in actuarial valuation, takes into account, inflation, seniority, promotions and other relevant factors, such as demand and supply in the employment market.

Provident fund of BFL

In case of certain employees of BFL, the Provident fund contribution is made to Bajaj Auto Ltd. Provident Fund Trust. In terms of the guidance note issued by the Institute of Actuaries of India, the actuary has provided a valuation of provident fund liability based on the assumptions listed below and determined that there is no shortfall as of 31 March 2020. The assumptions used in determining the present value of obligation of interest rate guarantee under deterministic approach are as set out below

Particulars	As at 31 March	
	2020	2019
(₹ In Crore)		
(i) Movement in defined benefit obligations		
Defined benefit obligations as at the beginning of the year	285.37	240.79
Current service cost	34.85	21.09
Interest on defined benefit obligation	24.04	19.60
Remeasurement due to		
Actuarial loss/(gain) arising on account of experience changes	23.69	1.83
Employees contribution	75.59	43.54
Benefits paid	(15.94)	(17.99)
Liabilities assumed/(settled)	1.12	(23.49)
Defined benefit obligation as at the end of the year	428.71	285.37

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

45 Employee benefits plan (Contd.)**Provident fund BFL** (Contd.)

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
(ii) Movement in defined benefit plan		
Fair value of plan asset as at the beginning of the year	285.37	240.79
Interest on plan assets	24.04	19.60
Administration expenses	-	-
Remeasurements due to		
Actual return on plan assets less interest on plan assets	23.69	1.83
Employer contribution	34.85	21.09
Employees contribution	75.59	43.54
Benefits paid	(15.94)	(17.99)
Assets acquired/(settled)	1.12	(23.49)
Fair value of plan asset as at the end of the year	428.71	285.37
(iii) Reconciliation of net liability/asset		
Net defined benefit liability/(asset) as at the beginning of the year	-	-
Expense charged to statement of profit and loss	34.85	21.09
Employer contributions	(34.85)	(21.09)
Net defined benefit liability/(asset) as at the end of the year	-	-

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2020	2019
(iv) Expenses charged to the Statement of Profit and Loss		
Current service cost	34.85	21.09
Total	34.85	21.09
(v) Remeasurement gains/(losses) in Other Comprehensive Income		
Opening amount recognised in OCI	-	-
Experience adjustments	23.69	1.83
Actual return on plan assets less interest on plan assets	(23.69)	(1.83)
Closing amount recognised in OCI	-	-

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

45 Employee benefits plan (Contd.)**Provident fund BFL** (Contd.)

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
(vi) Amount recognised in Balance Sheet		
Present value of funded defined benefit obligation	428.71	285.37
Fair value of plan assets	428.71	285.37
Net funded obligation	-	-
Amount not recognised due to asset limit	-	-
Net defined benefit liability/(asset) recognised in Balance Sheet	-	-

Particulars	As at 31 March	
	2020	2019
(vii) Key actuarial assumptions		
Discount rate (p.a.)	6.80%	7.70%
Future derived return on assets (p.a.)	8.54%	8.68%
Discount rate for the remaining term to maturity of the investment (p.a.)	6.45%	7.35%
Average historical yield on the investment portfolio (p.a.)	8.19%	8.33%
Guaranteed rate of return (p.a.)	8.50%	8.65%

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
(viii) Category of plan assets		
Government debt securities	229.22	148.97
Other debt instruments	162.82	94.81
Others	36.67	41.59
	428.71	285.37

(ix) A quantitative sensitivity analysis for significant assumptions as at 31 March 2020 is as shown below

The following table summarises the impact in absolute terms on the reported defined benefit obligation at the end of the reporting period arising on account of an increase or decrease in the difference between the rate earned and the guaranteed rate.

Particulars	As at 31 March 2020		As at 31 March 2019	
	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Impact on defined benefit obligation	2.25%	-	-	-

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

45 Employee benefits plan (Contd.)**Unfunded schemes**

Particulars	As at 31 March 2020		As at 31 March 2019	
	Compensated Absences	Long-term incentive plan	Compensated Absences	Long-term incentive plan
Present value of unfunded obligations	41.26	79.15	47.75	71.52
Discount rate (p.a.)	5.45% ~ 6.80%		7.10% ~ 7.70%	
Salary escalation rate (p.a.)	5.00% ~ 11.00%		5.00% ~ 11.00%	

Amount recognised in the Statement of Profit and Loss

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2020	2019
Defined contribution plans		
Provident fund paid to Government authorities	33.96	21.88
Superannuation paid to trust	0.72	0.73
Pension fund paid to Government authorities	0.77	0.52
Others	4.13	3.76
Defined Benefit Plans		
Gratuity	37.27	28.82
Others	34.87	21.09
Total	111.72	76.80

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure

1. Capital

BFL actively manages its capital base to cover risks inherent to its business and meets the capital adequacy requirement of RBI and NHB. The adequacy of BFL's capital is monitored using, among other measures, the regulations issued by RBI and NHB.

BAGIC and BALIC maintain an actively managed capital base to cover risks inherent in their respective businesses and meeting the solvency ratio required by IRDAI. The adequacy of the BAGIC and BALIC's capital is monitored using, among the other measures, the regulation issued by IRDAI.

The cash surpluses are currently invested in equity shares, mutual funds, debt instruments and money market instruments depending upon the economic conditions and is in line with guidelines set out by IRDAI.

Safety of capital is of prime importance to ensure availability of capital for operations. Investment objective is to provide safety and adequate return on the surplus funds.

No changes were made in the objective, policies and processes of capital management during the year. Both BAGIC and BALIC do not have any borrowings and do not borrow funds.

a) Capital management (BFL)

BFL's objective is to maintain appropriate levels of capital to support its business strategy taking into account the regulatory, economic and commercial environment. BFL aims to maintain a strong capital base to support the risks inherent to its business and growth strategies. BFL endeavors to maintain a higher capital base than the mandated regulatory capital at all times.

BFL's assessment of capital requirement is aligned to its planned growth which forms part of an annual operating plan which is approved by the Board and also a long range strategy. These growth plans are aligned to assessment of risks- which include credit, liquidity and market.

BFL monitors its capital adequacy ratio (CRAR) on a monthly basis through its assets liability management committee (ALCO).

BFL endeavors to maintain its CRAR higher than the mandated regulatory norm. Accordingly, increase in capital is planned well in advance to ensure adequate funding for its growth.

BFL's dividend distribution policy states that subject to profit, the Board shall endeavor to maintain a dividend payout (including dividend distribution tax) of around 15% of profits after tax on standalone financials, to the extent possible.

BFL is also the provider of equity capital to its wholly owned subsidiaries and also provides them with non-equity capital where necessary. These investments are funded by the BFL through its equity share capital and other equity which inter alia includes retained profits.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)**2. Regulatory capital**

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Bajaj Finance Ltd.		
Tier I capital	28,697.72	17,025.70
Tier II capital	5,043.43	4,587.47
Total capital	33,741.15	21,613.17
Risk weighted assets	134,916.74	104,606.38
Tier I CRAR	21.27%	16.27%
Tier II CRAR	3.74%	4.39%
Total CRAR	25.01%	20.66%

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Bajaj Housing Finance Ltd.		
Tier I capital	5,495.58	3,626.71
Tier II capital	151.25	70.75
Total capital (Tier I+Tier II)	5,646.83	3,697.46
Risk weighted assets	22,450.98	14,324.25
Tier I CRAR	24.48%	25.32%
Tier II CRAR	0.67%	0.49%
Total CRAR	25.15%	25.81%

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)**3. Quantitative Disclosures****a. Quantitative disclosure of fair value measurement hierarchy for assets (BFL)****Quantitative disclosures of fair value measurement hierarchy for financial instruments measured at fair value as at 31 March 2020**

(₹ In Crore)

Particulars	Date of valuation	Fair value measurement using			Total
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Investments held for trading under FVTPL	31-Mar-20	14,438.75	-	-	14,438.75
Equity instrument designated under FVTOCI (Unquoted)*	31-Mar-20	-	-	262.32	262.32
Equity instrument designated under FVTOCI (Quoted)	31-Mar-20	150.00	-	-	150.00
Other investments designated under FVTOCI	31-Mar-20	2,764.60	-	-	2,764.60
Loans designated under FVTOCI	31-Mar-20	-	21,659.53	-	21,659.53
Derivative asset	31-Mar-20	-	171.76	-	171.76
Total		17,353.35	21,831.29	262.32	39,446.96

* There is no fair value gain/loss on equity instruments designated under FVOCI.

Quantitative disclosures of fair value measurement hierarchy for financial instruments measured at fair value as at 31 March 2019

(₹ In Crore)

Particulars	Date of valuation	Fair value measurement using			Total
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Investments held for trading under FVTPL	31-Mar-19	7,063.57	-	-	7,063.57
Equity instrument designated under FVTOCI (Unquoted)*	31-Mar-19	-	-	225.00	225.00
Other investments designated under FVTOCI	31-Mar-19	1,256.75	-	-	1,256.75
Loans designated under FVTOCI	31-Mar-19	-	17,992.29	-	17,992.29
Total		8,320.32	17,992.29	225.00	26,537.61

* There is no fair value gain/loss on equity instruments designated under FVOCI.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)**3. Quantitative Disclosures** (Contd.)**b. Fair value of financial instruments not measured at fair value (BFL)****Fair value of financial instruments not measured at fair value as at 31 March 2020**

(₹ In Crore)

Particulars	Carrying value	Fair value measurement using			Total
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Financial assets					
Cash and cash equivalents	1,344.52	1,344.52	-	-	1,344.52
Earmarked balances with banks	38.20	38.20	-	-	38.20
Trade receivables	952.49	-	-	952.49	952.49
Other receivables	-	-	-	-	-
Loans	119,716.52	-	-	120,510.83	120,510.83
Investments	20.32	-	-	20.46	20.46
Other financial assets	470.39	-	-	470.39	470.39
	122,542.44	1,382.72	-	121,954.17	123,336.89
Financial liabilities					
Trade payables	761.97	-	-	761.97	761.97
Other payables	197.84	-	-	197.84	197.84
Debt securities	49,537.36	-	50,258.28	-	50,258.28
Borrowings (other than debt securities)	54,700.17	-	-	54,700.17	54,700.17
Deposits	21,427.10	-	21,502.03	-	21,502.03
Subordinated debts	4,141.75	-	4,350.78	-	4,350.78
Other financial liabilities	745.05	-	-	745.05	745.05
	131,511.24	-	76,111.09	56,405.03	132,516.12

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)**3. Quantitative Disclosures** (Contd.)**b. Fair value of financial instruments not measured at fair value (BFL)** (Contd.)**Fair value of financial instruments not measured at fair value as at 31 March 2019**

(₹ In Crore)

Particulars	Carrying value	Fair value measurement using			Total
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Financial assets					
Cash and cash equivalents	347.02	347.02	-	-	347.02
Earmarked balances with banks	1.69	1.69	-	-	1.69
Trade receivables	808.70	-	-	808.70	808.70
Other receivables	-	-	-	-	-
Loans	94,520.53	-	-	94,825.96	94,825.96
Investments	53.71	-	-	54.09	54.09
Other financial assets	389.95	-	-	389.95	389.95
	96,121.60	348.71	-	96,078.70	96,427.41
Financial liabilities					
Trade payables	563.80	-	-	563.80	563.80
Other payables	247.74	-	-	247.74	247.74
Debt securities	46,681.33	-	46,403.77	-	46,403.77
Borrowings (other than debt securities)	37,574.44	-	-	37,574.44	37,574.44
Deposits	13,193.01	-	13,015.54	-	13,015.54
Subordinated debts	4,139.07	-	4,199.26	-	4,199.26
Other financial liabilities	1,704.15	-	-	1,704.15	1,704.15
	104,103.54	-	63,618.57	40,090.13	103,708.70

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)**3. Quantitative Disclosures** (Contd.)**c. Quantitative disclosure of fair value measurement hierarchy for assets (BALIC)**

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in fair value hierarchy

(₹ In Crore)

Particulars	Carrying amount				Total	Fair value hierarchy		
	Through P&L	Designated at P&L	Through OCI	Amortised cost		Level 1	Level 2	Level 3
As at 31 March 2020								
Financial assets								
Financial assets measured at fair value								
Investments								
Government securities	4,936.48	10,671.84	9,559.14	-	25,167.46	25,167.46	-	-
Debt securities	1,303.92	4,026.81	6,543.59	-	11,874.32	11,874.32	-	-
Equity instruments	15,652.37	-	-	-	15,652.37	15,404.87	-	247.50
Security receipts	-	0.22	-	-	0.22	-	0.22	-
Others (AT1)	115.52	-	-	-	115.52	115.52	-	-
Financial assets not measured at fair value								
Investments								
Fixed Deposits-Long Term	-	-	-	1,272.67	1,272.67			
CBLO	-	-	-	3,526.34	3,526.34			
Cash and cash equivalents	-	-	-	505.79	505.79		N/A	
Bank balance other than cash and cash equivalents	-	-	-	42.65	42.65			
Trade receivables	-	-	-	298.33	298.33			
Loans	-	-	-	417.47	417.47			
Other financial assets	-	-	-	1,221.48	1,221.48			
Total financial assets	22,008.29	14,698.87	16,102.73	7,284.73	60,094.62	52,562.17	0.22	247.50
Financial liabilities								
Trade payables	-	-	-	1,341.89	1,341.89			
Deposits	-	-	-	3.23	3.23		N/A	
Lease obligation	-	-	-	94.83	94.83			
Total financial liabilities	-	-	-	1,439.95	1,439.95	-	-	-

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)**3. Quantitative Disclosures** (Contd.)**c. Quantitative disclosure of fair value measurement hierarchy for assets (BALIC)** (Contd.)

(₹ In Crore)

Particulars	Carrying amount				Fair value hierarchy			
	Through P&L	Designated at P&L	Through OCI	Amortised cost	Total	Level 1	Level 2	Level 3
As at 31 March 2019								
Financial assets								
Financial assets measured at fair value								
Investments								
Government securities	4,502.18	8,828.36	9,408.88	-	22,739.42	22,739.42	-	-
Debt securities	2,139.36	4,079.17	6,913.03	-	13,131.56	13,131.56	-	-
Equity instruments	17,424.37	-	-	-	17,424.37	17,187.80	-	236.57
Security receipts	-	0.67	-	-	0.67	-	0.67	-
Others (AT1)	599.84	-	-	-	599.84	599.84	-	-
Financial assets not measured at fair value								
Investments								
Fixed Deposits-Long Term	-	-	-	1,394.89	1,394.89			
CBLO	-	-	-	1,936.62	1,936.62			
Cash and cash equivalents	-	-	-	723.95	723.95		N/A	
Bank balance other than cash and cash equivalents	-	-	-	41.95	41.95			
Trade receivables	-	-	-	206.49	206.49			
Loans	-	-	-	335.08	335.08			
Other financial assets	-	-	-	1,314.04	1,314.04			
Total financial assets	24,665.75	12,908.20	16,321.91	5,953.02	59,848.88	53,658.62	0.67	236.57
Financial liabilities								
Trade payables	-	-	-	1,212.77	1,212.77		N/A	
Deposits	-	-	-	3.16	3.16			
Total financial liabilities	-	-	-	1,215.93	1,215.93	-	-	-

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)**3. Quantitative Disclosures** (Contd.)**c. Quantitative disclosure of fair value measurement hierarchy for assets (BALIC)** (Contd.)**Movements in Level 3 financial instruments**

The following table show a reconciliation of the opening and closing amounts of Level 3 financial assets

(₹ In Crore)

Particulars	As at 31 March	
	2020	2019
Unquoted equity share		
Opening balance	236.57	185.89
Purchase	10.93	73.19
Net change in fair value (unrealised)	-	(22.51)
Closing balance	247.50	236.57

d. Quantitative disclosure of fair value measurement hierarchy for assets (BAGIC)

(₹ In Crore)

Particulars	Carrying amount				Fair value		
	Through P&L	Through OCI	Amortised cost	Total	Level 1	Level 2	Level 3
As at 31 March 2020							
Investments							
Financial assets measured at fair value							
Government debt securities	-	8,243.53	-	8,243.53	8,243.53	-	-
Debt securities	418.51	8,774.79	-	9,193.30	9,193.30	-	-
Equity instruments	1,242.48	-	-	1,242.48	1,199.98	-	42.50
Fixed deposits	-	-	25.00	25.00	25.00	-	-
Mutual fund	-	-	-	-	-	-	-
Preference shares	73.83	-	-	73.83	73.83	-	-
AT 1 Bonds	-	-	-	-	-	-	-
Financial assets not measured at fair value							
Cash and cash equivalents	-	-	527.72	527.72	-	-	-
Bank balance other than cash and cash equivalents	-	-	48.25	48.25	-	-	-
Trade receivables	-	-	1,555.94	1,555.94	-	-	-
Other financial assets	-	-	633.82	633.82	-	-	-
Total financial assets	1,734.82	17,018.32	2,790.73	21,543.87	18,735.64	-	42.50
Financial liabilities							
Trade payable							
a) Total outstanding dues of MSME	-	-	3.69	3.69	-	-	-
b) Other payables	-	-	1,645.16	1,645.16	-	-	-
Other financial liabilities	-	-	220.07	220.07	-	-	-
Lease contract liability	-	-	148.50	148.50	-	-	-
Total financial liabilities	-	-	2,017.42	2,017.42	-	-	-

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)**3. Quantitative Disclosures** (Contd.)**d. Quantitative disclosure of fair value measurement hierarchy for assets (BAGIC)** (Contd.)

(₹ In Crore)

Particulars	Carrying amount			Fair value			
	Through P&L	Through OCI	Amortised cost	Total	Level 1	Level 2	Level 3
As at 31 March 2019							
Investments							
Financial assets measured at fair value							
Government debt securities	-	7,072.34	229.96	7,302.30	7,302.30	-	-
Debt securities	-	7,773.27	16.67	7,789.94	7,789.94	-	-
Equity instruments	1,022.84	-	-	1,022.84	980.34	-	42.50
Fixed deposits	-	-	45.00	45.00	45.00	-	-
Mutual fund	167.62	-	-	167.62	167.62	-	-
Preference shares	108.47	-	-	108.47	108.47	-	-
AT 1 Bonds	420.39	-	-	420.39	420.39	-	-
Financial assets not measured at fair value							
Cash and cash equivalents	-	-	451.76	451.76	-	-	-
Bank balance other than cash and cash equivalents	-	-	3.99	3.99	-	-	-
Trade receivables	-	-	1,283.26	1,283.26	-	-	-
Other financial assets	-	-	615.65	615.65	-	-	-
Total financial assets	1,719.32	14,845.61	2,646.29	19,211.22	16,814.06	-	42.50
Financial liabilities							
Trade payable							
a) Total outstanding dues of MSME	-	-	2.54	2.54	-	-	-
b) Other payables	-	-	1,918.75	1,918.75	-	-	-
Other financial liabilities	-	-	133.91	133.91	-	-	-
Total financial liabilities	-	-	2,055.20	2,055.20	-	-	-

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)**4. Risk management and other disclosures****A. Bajaj Finance Ltd.**

A summary of the major risks faced by the Bajaj Finance Ltd., its measurement, monitoring and management are described as under

Nature of risk	Arising from	Executive governance structure	Measurement, monitoring and management of risk
Liquidity and funding risk	<p>Liquidity risk arises from mismatches in the timing of cash flows.</p> <p>Funding risk arises from</p> <ul style="list-style-type: none"> inability to raise incremental borrowings and deposits to fund business requirement or repayment obligations when long term assets cannot be funded at the expected term resulting in cashflow mismatches Amidst volatile market conditions impacting sourcing of funds from banks and money markets 	Board appointed Asset Liability Committee (ALCO)	<p>Liquidity and funding risk is</p> <ul style="list-style-type: none"> measured by <ul style="list-style-type: none"> identification of gaps in the structural and dynamic liquidity statements. assessment of incremental borrowings required for meeting the repayment obligation as well as BFL's business plan in line with prevailing market conditions. monitored by <ul style="list-style-type: none"> assessment of the gap between visibility of funds and the near term liabilities given current liquidity conditions and evolving regulatory directions for NBFCs. a constant calibration of sources of funds in line with emerging market conditions in banking and money markets periodic reviews by ALCO relating to the liquidity position and stress tests assuming varied 'what if' scenarios and comparing probable gaps with the liquidity buffers maintained by BFL. managed by BFL's treasury team under the guidance of ALCO through various means like liquidity buffers, sourcing of long-term funds, positive asset liability mismatch, keeping strong pipeline of sanctions and approvals from banks and assignment of loans.
Market risk	Market risk arises from fluctuation in the fair value of future cash flow of financial instruments due to changes in the market variables such as interest rates, foreign exchange rates and equity prices.	Board appointed Asset Liability Committee/ Senior Management	<p>Market risk is</p> <ul style="list-style-type: none"> measurement of market risks encompasses exposure to equity investments, foreign exchange rates which would impact our external commercial borrowings and interest rate risks on investment portfolios as well as the floating rate assets and liabilities with differing maturities is measured using changes in equity prices, and sensitivities like movements in foreign exchange and using Valuation at Risk ('VaR'), and modified duration analysis and other measures to determine movements in our portfolios and impact on our income, including the sensitivity of net interest income; monitored by assessments of fluctuation in the equity price, unhedged foreign exchange exposures, if any, movements of interest rate sensitivities under simulated stress test scenarios given range of probable interest rate movements on both fixed and floating assets and liabilities; and managed by BFL's treasury team under the guidance of ALCO and Investment Committee.
Credit risk	Credit risk is the risk of financial loss arising out of a customer or counterparty failing to meet their repayment obligations to BFL	Board appointed Risk Management Committee	<p>Credit risk is</p> <ul style="list-style-type: none"> measured as the amount at risk due to repayment default of a customer or counterparty to BFL. Various metrics such as EMI default rate, overdue position, collection efficiency, customers non performing loans etc. are used as leading indicators to assess credit risk. monitored by Risk Management Committee using level of credit exposures, portfolio monitoring, repurchase rate, bureau data of portfolio performance and industry, geographic, customer, portfolio concentration risks; and assessment of any major change in the business environment including economic, political as well as natural calamity/pandemic. managed by a robust control framework by the risk and collection department which continuously align credit and collection policies and resourcing, obtaining external data from credit bureaus and reviews of portfolios and delinquencies by senior and middle management team comprising of risk, analytics, collection and fraud containment along with business. The same is periodically reviewed by the Board appointed Risk Management Committee.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)

4. Risk management and other disclosures (Contd.)

A. Bajaj Finance Ltd. (Contd.)

a. Liquidity and funding risk

BFL's ALCO monitors asset liability mismatches to ensure that there are no imbalances or excessive concentrations on either side of the balance sheet.

BFL continuously monitors liquidity in the market; and as a part of its ALM strategy, BFL maintains a liquidity buffer managed by an active investment desk to reduce this risk. As on 31 March 2020, the BFL has liquidity buffer of ₹ 15,725.00 crore.

BFL maintains a judicious mix of borrowings from banks, money markets, foreign market, public deposits and other deposits and continues to diversify its sources of borrowings with an emphasis on longer tenor borrowings. This strategy of balancing varied sources of funds and long tenor borrowings has helped BFL maintain a healthy asset liability position and contain interest rate movements during the financial year 2019-20 (FY2020) the weighted average cost of borrowing moved by 15 bps despite volatile market conditions. BFL continues to evaluate new sources of borrowing by way of new routes of funding like rupee denominated External Commercial Borrowings (ECB) - masala bonds and Foreign currency denominated bonds. During the year, BFL has raised ECB term loans of USD 575 million, equivalent to ₹ 4,082.66 crore.

BFL has also established a Medium Term Note (MTN) programme for USD 1.5 billion so as to enable BFL to issue bonds as part of ECB from the international capital market, subject to regulatory approval.

The table below summarises the maturity profile of the undiscounted contractual cashflow of BFL's financial liabilities

(₹ In Crore)

Particulars	As at 31 March 2020			As at 31 March 2019		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Debt securities	16,162.23	33,477.56	49,639.79	17,646.60	34,858.34	52,504.94
Borrowings (other than debt securities)	14,835.02	39,950.88	54,785.90	11,771.77	33,279.89	45,051.66
Deposits	10,385.54	11,123.49	21,509.03	8,341.96	6,484.17	14,826.13
Subordinated debts	448.07	3,709.60	4,157.67	352.15	6,080.56	6,432.71
Trade payables	761.97	-	761.97	563.80	-	563.80
Other payables	197.84	-	197.84	280.22	-	280.22
Other financial liabilities	474.00	271.31	745.31	1,671.66	-	1,671.66
Total	43,264.67	88,532.84	131,797.51	40,628.16	80,702.96	121,331.12

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)**4. Risk management and other disclosures** (Contd.)**A. Bajaj Finance Ltd.** (Contd.)

The table below shows an analysis of assets and liabilities analysed (maturity analysis) according to when they are to be recovered or settled.

(₹ In Crore)

Particulars	As at 31 March 2020			As at 31 March 2019		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
ASSETS						
Financial assets						
Cash and cash equivalents	1,344.52	-	1,344.52	347.02	-	347.02
Earmarked balances with banks	38.20	-	38.20	1.69	-	1.69
Derivative financial instruments	171.76	-	171.76	-	-	-
Trade receivables	952.49	-	952.49	808.70	-	808.70
Loans	48,014.69	93,361.36	141,376.05	42,956.97	69,555.85	112,512.82
Investments	14,622.92	2,920.98	17,543.90	7,086.78	1,512.25	8,599.03
Other financial assets	464.72	5.67	470.39	385.83	4.12	389.95
Non-financial assets						
Current tax assets (net)	-	216.72	216.72	0.02	149.80	149.82
Deferred tax assets (net)	-	850.13	850.13	-	669.03	669.03
Property, plant and equipment	-	1,097.26	1,097.26	-	526.51	526.51
Goodwill	-	3.27	3.27	-	3.27	3.27
Other intangible assets	-	220.46	220.46	-	165.06	165.06
Other non-financial assets	89.08	17.14	106.22	42.59	17.02	59.61
Total	65,698.38	98,692.99	164,391.37	51,629.60	72,602.91	124,232.51
LIABILITIES						
Financial liabilities						
Trade payables	761.97	-	761.97	563.80	-	563.80
Other payables	197.84	-	197.84	247.74	-	247.74
Debt securities	16,151.22	33,386.14	49,537.36	17,245.99	29,435.34	46,681.33
Borrowings (other than debt securities)	14,826.17	39,874.00	54,700.17	9,158.26	28,416.18	37,574.44
Deposits	10,368.15	11,058.95	21,427.10	8,024.43	5,168.58	13,193.01
Subordinate liabilities	447.80	3,693.95	4,141.75	-	4,139.07	4,139.07
Other financial liabilities	473.97	271.08	745.05	1,704.15	-	1,704.15
Non-financial liabilities						
Current tax liabilities (net)	59.17	-	59.17	22.37	-	22.37
Provisions	18.47	62.77	81.24	23.16	50.73	73.89
Other non-financial liabilities	337.33	74.76	412.09	268.23	67.46	335.69
Total	43,642.09	88,421.65	132,063.74	37,258.13	67,277.36	104,535.49

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)

4. Risk management and other disclosures (Contd.)

A. Bajaj Finance Ltd. (Contd.)

b. Interest rate risk

On investment book

BFL holds shorter duration investment portfolio and thus it has a minimum fair value change impact on its investment portfolio. The interest rate risk on the investment portfolio and corresponding fair value change impact is monitored using VaR and the parameters for monitoring the same are defined in its investment policy.

Sensitivity analysis as at 31 March 2020

(₹ In Crore)

Particulars	Carrying value	Fair value	Sensitivity to fair value	
			1% increase	1% decrease
Investment at amortised cost	20.32	20.46	(0.12)	0.12
Investment at FVTPL	14,438.75	14,438.75	(18.75)	18.75
Investment at FVTOCI (other than equity)	2,764.60	2,764.60	(48.34)	48.34

Sensitivity analysis as at 31 March 2019

(₹ In Crore)

Particulars	Carrying value	Fair value	Sensitivity to fair value	
			1% increase	1% decrease
Investment at amortised cost	53.71	54.09	(0.59)	0.60
Investment at FVTPL	7,063.57	7,063.57	(13.97)	13.97
Investment at FVTOCI (other than equity)	1,256.75	1,256.75	(44.07)	44.07

On assets and liabilities

Interest rate sensitivity on fixed and floating rate assets and liabilities with differing maturity profiles is measured by using the duration gap analysis. The same is computed monthly and sensitivity of the market value of equity assuming varied changes in interest rates are presented and monitored by ALCO.

Sensitivity analysis as at 31 March 2020

(₹ In Crore)

Particulars	Carrying value	Fair value	Sensitivity to fair value	
			1% increase	1% decrease
Loans	141,376.05	142,170.36	(1,136.96)	1,166.55
Debt securities	49,537.36	50,258.28	(1,043.83)	1,093.82
Borrowings (other than debt securities)	54,700.17	54,700.17	-	-
Deposits	21,427.10	21,502.03	(162.25)	169.74
Subordinated debts	4,141.75	4,350.78	(171.50)	182.37

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)**4. Risk management and other disclosures** (Contd.)**A. Bajaj Finance Ltd.** (Contd.)**Sensitivity analysis as at 31 March 2019**

(₹ In Crore)

Particulars	Carrying value	Fair value	Sensitivity to fair value	
			1% increase	1% decrease
Loans	112,512.82	112,818.25	(833.73)	857.72
Debt securities	46,681.33	46,403.77	(773.53)	811.24
Borrowings (other than debt securities)	37,574.44	37,574.44	-	-
Deposits	13,193.01	13,015.54	(174.79)	179.91
Subordinated debts	4,139.07	4,199.26	(184.46)	197.31

c. Price risk

BFL's equity investments carry a risk of change in prices. To manage its price risk arising from investments in equity securities, BFL periodically monitors the sectors it has invested in, performance of the investee companies, measures mark-to-market gains/losses and reviews the same.

(₹ In Crore)

Particulars	Carrying value	Fair value	Sensitivity to fair value	
			10% increase	10% decrease
Investment in RBL shares	57.91	57.91	5.79	(5.79)

d. Foreign currency risk

BFL is exposed to foreign currency fluctuation risk for its foreign currency borrowing (FCB). BFL's borrowings in foreign currency are governed by RBI guidelines (RBI master direction RBI/FED/2018-19/67 dated 26 March 2019 and updated from time to time) which requires entities raising ECB for an average maturity of less than 5 years to hedge minimum 70% of the its ECB exposure (Principal & Coupon). BFL hedges its entire ECB exposure for the full tenure of the ECB as per Board approved Interest Rate risk, Currency risk & Hedging policy.

BFL for its FCB, evaluates the foreign currency exchange rates, tenure of FCB and its fully hedged costs. BFL manages its currency risks by entering into derivatives contracts as hedge positions and the same are being governed through the Board approved Interest rate risk, Currency risk and hedging policy.

BFL's exposure of foreign currency risk at the end of the reporting period expressed in INR are as follows

(₹ In Crore)

Particulars	As at 31 March 2020			As at 31 March 2019		
	USD	JPY	Pound	USD	JPY	Pound
Hedged						
ECB	(2,664.69)	(1,417.97)	-	-	-	-
Derivative Financial Instrument *	2,664.69	1,417.97	-	-	-	-
Unhedged	0.49	-	-	3.41	-	-

* represents the notional amount of the derivative financial instrument

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)

4. Risk management and other disclosures (Contd.)

A. Bajaj Finance Ltd. (Contd.)

e. Hedging Policy

BFL's hedging policy only allows for effective hedging relationships to be considered as hedges as per the relevant Ind AS. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. BFL enters into hedge relationships where the critical terms of the hedging instrument match with the terms of the hedged item, and so a qualitative and quantitative assessment of effectiveness is performed.

Impact of hedge on the balance sheet

Particulars	Notional amount	Carrying amount of hedging instrument asset	(₹ In Crore)
			Carrying amount of hedging instrument liability
INR USD CCIRS	2,664.69	115.66	-
INR JPY CCIRS	1,417.97	56.11	-

f. Credit risk

Credit risk is the risk of financial loss arising out of a customer or counterparty failing to meet their repayment obligations to BFL. It has a diversified lending model and focuses on six broad categories viz: (i) consumer lending, (ii) SME lending, (iii) rural lending, (iv) mortgages, (v) loan against securities, and (vi) commercial lending. BFL assesses the credit quality of all financial instruments that are subject to credit risk.

Classification of financial assets under various stages

BFL classifies its financial assets in three stages having the following characteristics

- stage 1: unimpaired and without significant increase in credit risk since initial recognition on which a 12-month allowance for ECL is recognised;
- stage 2: a significant increase in credit risk since initial recognition on which a lifetime ECL is recognised; and
- stage 3: objective evidence of impairment and are therefore considered to be in default or otherwise credit impaired on which a lifetime ECL is recognised.

Unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when they are 30 days past due (DPD) or one installment overdue on the reporting date and are accordingly transferred from stage 1 to stage 2. For stage 1 an ECL allowance is calculated based on a 12-month Point in Time (PIT) probability weighted probability of default (PD). For stage 2 and 3 assets a life time ECL is calculated based on a lifetime PD.

BFL has calculated ECL using three main components: PD, LGD (loss given default) and EAD (exposure at default) along with an adjustment considering forward macro economic conditions.

Financial instruments other than Loans were subjected to simplified ECL approach under Ind AS 109 - 'Financial instruments'.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)**4. Risk management and other disclosures** (Contd.)**A. Bajaj Finance Ltd.** (Contd.)

The table below summarises the approach adopted by BFL for various components of ECL viz. PD, EAD and LGD across major product lines using empirical data where relevant

Lending verticals	Nature of businesses	PD			EAD	LGD
		Stage 1	Stage 2	Stage 3		
Consumer lending - B2B	Financing for products such as two wheeler, three wheeler, consumer durable, digital, lifecare and furniture etc.	Use of statistical automatic interaction detector tools to identify PDs across a homogenous set of customers.		100%	EAD is computed based on past trends of proportion of outstanding at time of default to the outstanding on reporting date	Past trends of recoveries for each set of portfolios are discounted a reasonable approximation of the original effective rates of interest.
Consumer lending - B2C	Personal loans to salaried and self employed individuals					
SME lending	Unsecured and secured loans to SME's, self employed customers and professionals					
Rural lending - B2B	Financing for products such as consumer durable, digital and furniture etc. and gold loans					
Rural lending - B2C	Personal loans to salaried, self employed customers and professionals					
Mortgages	Home loans, loans against property, developer finance and lease rental discounting	Use of statistical automatic interaction detector tools to identify PDs across a homogenous set of customers for retail loans and internal evaluation with a management overlay for wholesale loans.		100%		
Loans against securities	Loans against shares, mutual funds, deposits and insurance policies	Determined on evaluation of time to sell in event of defaults		100%	EAD is computed based on assessment of time to default considering customer profile and time for liquidation of securities	Based on associated risk of the underlying securities
Commercial lending	Working capital and term loans to small and mid sized corporates	External ratings or internal evaluation with a management overlay for each customer or customer industry segment.		100%	EAD is computed taking into consideration the time to default based on historic trends across rating profile	Based on estimates of cash flows

The table below summarises the gross carrying values and the associated allowances for expected credit loss (ECL) stage wise for loan portfolio

As at 31 March 2020

(₹ In Crore)

Particulars	Secured			Unsecured		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Gross carrying value	78,199.95	2,535.95	1,365.18	61,389.06	612.45	997.82
Allowance for ECL	632.84	348.95	727.20	1,079.50	237.85	698.02
ECL coverage ratio	0.81%	13.76%	53.27%	1.76%	38.84%	69.95%

As at 31 March 2019

(₹ In Crore)

Particulars	Secured			Unsecured		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Gross carrying value	64,497.36	1,619.27	1,126.84	46,250.63	391.29	685.01
Allowance for ECL	263.83	204.79	574.67	354.67	157.53	502.09
ECL coverage ratio	0.41%	12.65%	51.00%	0.77%	40.26%	73.30%

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)

4. Risk management and other disclosures (Contd.)

A. Bajaj Finance Ltd. (Contd.)

g. Collateral valuation

The nature of products across these broad product categories are either unsecured or secured by collateral. Although collateral is an important risk mitigant of credit risk, BFL's practice is to lend on the basis of assessment of the customer's ability to repay rather than placing primary reliance on collateral. Based on the nature of product and BFL's assessment of the customer's credit risk, a loan may be offered with suitable collateral. Depending on its form, collateral can have a significant financial effect in mitigating BFL's credit risk.

The main types of collateral across various products obtained are as follows

Product Group	Nature of Securities
Consumer lending - B2B	Hypothecation of underlying product financed e.g. two wheeler, three wheeler and consumer durable etc.
Rural lending - B2B	Hypothecation of underlying product financed e.g. consumer durable, furniture and digital products etc.
Mortgages	Equitable mortgage of residential and commercial properties.
Loans against securities	Pledge of equity shares and mutual funds and lien on deposits and insurance policies
Commercial lending	Plant & Machinery, Book debts etc.

BFL periodically monitors the market value of collateral and evaluates its exposure and loan to value metrics for high risk customers. BFL exercises its right of repossession across all secured products and primarily in its two wheeler and three wheeler financing business. It also resorts to invoking its right under the SARFAESI Act and other judicial remedies available against its mortgages and commercial lending business. The repossessed assets are either sold through auction or released to delinquent customers in case they come forward to settle their dues. For its loan against securities business, BFL recoups shortfall in value of securities through part recall of loans or additional securities from the customer, or sale of underlying securities. BFL does not record repossessed assets on its Balance Sheet as non-current assets held for sale.

h. Analysis of Concentration Risk

BFL continues to grow its granularity of its loans portfolio by expanding its geographic reach in order to reduce geographic concentrations while continually calibrating its product mix across its six categories of lending mentioned above.

i. Classification of financial assets under various stages

Measurement uncertainty and sensitivity analysis of ECL estimates

Expected credit loss impairment allowances recognised in the financial statements reflect the effect of a range of possible economic outcomes, calculated on a probability-weighted basis, based on the economic scenarios described below. The recognition and measurement of expected credit losses ('ECL') involves the use of estimation. It is necessary to formulate multiple forward-looking economic forecasts and its impact as an integral part of ECL model.

Methodology

BFL has adopted the use of three scenarios, representative of its view of forecast economic conditions, required to calculate unbiased expected loss. They represent a most likely outcome i.e. central scenario and two less likely outer scenarios referred to as the Upside and Downside scenarios. BFL has assigned a 10% probability to the two outer scenarios, while the Central scenario has been assigned an 80% probability. These weights are deemed appropriate for the unbiased estimation of impact of macro factors on ECL. The key scenario assumptions are used keeping in mind external forecasts and management estimates which ensure that the scenarios are unbiased.

BFL has used multiple economic factors and tested their correlations with past loss trends witnessed. The economic factors tested were GDP growth rates, growth of bank credit, wholesale price index (WPI), consumer price index (CPI),

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)

4. Risk management and other disclosures (Contd.)

A. Bajaj Finance Ltd. (Contd.)

industrial production index, unemployment rate, crude oil prices, exchange rate and policy interest rates. Based on past correlation trends, CPI and unemployment rate were the two factors with acceptable correlation with past loss trends which were in line with management views on the drivers of portfolio trends. These factors were assigned appropriate weights to measure ECL in forecast economic conditions.

Given the COVID-19 pandemic, BFL has stressed its central scenario for assessing the downside scenario risk amidst pandemic

Downside Scenario

BFL has used stressed central scenario for determining downside scenario. For stressing central scenario, BFL has considered data on unemployment published by a leading business information company engaged in monitoring of Indian economic indicators. As per its latest estimate of unemployment rate has elevated to nearly 23% for March 2020 end till first week of April 2020 - this was significantly higher from 7.66% published for December 2019. Similarly, CPI which hovered between 3.50% to 5.84% for quarter ending September 2019 and December 2019, respectively, has been projected to peak at 6.70% in March 2021 under the stressed central scenario - representing anticipated stress impact due to lockdown and disruption in supply chains and increased prices for food and beverages.

Further, BFL has considered additional stress on unemployment rate forecasted for COVID-19 scenarios for current expected credit loss (CECL) by a leading global rating agency.

Risk management amidst COVID-19

The unprecedented health scare caused by COVID-19 which led to a countrywide lockdown is going to have a varying impact on different sectors of the economy. Salaried individuals may have to contend with a scenario of reduced income and/or job losses. Corporates, SMEs and MSMEs will struggle on account of reduced economic activities and business rhythm that is no longer efficient due to severe disruption in both demand and supply. All these will lead to major cash flow constraints and erosion in the asset value. These developments in turn will severely test risk management frameworks across the financial sector.

On 27 March 2020, the RBI, in order to provide relief on debt servicing obligations, permitted financial institutions to offer moratorium to their borrowers on instalments falling due between 1 March 2020 to 31 May 2020. With uncertainties caused by COVID-19 pandemic including the pace of easing of the lockdown restrictions, the time needed to restart the economy and attaining some level of normalcy, the credit performance and repayment behavior of the customers need to be monitored closely.

An analysis of the customer segments seeking moratorium and their past repayment behavior reflects heightened anxiety from customer. Expectations of elevated default on timely payment of instalments and collection related constraints are likely to result in higher credit costs than witnessed hitherto. BFL has committed for making requisite investment to deepen its collections infrastructure to control its credit costs.

Based on early indicators of moratorium and delayed payment metrics observed in April 2020, BFL has made a contingency provision of ₹ 900 crore in FY2020.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)

4. Risk management and other disclosures (Contd.)

A. Bajaj Finance Ltd. (Contd.)

ECL sensitivity to future economic conditions

(₹ in Crore)

Particulars	As at 31 March	
	2020	2019
Gross carrying amount of loans	145,100.41	114,570.40
Reported ECL	3,724.36	2,057.58
Reported ECL coverage	2.57%	1.80%
Assumptions for stressed central scenario		
Base ECL without macro overlay (based on empirical evidences)	2,802.92	
Add: Management overlay for COVID-19	748.39	
Central scenario	3,551.31	
ECL amounts for alternate scenario		
Central Scenario (80%)	3,551.31	2,036.14
Downside Scenario (10%)	5,508.76	2,271.94
Upside scenario (10%)	3,324.39	2,014.73
Reported ECL	3,724.36	2,057.58
Management overlay for Macro economic factors and COVID-19	921.44	21.44
Additional Management overlay in FY2020, representing COVID-19 stress	900.00	
ECL coverage ratios by scenario		
Central scenario	2.45%	1.78%
Downside scenario	3.80%	1.98%
Upside scenario	2.29%	1.76%

B. Bajaj Allianz General Insurance Company Ltd. (BAGIC)

a. Risk Management framework

BAGIC sees Enterprise Risk Management (ERM) as a means of value optimisation. This is achieved through a better understanding of the balance between risk and return in the implementation and achievement of entity's objectives. Enterprise Risk Management framework of BAGIC covers all risk categories independent of the assessment methodology quantifiable, assessable and non-quantifiable risks. The ERM at large entails the following

(i) Risk mitigation and risk culture

It is BAGIC's policy to ensure that a robust risk awareness is embedded in its organisational risk culture. BAGIC manages risk as culture which encompasses across the organisation. Our rewards programs across the organisation ensure the sufficient weightage is given to both top line and bottom line hence ensuring a well-balanced and ideal risk reward structure.

BAGIC's Risk Management Framework essentially operates at two levels which includes (i) Risk Operations and Monitoring which includes a. Risk Identification, b. Risk Assessment and Control, c. Risk Treatment and Management Action Plan and d. Monitoring and Reviewing and (ii) Risk Controls and Compliance which includes a. Standard Operating Procedures, b. Internal Audit, c. External Audits, and d. Periodic Risk Management Review.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)

4. Risk management and other disclosures (Contd.)

B. Bajaj Allianz General Insurance Company Ltd. (BAGIC) (Contd.)

(ii) Risk measurement and reporting systems

BAGIC's risks are measured using a method that reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the possible financial impact and likelihood of occurrence. The measurement framework includes (i) Risk categorisation, (ii) Setting risk appetite, (iii) Setting risk limits and lastly (iv) Assigning risk ratings including identification of residual risk, if any. The rating of risks makes use of probabilities derived from historical experience, adjusted to reflect the economic environment. BAGIC has established limits for monitoring and controlling the risks.

The reporting systems include (i) Top Risk Assessment, (ii) Risk Control Assessments (RCAs)/Risk Management Development Plan (RMDP) and (iii) Committee presentations.

(iii) Governance structure

The ERM governance structure includes (i) Board Risk Management Committee, (ii) Supervisory Level – Risk Committee (RiCo) and (iii) Functional Risk owners.

b. Non-life insurance contracts and insurance risk

BAGIC issues the following main types of general insurance contracts: motor, household, commercial, health and crop. Risks under non-life insurance policies usually cover twelve months duration. Coverages provided to policyholders are not guaranteed as renewable.

For general insurance contracts, the most significant risks arise from

- (a) Inadequacy of premiums collected for risks underwritten,
- (b) Accepting of poor risks with high probability of heavy losses ignoring prudent underwriting guidelines,
- (c) Failure to settle claims of policyholders (inadequacy of reserves),
- (d) Credit default of investment instruments or by reinsurer,
- (e) Higher expenses,
- (f) Operational frauds.

These risk exposures are mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Robust underwriting and reinsurance guidelines prevent any over-exposure to a single loss event and exposure to claim payments for perils that were never intended to be insured. BAGIC maintains a very effective multi-layer reinsurance program which seeks to optimise the retention of risk at each policy level as well as at the level of lines of business. The limits under the treaties are set based on accumulation of risks by location and category, after considering the exposure based on Probable Maximum Loss, where applicable, and the expected frequency of claim events. Any catastrophe risk is mitigated by a separate non-proportional reinsurance treaty, which limits BAGIC's exposure to any single covered event. The reinsurers chosen are most highly rated and rated few notches above the regulatory mandate. Detailed reserving guidelines are in place and the adequacy of reserves is tested from time to time and monitored by the Reserving Committee.

Sensitivities of claim liabilities

The non-life insurance claim liabilities are sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)

4. Risk management and other disclosures (Contd.)

B. Bajaj Allianz General Insurance Company Ltd. (BAGIC) (Contd.)

due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

(₹ in Crore)

Particulars	Change in assumptions	Increase/(decrease) on gross liabilities	Increase/(decrease) on net liabilities	Increase/(decrease) on profit before tax	Increase/(decrease) on equity
31 March 2020					
Average claim cost or number of claims	10%	847.28	580.48	(543.17)	(406.46)
Average claim cost and number of claims	5%	868.47	594.99	(556.75)	(416.63)
Average claim cost or number of claims	(10%)	(847.28)	(580.48)	543.17	406.46
Average claim cost and number of claims	(5%)	(826.10)	(565.97)	529.59	396.30

c. Liquidity risk and asset liability management (ALM)

ALM risk is the risk of a negative impact on the entity's net asset value and the risk of entity's inability to meet financial obligations when they fall due. This can arise due to a duration mismatch of assets and liabilities, corresponding different interest rate sensitivities between assets and liabilities, an unfavourable development of interest rates and the lack of liquid assets. Liquidity risk is defined as the risk that BAGIC will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that BAGIC might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stressed circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to BAGIC on acceptable terms.

These risks are mitigated by, asset liability matching methodology that develops optimal asset portfolio maturity structures to ensure cash flows are sufficient to meet liabilities. ALM and Liquidity risk is monitored on a regular basis to ensure sufficient liquidity is maintained to meet short-term obligations by timing the cash inflows and outflows through cash flow matching and by maintaining a minimum mix of liquid assets.

BAGIC also maintains the highest level of Solvency in the Industry at 254% as against the regulatory norm of 150%.

The table below summarises the expected utilisation or settlement of assets and liabilities

(₹ In Crore)

Particulars	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 March 2020						
Financial assets						
Cash and cash equivalents	527.72	-	-	-	-	527.72
Bank balance other than cash and cash equivalents	-	48.25	-	-	-	48.25
Trade receivables	-	1,555.94	-	-	-	1,555.94
Investments	1,242.48	952.93	2,066.86	8,278.32	6,233.41	18,774.00
Other financial assets	-	633.82	-	-	-	633.82
	1,770.20	3,190.94	2,066.86	8,278.32	6,233.41	21,539.73

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)**4. Risk management and other disclosures** (Contd.)**B. Bajaj Allianz General Insurance Company Ltd. (BAGIC)** (Contd.)

(₹ In Crore)

Particulars	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial liabilities						
Trade payable						
a) Total outstanding dues of MSME	-	3.69	-	-	-	3.69
b) Other payables	-	1,645.16	-	-	-	1,645.16
Other financial liabilities	-	220.07	-	-	-	220.07
Lease contract liabilities	-	7.73	23.20	98.18	19.39	148.50
	-	1,876.65	23.20	98.18	19.39	2,017.42

(₹ In Crore)

Particulars	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 March 2019						
Financial assets						
Cash and cash equivalents	451.76	-	-	-	-	451.76
Bank balance other than cash and cash equivalents	-	-	3.99	-	-	3.99
Trade receivables	-	1,283.26	-	-	-	1,283.26
Investments	1,022.84	786.03	983.89	6,492.34	7,570.92	16,856.02
Other financial assets	-	615.65	-	-	-	615.65
	1,474.60	2,684.94	987.88	6,492.34	7,570.92	19,210.68
Financial liabilities						
Trade payable						
a) Total outstanding dues of MSME	-	2.54	-	-	-	2.54
b) Other payables	-	1,918.75	-	-	-	1,918.75
Other financial liabilities	-	133.91	-	-	-	133.91
	-	2,055.20	-	-	-	2,055.20

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)**4. Risk management and other disclosures** (Contd.)**B. Bajaj Allianz General Insurance Company Ltd. (BAGIC)** (Contd.)**Maturity analysis**

The table below also shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled. With regard to non-financial assets and liabilities, the Company uses the same basis of expected repayment behavior based on past experience

(₹ In Crore)

Particulars	31 March 2020			31 March 2019		
	Within 12 month	After 12 month	Total	Within 12 month	After 12 month	Total
Assets						
Financial assets						
Cash and cash equivalents	527.72	-	527.72	451.76	-	451.76
Bank balance other than cash and cash equivalents	48.25	-	48.25	3.99	-	3.99
Trade receivables	1,555.94	-	1,555.94	1,283.26	-	1,283.26
Investments	4,262.27	14,511.73	18,774.00	2,792.76	14,063.26	16,856.02
Other financial assets	633.82	-	633.82	615.65	-	615.65
Non-financial assets						
Current tax assets (net)	-	50.61	50.61	-	-	-
Deferred tax assets (net)	27.40	-	27.40	102.76	-	102.76
Property, plant and equipment	-	376.95	376.95	-	303.52	303.52
Capital work in progress	-	9.97	9.97	-	20.77	20.77
Intangible assets (other than goodwill)	-	42.58	42.58	-	20.10	20.10
Other non-financial assets	227.82	-	227.82	94.60	-	94.60
Re-insurance assets	4,811.88	-	4,811.88	4,222.46	-	4,222.46
Right-of-use asset	-	108.29	108.29	-	-	-
Total assets	12,095.10	15,100.13	27,195.23	9,567.24	14,407.65	23,974.89
Liabilities						
Financial liabilities						
Trade payable						
a) Total outstanding dues of MSME	3.69	-	3.69	2.54	-	2.54
b) Other payables	1,645.16	-	1,645.16	1,918.75	-	1,918.75
Other financial liabilities	220.07	-	220.07	133.91	-	133.91
Lease contract liabilities	30.93	117.57	148.50	-	-	-
Insurance contract liabilities	6,497.23	10,857.60	17,354.83	4,324.48	11,120.10	15,444.58
Non-financial liabilities						
Current tax liabilities (net)	-	-	-	69.00	-	69.00
Provisions	45.22	-	45.22	40.15	-	40.15
Other non-financial liabilities	1,713.44	-	1,713.44	1,185.27	-	1,185.27
Total liabilities	10,155.74	10,975.17	21,130.91	7,674.10	11,120.10	18,794.20
Net	1,939.36	4,124.96	6,064.32	1,893.14	3,287.56	5,180.69

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)**4. Risk management and other disclosures** (Contd.)**B. Bajaj Allianz General Insurance Company Ltd. (BAGIC)** (Contd.)**d. Credit risk**

Credit risk is the risk that BAGIC will incur a loss because its counterparties fail to discharge their contractual obligations. This comprises of risk of loss arising due to default by counter parties and investment instrument issuers. BAGIC's credit risk exposure mainly arises from its investments in financial instruments. Concentrations of credit risk are managed by setting limits on asset class, investee company, investee company group and industry exposure. Norms include those prescribed under the investment regulations and those set as internal limits based on the risk appetite of BAGIC. BAGIC monitors changes in credit risk by tracking published external credit ratings.

For any insurance company, the biggest counterparty is a reinsurer. BAGIC has bought reinsurance protection from reinsurers with good credit rating (A- and above). Higher the credit rating lower is risk of default. Moreover, risks are passed to multiple reinsurers in order to avoid accumulation of risk.

The following table presents analysis of credit quality of financial assets at amortised cost and FVTOCI.

Ratings	31 March 2020			31 March 2019		
	Amortised Cost	FVTOCI	Total	Amortised Cost	FVTOCI	Total
A	-	-	-	-	23.32	23.32
A1+	25.00	143.25	168.25	-	-	-
A2+	-	-	-	-	98.31	98.31
AA	-	-	-	16.67	233.73	250.40
AA-	-	80.50	80.50	-	126.36	126.36
AA+	-	127.97	127.97	-	514.39	514.39
AAA	-	8,789.14	8,789.14	-	7,676.48	7,676.48
AAA(SO)	-	546.78	546.78	-	351.43	351.43
A-	-	-	-	-	-	-
B+	-	-	-	-	-	-
BB+	-	69.04	69.04	-	-	-
D	-	25.00	25.00	-	-	-
Equity	-	-	-	-	-	-
Sovereign	-	7,236.65	7,236.65	230.00	5,821.58	6,051.58
Unrated	-	-	-	44.96	-	44.96
Total	25.00	17,018.33	17,043.33	291.63	14,845.60	15,137.23
ECL (12 months and life time)	-	(4.14)	(4.14)	-	(0.52)	(0.52)
Net carrying amount (c)	25.00	17,014.19	17,039.19	291.63	14,845.08	15,136.71

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)

4. Risk management and other disclosures (Contd.)

B. Bajaj Allianz General Insurance Company Ltd. (BAGIC) (Contd.)

Following table indicates whether financial assets carried at amortised cost or FVTOCI were subject to a 12-months credit loss (ECL) and life time ECL.

Ratings	31 March 2020			31 March 2019		
	Amortised Cost	FVTOCI	Total	Amortised Cost	FVTOCI	Total
Opening balance	-	0.52	0.52	-	-	-
Changes during the current period	-	-	-	-	-	-
Loss allowance at 12-month ECL	-	3.62	3.62	-	0.52	0.52
Loss allowance at life time ECL	-	-	-	-	-	-
For credit impaired instruments	-	-	-	-	-	-
For not credit impaired instruments	-	-	-	-	-	-
Closing balance	-	4.14	4.14	-	0.52	0.52

e. Market risk

Market risk arises from unfavourable movement in interest rates, currency rates and equity and property prices. BAGIC has very limited exposure to equity and foreign currency. Majority of BAGIC's investments comprise of fixed interest securities. The Assets and Liabilities of BAGIC are well matched based on duration to address the interest rate risk.

BAGIC has no exposures to any financial options and guarantees that are embedded in contracts.

f. Operational risk

This comprises of risk of loss due to losses arising from failure of internal systems, process and personnel or external events. BAGIC has identified various risks under this category and has put in place appropriate controls and disaster recovery plans to mitigate or minimise the risk.

g. Potential impact of uncertainties relating to COVID-19

In preparing the accompanying financial statements, BAGIC management has been required to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, equity, income and expenses. These estimates and associated assumptions, at the date of adopting the financial statements, are based on historical experience and various other factors including the possible effects that may result from the pandemic, that are believed to be reasonable under the current circumstances.

Business impact

COVID-19 outbreak has been declared as a Pandemic by World Health Organisation in March 2020. Since the outbreak, COVID-19 continues to spread across the globe bringing economic activities to a grinding halt leading to significant volatility in global and Indian financial markets.

The extent to which COVID-19 pandemic will impact BAGIC depends on future spread of the virus and related developments, which are highly uncertain, including, among other things, period of lockdown and its repercussions on the economy, development of a vaccine, government intervention to provide financial support to the stressed sections, etc. BAGIC will continue to closely monitor developments as they unfold.

The nation-wide lockdown required BAGIC to activate its Business Continuity Plan to enable operations to run with minimal disruption. The disruption was largely mitigated through the facility to Work from Home (WFH). WFH was enabled through use of portable devices through BAGIC's Virtual private Network (VPN) ensuring requisite data security controls. Accordingly, the operations of BAGIC were performed at remote locations (WFH) through secured servers.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)

4. Risk management and other disclosures (Contd.)

B. Bajaj Allianz General Insurance Company Ltd. (BAGIC) (Contd.)

As the processes of BAGIC are mostly automated/system driven, WFH has not led to any material change in the controls or processes. BAGIC has an Internal Financial Control framework that has been independently tested covering all the material controls over financial reporting and found them to be operating effectively at 31 March 2020.

Valuation of investments and impairment testing

BAGIC has invested in a well diversified investment portfolio. Substantial portion of the investments are readily marketable thereby extending good liquidity support. The investment portfolio, composition of which is largely governed by regulations, comprises of 91% Debt and 9% Equity. 98% of the debt portfolio comprises of highest credit rated securities (i.e. sovereign and AAA or equivalent rated). 83% of the equity portfolio comprises of Nifty 50 stocks.

BAGIC has used internal and external sources of information including credit reports, economic forecasts and consensus estimates from market sources on the expected future performance of the underlying companies in developing the estimates and assumptions to assess the fair value of the investments as at 31 March 2020. Further, BAGIC has carried out detailed evaluation of the investment portfolio considering the current market prices vis-à-vis acquisition cost and the potential impact of COVID-19 on business models of investee companies. In accordance with the impairment policy of BAGIC, diminution in the value of investments which is not temporary in nature has been evaluated on the balance sheet date and provisions for the same, as considered necessary have been made in these financial statements.

BAGIC has performed sensitivity analysis on the investment portfolio and in specific on a few potentially stressed exposures and believes that such sensitivities/stresses have no material impact on the Solvency position of BAGIC which stood strong at 254% as against the regulatory requirement of 150%.

BAGIC has evaluated the recoverability of all its investments and expects to recover the carrying amount of these assets.

Liability adequacy test and actuarial reserving

The nation-wide lockdown has resulted in significantly low commercial activity thus positively impacting the loss ratios during the period of lockdown. However, we believe that some of these claims will be reported in future, therefore, a margin on actual loss ratios has been maintained to account for delayed reporting in future.

COVID-19 could impact our Health portfolio adversely. However, as at 31 March 2020 the number of COVID-19 claims reported to BAGIC are negligible. Basis the available information of likely COVID-19 positive cases in the country, likely hospitalisation rate based on the demographics of Indian population, health insurance penetration, BAGIC's share therein and the high severity of such claims, BAGIC has also projected the likely claims and does not believe the same to be significant given its Solvency position.

As at 31 March 2020 the carrying amount of liabilities were not lower than projected liability using current estimates of future cash flow under its insurance contracts for any line of business.

Recoverability of other current assets

BAGIC has evaluated the recoverability of its current assets and expects to recover the carrying amount of all these assets.

C. Bajaj Allianz Life Insurance Company Ltd. (BALIC)

a. Risk management framework

Effective risk management is based on a common understanding of risks, clear organisational structures and comprehensively defined risk management processes. The management establishes and adheres to a risk strategy and associated risk appetite for BALIC's business, which is derived from and consistent with the business strategy. There is a defined risk governance framework in place to address the risk management objectives of BALIC. The risk governance structure of BALIC consists of the Risk Management Committee (RMC) of the Board and the Executive

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)

4. Risk management and other disclosures (Contd.)

C. Bajaj Allianz Life Insurance Company Ltd. (BALIC) (Contd.)

Risk Committee (ERC). There are then the various lines of defenses which include the Heads of each department which act as a self-defense mechanism through the Internal Financial Control and Compliance certification framework. Internal Audit, Risk, Fraud and Compliance teams act as the next line of defense finally followed by statutory and concurrent Auditors which act as the final line of defense.

b. Credit risk

Credit risk is the risk that BALIC will incur a loss because its counterparties fail to discharge their contractual obligations. The carrying amount of financial assets represent maximum credit risk exposure.

BALIC's credit risk exposure mainly arises from its investments in financial instruments. Concentrations of credit risk are managed by setting limits on asset class, investee company, investee company group and industry exposure. Norms include those prescribed under the investment regulations and those set as internal limits based on the risk appetite of BALIC. BALIC monitors changes in credit risk by tracking published external credit ratings.

The following table presents analysis of credit quality of financial assets at amortised cost and FVTOCI. It indicates whether financial assets carried at amortised cost or FVTOCI were subject to a 12-months credit loss (ECL) and life time ECL.

(₹ In Crore)

CRISIL ratings	31 March 2020			31 March 2019		
	FVTOCI	Amortised cost	Total	FVTOCI	Amortised cost	Total
12-months ECL						
Highly rated including AAA #	15,865.41	4,735.58	20,600.99	15,196.80	3,629.15	18,825.95
AA	27.55	65.33	92.88	948.71	5.65	954.36
A	-	-	-	176.40	49.20	225.60
Financial assets other than investments		2,483.82	2,483.82	-	2,358.79	2,358.79
Life time ECL	209.77	-	209.77	-	127.18	127.18
Total	16,102.73	7,284.73	23,387.46	16,321.91	6,169.97	22,491.88
ECL (12 months and life time)	(59.12)	(131.19)	(190.31)	(0.97)	(130.02)	(130.99)
Net carrying amount	16,043.61	7,153.54	23,197.15	16,320.94	6,039.95	22,360.89

Includes investments in Government securities and Treasury bill

Reconciliation of credit loss

(₹ In Crore)

Particulars	31 March 2020			31 March 2019		
	FVTOCI	Amortised cost	Total	FVTOCI	Amortised cost	Total
Opening balance	0.97	130.02	130.99	0.23	3.09	3.32
Changes during the current period						
Loss allowance at 12-month ECL	1.40	1.17	2.57	0.74	(0.25)	0.49
Loss allowance at life time ECL	56.75	-	56.75	-	127.18	127.18
Closing balance	59.12	131.19	190.31	0.97	130.02	130.99

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)**4. Risk management and other disclosures** (Contd.)**C. Bajaj Allianz Life Insurance Company Ltd. (BALIC)** (Contd.)**c. Liquidity risk**

Liquidity risk is defined as the risk that BALIC will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that BALIC might be unable to meet its payment obligations when they fall due as a result of mismatches in the timing of the cash flows under both normal and stress circumstances. Such scenarios could occur when funding needed for illiquid asset positions is not available to BALIC on acceptable terms. The risk is mitigated by, asset liability matching methodology that develops optimal asset portfolio maturity structures to ensure cash flows are sufficient to meet liabilities. Liquidity risk is monitored on a regular basis to ensure sufficient liquidity is maintained to meet short-term obligations by timing the cash inflows and outflows through cash flow matching and by maintaining a minimum mix of liquid assets.

The table below summarises the expected utilisation or settlement of assets and liabilities

(₹ in Crore)

Particulars	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
As 31 March 2020						
Financial assets						
Investments						
Amortised cost	-	3,567.96	774.21	456.72	0.04	4,798.93
FVTPL	22,008.29	-	-	-	-	22,008.29
Designated as FVTPL	-	246.69	35.22	1,050.09	13,366.87	14,698.87
FVTOCI	-	375.15	674.92	3,436.53	11,616.13	16,102.73
Cash and cash equivalents	105.79	400.00	-	-	-	505.79
Bank balance other than cash and cash equivalents	-	-	-	42.40	0.25	42.65
Trade receivables	-	298.33	-	-	-	298.33
Loans	-	3.13	30.41	142.96	240.98	417.48
Other financial assets	-	753.95	399.85	19.67	48.02	1,221.49
	22,114.08	5,645.21	1,914.61	5,148.37	25,272.29	60,094.56
Financial liabilities						
Trade payable	357.52	984.37	-	-	-	1,341.89
Lease obligations	-	7.25	20.80	61.14	5.64	94.83
Deposits	-	-	-	3.23	-	3.23
	357.52	991.62	20.80	64.37	5.64	1,439.95

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)**4. Risk management and other disclosures** (Contd.)**C. Bajaj Allianz Life Insurance Company Ltd. (BALIC)** (Contd.)

(₹ in Crore)

Particulars	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
As at 31 March 2019						
Financial assets						
Investments						
Amortised cost	-	1,966.33	246.62	1,118.53	0.03	3,331.51
FVTPL	17,424.37	867.17	898.13	2,284.70	3,191.38	24,665.75
Designated as FVTPL	-	207.65	458.30	1,242.29	10,999.95	12,908.20
FVTOCI	-	894.69	1,600.54	3,360.49	10,466.19	16,321.91
Cash and cash equivalents	733.95	-	-	-	-	733.95
Bank balance other than cash and cash equivalents	-	-	-	41.70	0.25	41.95
Trade receivables	-	196.49	-	-	-	196.49
Loans	-	2.27	25.30	123.78	183.73	335.08
Other financial assets	-	798.78	419.10	52.84	43.32	1,314.04
	18,158.32	4,933.38	3,647.99	8,224.33	24,884.85	59,848.88
Financial liabilities						
Trade payable	429.47	783.30	-	-	-	1,212.77
Deposits	-	-	-	3.16	-	3.16
	429.47	786.46	-	-	-	1,215.93

d. Market risk

Market risk arises from unexpected losses arising due to changes in market prices or parameters influencing market prices, as well as the resultant risk from financial options and guarantees that are embedded in contracts or from changes to the net worth of assets and liabilities in related undertakings driven by market parameters. The risk is mitigated by maintaining a desired mix between debt and equity subjected to investment regulations by IRDAI, setting up risk appetite set to overall market risk under the strategic asset allocation, ensuring active asset management based on the ALM output, asset and liability duration matching limits impact of interest rate changes and actions taken to manage guarantee risk, holding adequate reserves for the cost of guarantee and managing policyholders' expectation on returns through an active portfolio management strategy undertaken by our most experienced investments team.

e. Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The following analysis is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity. The correlation of variables will have a significant effect in determining the ultimate impact of interest rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)**4. Risk management and other disclosures** (Contd.)**C. Bajaj Allianz Life Insurance Company Ltd. (BALIC)** (Contd.)**f. Equity risk**

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in equity prices (other than those arising from interest rate or foreign exchange rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market. The analysis below is performed for reasonably possible movements in market indices with all other variables held constant, showing the impact on profit before tax (due to changes in fair value of financial assets and liabilities whose fair values are recorded in the statement of profit and loss).

(₹ In Crore)

Market indices	Change in interest rate	Investments for policies with DPF insurance contract*		Investments for policies without DPF insurance contract*		Investments for shareholders' fund	
		Impact on total comprehensive income (before tax)	Impact on equity	Impact on total comprehensive income (before tax)	Impact on equity	Impact on total comprehensive income (before tax)	Impact on equity
For the year ended 31 March 2020							
Interest rate	50 bps up	-	-	121.31	103.65	170.91	146.03
	50 bps fall	-	-	(121.31)	(103.65)	(170.91)	(146.03)
Nifty 50	5% rise	-	-	14.98	12.80	66.04	56.42
	5% fall	-	-	(14.98)	(12.80)	(66.04)	(56.42)
For the year ended 31 March 2019							
Interest rate	50 bps up	-	-	(65.90)	(56.30)	(220.92)	(188.76)
	50 bps fall	-	-	65.90	56.30	220.92	188.76
Nifty 50	5% rise	-	-	8.80	7.52	33.70	28.80
	5% fall	-	-	(8.80)	(7.52)	(33.70)	(28.80)

* Sensitivity analysis of policyholders' investments having no bearing on total comprehensive income and equity of the shareholders' and hence have been reported as nil.

g. Insurance Risk

The principal risk BALIC faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of BALIC is to ensure that the sufficient reserves are available to cover these liabilities.

The main risk that BALIC is exposed are as follows

- i. Mortality risk: Risk of loss due to policyholder death experiences being different than expected.
- ii. Longevity risk: Risk of loss arising due to annuitant living longer than expected.
- iii. Persistency risk: Risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected.
- iv. Morbidity risk: Risk of loss arising due to policyholder health experiences being different than expected.
- v. Expenses risk: Risk of loss arising due to expense experiences being different than expected.
- vi. Investment risk: Risk of loss arising due from actual returns being different than expected.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)

4. Risk management and other disclosures (Contd.)

C. Bajaj Allianz Life Insurance Company Ltd. (BALIC) (Contd.)

The risk exposure is mitigated by diversification across a large portfolio of insurance contract and geographical areas. The variability of the risk is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the reinsurance arrangement.

The actuarial department has set up system to continuously monitor BALIC's experience with regards to parameters like policy lapses, premium persistency, maintenance expenses and investment returns. The underwriting team, with actuarial guidance, has set in place processes and procedures to review proposal. Many products offered by BALIC also have an investment guarantee. BALIC has additional reserve to cover this risk.

Key assumptions

The assumption plays vital role in calculating insurance liabilities for BALIC. Material judgment is required in determining the liabilities and in the choice of assumptions. Best estimate assumptions in use are based on historical and current experience, initial data, some judgment and as per guidance notes/actuarial practice standard. However, for the purpose of valuation an additional level of prudence has been kept on all the best estimate assumption know as MFAD (margin for adverse deviation). BALIC keeps adequate MFAD, as prescribed in APS 7 issued by the Institute of Actuaries of India (IAI), in all assumptions over best estimate value.

The key assumptions to which the estimation of liabilities is particularly sensitive are, as follows

i. Mortality and morbidity rates

Assumptions are based on historical experience and for new product based on industry/reinsurance data. As appropriate, but not excessive allowance may be made for expected future improvements. Assumptions may vary by type of product, distribution of channel, gender etc. An increase in mortality/morbidity rates will usually lead to a larger number/amounts of claims (and claims could occur sooner than anticipated), which will increase the liability and reduce profit for shareholders.

ii. Longevity

Assumptions are based on standard industry and national tables, adjusted when appropriate to reflect BALIC's own risk experience. As appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are normally differentiated by gender, underwriting class and contract type. A increase in longevity rates will lead to an increase in the number of annuity payments to be made, which will increase the liability and reduce profits for shareholders.

iii. Investment return and discount rate

The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with long-term asset allocation strategy. These estimated are based on current market returns as well as expectations about future economic and financials developments. A increase in investment return could lead to an increase in the profits for the shareholders.

Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on investment strategy of BALIC, current industry risk rates adjusted of BALIC's own risk exposure.

Decrease in a discount rate will increase the value of insurance liability and therefore reduce profits for the shareholders.

iv. Expense and inflation

Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expense is taken as appropriate expense base, adjusted for expected expense inflation if appropriate. As increase in the level of expenses would result in an increase in expenditure, thereby reducing profits for the shareholders.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)**4. Risk management and other disclosures** (Contd.)**C. Bajaj Allianz Life Insurance Company Ltd. (BALIC)** (Contd.)**v. Lapse, surrender and partial withdrawal rates**

Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on BALIC's experience and usually vary by product type, policy duration and sales trends. As increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increase are broadly neutral in effect.

The best estimate assumptions that have the greatest effect on the statement of financial position and Statement of Profit and Loss of BALIC are listed below

Particulars	Insurance and investment contract with DPF		Insurance contract without DPF	
	As at 31 March		As at 31 March	
	2020	2019	2020	2019
Mortality rates	90% - 450% of IALM 2012-14	80% - 600% of IALM 2006-08	21% - 625% of IALM 2012-14	50%-380% of IALM 2006-08
Investment returns	6.14%	7.35%	5.5% - 8.0%	5.5% - 8.00%
Lapse	PY1: 20%, PY2: 12%, PY3+: 0%-1%	PY1: 10%-20%, PY2: 0%-12%, PY3+: 0%-1%	PY1: 8% - 30%, PY2: 5%-18%, PY3+: 0% - 6%	PY1: 8% - 30%, PY2: 5%-18%, PY3+: 0% - 6%

h. Sensitivity analysis

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross liabilities

(₹ In Crore)

Particulars	Insurance and investment contract with DPF		Insurance contract without DPF	
	As at 31 March		As at 31 March	
	2020	2019	2020	2019
Mortality/longevity +10%	74.74	66.02	112.30	80.83
Mortality/longevity -10%	(74.89)	(65.90)	(111.71)	(79.66)
Expense +10%	55.12	50.93	25.11	21.84
Expense -10%	(54.65)	(50.35)	(25.02)	(21.77)
Lapse & surrenders +10%	(56.65)	(47.71)	(21.84)	(7.18)
Lapse & surrenders -10%	58.58	49.35	23.27	7.69
Discount rate +1%	(1,111.63)	(831.93)	(269.96)	(156.45)
Discount rate -1%	1,276.88	949.48	347.91	187.03

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)

4. Risk management and other disclosures (Contd.)

C. Bajaj Allianz Life Insurance Company Ltd. (BALIC) (Contd.)

i. Estimation of uncertainties relating to the global health pandemic from COVID-19 (COVID-19)

In preparing the accompanying financial statements, BALIC management has been required to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, equity, income and expenses. These estimates and associated assumptions, at the date of adopting the financial statements, are based on historical experience and various other factors including the possible effects that may result from the pandemic, that are believed to be reasonable under the current circumstances.

Business impact

COVID-19 outbreak has been declared as a Pandemic by World Health Organisation in March 2020. Since the outbreak, COVID-19 continues to spread across the globe bringing economic activities to a grinding halt leading to significant volatility in global and Indian financial markets. The Government is undertaking several measures to restrict the spread of virus and provide financial support to some stressed sectors. The extent to which COVID-19 pandemic will impact BALIC depends on future spread of the virus and related developments, which are highly uncertain, including, among other things, period of lockdown and its repercussions on the economy, development of a vaccine, government intervention to provide financial support to the stressed sections, etc. BALIC will continue to closely monitor developments as they unfold.

The nation-wide lockdown required BALIC to activate its Business Continuity Plan to enable operations to run with minimal disruption. The disruption was largely mitigated through the facility to Work from Home (WFH). WFH was enabled through use of portable devices through BALIC's Virtual private Network (VPN) ensuring requisite data security controls. Accordingly, the operations of BALIC were performed at remote locations (WFH) through secured servers.

As the processes of BALIC are mostly automated/system driven, WFH has not led to any material change in the controls or processes. BALIC has an Internal Financial Control framework that has been independently tested covering all the material controls over financial reporting and found them to be operating effectively at 31 March 2020.

Valuation of assets and impairment (ECL)

BALIC has used internal and external sources of information including credit reports, economic forecasts and consensus estimates from market sources on the expected future performance of the underlying companies in developing the estimates and assumptions to assess the fair value of the investments as at 31 March 2020. Further, BALIC has carried out detailed evaluation of the investment portfolio considering the current market prices vis-à-vis acquisition cost and the potential impact of COVID-19 on business models of investee companies. Accordingly, impairment wherever necessary on the basis of Expected Credit Loss (ECL) model has been recognised on the balance sheet date.

BALIC has performed sensitivity analysis on the assumptions used and based on current estimates expects the carrying amount of these assets will be recovered.

Insurance/investment contract liabilities

The policy liability of BALIC would be impacted due to COVID-19 on account of various factors like discount rates and mortality assumption used for valuation of liabilities. There is reasonable level of prudence provided in the valuation interest rates assumption. The Prudence in the Best Estimate (BE) mortality basis and Margins for Adverse deviation (MFAD) is sufficient to meet any expected additional claims likely to emerge under the current COVID-19 situations. BALIC reinsures mortality with an optimum level of retention with financially strong reinsurers.

BALIC has performed liability adequacy test as required under Ind AS 104. Total policy liability as at the balance sheet date is more than the minimum liability required. BALIC has also performed sensitivity analysis on various assumptions used in relation to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates in respect to valuation of insurance contract liabilities.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)**5. Loans under financing activity (before inter-company elimination)**

(₹ In Crore)

Particulars	As at 31 March 2020			As at 31 March 2019		
	At amortised cost	At fair value through OCI*	Total	At amortised cost	At fair value through OCI	Total
A. Term loans	123,357.96	21,742.45	145,100.41	96,487.70	18,082.70	114,570.40
Less: Impairment loss allowance	3,641.44	82.92	3,724.36	1,967.17	90.41	2,057.58
Total (A)	119,716.52	21,659.53	141,376.05	94,520.53	17,992.29	112,512.82
B. Out of above						
(I) Secured						
Against hypothecation of automobiles, equipments, durables and plant and machinery, equitable mortgage of immovable property and pledge of securities etc.	60,358.63	21,742.45	82,101.08	49,160.77	18,082.70	67,243.47
Less: Impairment loss allowance	1,626.07	82.92	1,708.99	952.88	90.41	1,043.29
Total (I)	58,732.56	21,659.53	80,392.09	48,207.89	17,992.29	66,200.18
(II) Unsecured	62,999.33	-	62,999.33	47,326.93	-	47,326.93
Less: Impairment loss allowance	2,015.37	-	2,015.37	1,014.29	-	1,014.29
Total (II)	60,983.96	-	60,983.96	46,312.64	-	46,312.64
Total (B) = (I + II)	119,716.52	21,659.53	141,376.05	94,520.53	17,992.29	112,512.82
C. Out of above						
(I) Loans in India						
(i) Public sector	-	-	-	-	-	-
Less: Impairment loss allowance	-	-	-	-	-	-
Sub-total (i)	-	-	-	-	-	-
(ii) Others	123,357.96	21,742.45	1,45,100.41	96,487.70	18,082.70	114,570.40
Less: Impairment loss allowance	3,641.44	82.92	3,724.36	1,967.17	90.41	2,057.58
Sub-total (ii)	119,716.52	21,659.53	141,376.05	94,520.53	17,992.29	112,512.82
Total (I)	119,716.52	21,659.53	141,376.05	94,520.53	17,992.29	112,512.82
Loans outside India	-	-	-	-	-	-
Total (C) = (I+II)	119,716.52	21,659.53	141,376.05	94,520.53	17,992.29	112,512.82

Summary of loans by stage distribution

(₹ In Crore)

Particulars	As at 31 March 2020				As at 31 March 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount	139,589.01	3,148.40	2,363.00	145,100.41	110,747.99	2,010.56	1,811.85	114,570.40
Less: Impairment loss allowance	1,712.34	586.80	1,425.22	3,724.36	618.50	362.32	1,076.76	2,057.58
	137,876.67	2,561.60	937.78	141,376.05	110,129.49	1,648.24	735.09	112,512.82

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)**5. Loans under financing activity (before inter-company elimination)** (Contd.)**Analysis of changes in the gross carrying amount by stages in relation to loans and its corresponding impairment loss allowances (ECL) is as follows**

(₹ In Crore)

Particulars	For the year ended 31 March 2020							
	Stage 1		Stage 2		Stage 3		Total	
	Term loans (Gross)	Impairment loss allowance	Term loans (Gross)	Impairment loss allowance	Term loans (Gross)	Impairment loss allowance	Term loans (Gross)	Impairment loss allowance
As at 31 March 2019	110,747.99	618.50	2,010.56	362.32	1,811.85	1,076.76	114,570.40	2,057.58
Transfers during the year								
transfers to stage 1	263.02	46.83	(203.24)	(24.28)	(59.78)	(22.55)	-	-
transfers to stage 2	(2,852.17)	(29.24)	2,890.25	43.95	(38.08)	(14.71)	-	-
transfers to stage 3	(2,994.48)	(39.14)	(995.99)	(241.25)	3,990.47	280.39	-	-
	(5,583.63)	(21.55)	1,691.02	(221.58)	3,892.61	243.13	-	-
Impact of changes in credit risk on account of stage movements	-	(40.37)	-	351.30	-	1,219.97	-	1,530.90
Changes in opening credit exposures (additional disbursement net of repayments)	(44,669.09)	(152.98)	(1,327.89)	(140.02)	(1,718.09)	691.30	(47,715.07)	398.30
New credit exposures during the year, net of repayments	79,093.74	1,308.74	774.71	234.78	624.66	442.09	80,493.11	1,985.61
Amounts written off during the year	-	-	-	-	(2,248.03)	(2,248.03)	(2,248.03)	(2,248.03)
As at 31 March 2020	139,589.01	1,712.34	3,148.40	586.80	2,363.00	1,425.22	145,100.41	3,724.36

(₹ In Crore)

Particulars	For the year ended 31 March 2019							
	Stage 1		Stage 2		Stage 3		Total	
	Term loans (Gross)	Impairment loss allowance	Term loans (Gross)	Impairment loss allowance	Term loans (Gross)	Impairment loss allowance	Term loans (Gross)	Impairment loss allowance
As at 31 March 2018	78,350.76	468.48	1,082.24	251.78	1,200.08	810.32	80,633.08	1,530.58
Transfers during the period								
transfers to stage 1	93.82	20.50	(89.95)	(18.28)	(3.87)	(2.22)	-	-
transfers to stage 2	(1,662.54)	(21.38)	1,671.38	26.04	(8.84)	(4.66)	-	-
transfers to stage 3	(1,592.83)	(30.63)	(562.35)	(148.63)	2,155.18	179.26	-	-
	(3,161.55)	(31.51)	1,019.08	(140.87)	2,142.47	172.38	-	-
Impact of changes in credit risk on account of stage movements	-	(14.68)	-	226.89	-	1,028.88	-	1,241.09
Changes in opening credit exposures (additional disbursement net of repayments)	(35,314.11)	(214.93)	(732.59)	(119.13)	(950.90)	(181.61)	(36,997.60)	(515.67)
New credit exposures during the year, net of repayments	70,872.89	411.14	641.83	143.65	385.57	212.16	71,900.29	766.95
Amounts written off during the year	-	-	-	-	(965.37)	(965.37)	(965.37)	(965.37)
As at 31 March 2019	110,747.99	618.50	2,010.56	362.32	1,811.85	1,076.76	114,570.40	2,057.58

* With effect from 1 April 2019, BFL has reclassified its loans which were erstwhile measured under FVTOCI category to amortised cost on account of change in its business model, wherein the purpose for which these loans were held has changed to collection of contractual cash flows representing payments of principal and interest. Earlier, these loans were held under a dual business model of collecting contractual cash flows representing solely payments of principal and interest as well as sale/assignment of such loans. The change in business model has been necessitated by BFL's intention to restrict the sale/assignment of these loans to an infrequent periodicity and insignificant value.

The following table depicts the quantitative disclosures with respect to the aforesaid change in business model

(₹ In Crore)

Subsequent measurement category as of 31 March 2019	Subsequent measurement category from 1 April 2019 onwards	Amount of reclassification, net of impairment allowance	Fair value as on 31 March 2020 [^]	Notional fair value gain/(loss) recognised in OCI for the year ended 2020 per erstwhile measurement
Fair value through other comprehensive income (FVTOCI)	Amortised Cost	4,961.55	4,008.35	-

[^] approximates the amortised cost as of 31 March 2020 and hence amortised cost treated as fair value.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)**6. Debt securities – Term of repayment (before inter-company elimination)****Terms of repayment of non-convertible debentures as at 31 March 2020**

(₹ In Crore)

Original maturity of loan (In no. of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Issued at par and redeemable at par					
730-1095	-	758.32	6,536.73	-	7,295.05
1095-1460	7,899.53	504.80	3,427.80	70.57	11,902.70
More than 1460	1,255.20	1,118.50	337.00	11,860.14	14,570.84
Issued at discount and redeemable at par					
1090-1460	-	-	24.50	-	24.50
Issued at par and redeemable at premium					
366-730	320.00	-	-	-	320.00
730-1095	12.00	428.29	960.12	-	1,400.41
1095-1460	1,552.10	2,468.21	3,924.81	-	7,945.12
More than 1460	-	18.50	3.80	-	22.30
Interest accrued and impact of EIR					2,714.09
Total					46,195.01

- Interest rate ranges from 6.94% to 9.36% as at 31 March 2020.

- As at 31 March 2020, partly called and paid unsecured debentures of ₹3,262.03 crore.

- Amount to be called and paid is ₹105 crore each in Feb 2021, Feb 2022, Feb 2023, Feb 2024 and ₹120 crore in Feb 2025.

- Amount to be called and paid is ₹147 crore each in Mar 2021, Mar 2022, Mar 2023, Mar 2024 and ₹168 crore in Mar 2025.

- Amount to be called and paid is ₹200 crore each in Jun 2020 and Jun 2021.

- Amount to be called and paid is ₹915 crore each in Nov 2020, Nov 2021 and Nov 2022.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)**6. Debt securities – Term of repayment (before inter-company elimination)** (Contd.)**Terms of repayment of non-convertible debentures as at 31 March 2019**

(₹ In Crore)

Original maturity of loan (In no. of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Issued at par and redeemable at par					
730-1095	1,770.00	100.00	352.63	-	2,222.63
1095-1460	2,292.00	7,902.93	504.94	2,319.91	13,019.78
More than 1460	607.50	1,190.20	1,129.20	7,217.28	10,144.18
Issued at discount and redeemable at par					
1090-1460	96.85	-	-	-	96.85
Issued at par and redeemable at premium					
366-730	-	320.00	-	-	320.00
730-1095	328.10	12.00	428.29	-	768.39
1095-1460	691.60	1,584.10	2,468.44	3,737.11	8,481.25
More than 1460	85.00	-	18.50	3.80	107.30
Interest accrued and impact of EIR					1,838.39
Total					36,998.77

- Interest rate ranges from 7.25% to 10% as at 31 March 2019
- As at 31 March 2019, partly called and paid unsecured debentures of ₹ 1,274.81 crore.
- Amount to be called and paid is ₹ 200 crore each in Jun 2019, Jun 2020 and Jun 2021
- Amount to be called and paid is ₹ 445 crore each in Nov 2019, Nov 2020, Nov 2021 and Nov 2022

Terms of repayment of commercial paper as at 31 March 2020

(₹ In Crore)

Original maturity of loan (In no. of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Issued at par and redeemable at par					
Up to 365	3,344.81	-	-	-	3,344.81
Interest accrued and impact of EIR					(2.46)
Total					3,342.35

- Interest rate ranges from 6.60% to 7.85% p.a as at 31 March 2020
- Face value of commercial paper is ₹ 3,440 crore as at 31 March 2020

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)**6. Debt securities – Term of repayment (before inter-company elimination)** (Contd.)**Terms of repayment of commercial paper as at 31 March 2019**

(₹ In Crore)

Original maturity of loan (In no. of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Issued at par and redeemable at par					
Less than 366	9,683.49	-	-	-	9,683.49
Interest accrued and impact of EIR					(0.93)
Total					9,682.56

- Interest rate ranges from 7.46% to 7.65% p.a as at 31 March 2019

- Face value of commercial paper is ₹ 9,750 crore as at 31 March 2019 (Previous year ₹ 3,730 crore)

7. Borrowings (Other than debt securities) - Term of repayment**Terms of repayment of term loans, working capital demand loans and CBLO as at 31 March 2020**

Original maturity of loans (In no. of days)	Due within 1 year		Due within 1-2 years		Due within 2-3 years		More than 3 years		Total ₹ In Crore
	No. of installments	₹ In Crore	No. of installments	₹ In Crore	No. of installments	₹ In Crore	No. of installments	₹ In Crore	
Quarterly									
Up to 365	6	281.25	-	-	-	-	-	-	281.25
366-730	57	2,006.08	25	759.37	-	-	-	-	2,765.45
731-1095	24	692.03	89	3,376.92	31	1,057.30	-	-	5,126.25
Greater than 1095	22	941.67	30	899.30	115	4,077.29	193	5,861.16	11,779.42
Half yearly									
Up to 365	4	200.00	-	-	-	-	-	-	200.00
366-730	4	392.46	10	430.77	-	-	-	-	823.23
731-1095	4	404.00	8	507.85	11	470.77	-	-	1,382.62
Greater than 1095	35	1,237.50	15	829.00	23	1,571.85	85	4,303.96	7,942.31
Yearly									
Up to 365	3	80.00	-	-	-	-	-	-	80.00
366-730	3	547.50	1	25.00	-	-	-	-	572.50
731-1095	7	443.34	7	923.74	1	25.00	-	-	1,392.08
Greater than 1095	4	125.00	16	1,180.82	16	1,530.00	27	1,527.21	4,363.03
On maturity (Bullet)									
Up to 365	-	-	-	-	-	-	-	-	-
366-730	5	65.00	5	62.50	-	-	-	-	127.50
731-1095	3	1,000.00	11	780.00	4	50.00	-	-	1,830.00
Greater than 1095	16	2,800.00	5	2,100.00	8	1,491.25	9	1,779.71	8,170.96
Interest accrued and impact of EIR									(51.60)
Total									46,785.00

- Interest rate ranges from 6.59% p.a to 9.05% p.a as at 31 March 2020

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)**7. Borrowings (Other than debt securities) - Term of repayment** (Contd.)**Terms of repayment of term loans, working capital demand loans and CBLO as at 31 March 2019**

Original maturity of loans (In no. of days)	Due within 1 year		Due within 1-2 years		Due within 2-3 years		More than 3 years		Total ₹ In Crore
	No. of installments	₹ In Crore	No. of installments	₹ In Crore	No. of installments	₹ In Crore	No. of installments	₹ In Crore	
Monthly									
Greater than 1095	-	-	4	500.00	-	-	-	-	500.00
Quarterly									
Up to 365	7	602.77	-	-	-	-	-	-	602.77
366-730	4	447.22	45	1,374.99	-	-	-	-	1,822.21
731-1095	-	-	6	622.22	21	1,051.04	-	-	1,673.26
Greater than 1095	37	1,006.25	34	1,112.50	46	1,346.18	82	4,555.58	8,020.51
Half yearly									
Up to 365	4	308.00	-	-	-	-	-	-	308.00
366-730	-	-	4	308.00	-	-	-	-	308.00
731-1095	-	-	-	-	5	304.00	-	-	304.00
Greater than 1095	35	1,300.00	31	1,050.00	16	1,029.00	32	2,376.00	5,755.00
Yearly									
Up to 365	9	553.34	-	-	-	-	-	-	553.34
366-730	-	-	8	770.84	-	-	-	-	770.84
731-1095	-	-	3	320.00	3	516.25	-	-	836.25
Greater than 1095	2	50.00	3	125.00	11	780.82	21	1,808.75	2,764.57
On maturity (Bullet)									
Up to 365	3	1,209.69	-	-	-	-	-	-	1,209.69
366-730	-	-	2	150.00	-	-	-	-	150.00
731-1095	3	400.00	1	800.00	2	450.00	-	-	1,650.00
Greater than 1095	14	1,250.00	11	2,250.00	4	2,000.00	11	2,865.00	8,365.00
Interest accrued and impact of EIR									(42.99)
Total									35,550.45

- Interest rate ranges from 7.40% p.a to 9.50% p.a as at 31 March 2019

8. Deposits - Term of repayment**Terms of repayment of public deposits as at 31 March 2020**

(₹ In Crore)

Original maturity of deposits (In no. of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
366-730	1,838.51	100.23	-	-	1,938.74
731-1095	337.52	662.76	242.66	-	1,242.94
More than 1095	795.51	2,654.19	4,315.69	1,843.43	9,608.82
Interest accrued and impact of EIR					336.83
Total					13,127.33

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)**8. Deposits – Term of repayment** (Contd.)**Terms of repayment of deposit from others as at 31 March 2020**

(₹ In Crore)

Original maturity of deposits (In no. of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Up to 365	1,090.02	-	-	-	1,090.02
366-730	5,817.39	220.37	-	-	6,037.76
731-1095	38.30	332.41	5.44	-	376.15
More than 1095	77.36	54.84	253.16	141.50	526.86
Interest accrued and impact of EIR					268.98
Total					8,299.77

- Interest rates range from 6.20% p.a. to 9.60% p.a. as at 31 March 2020

Terms of repayment of public deposits as at 31 March 2019

(₹ In Crore)

Original maturity of deposits (In no. of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
366-730	1,143.80	42.26	-	-	1,186.06
731-1095	566.08	345.25	3.55	-	914.88
More than 1095	116.19	811.59	2,716.18	910.83	4,554.79
Interest accrued and impact of EIR					172.62
Total					6,828.35

Terms of repayment of deposit from others as at 31 March 2019

(₹ In Crore)

Original maturity of deposits (In no. of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Up to 365	1,265.10	-	-	-	1,265.10
366-730	4,224.79	84.46	-	-	4,309.25
731-1095	298.19	38.80	-	-	336.99
More than 1095	11.55	77.66	55.62	121.54	266.37
Interest accrued and impact of EIR					186.95
Total					6,364.66

- Interest rate range from 7.25% p.a. to 10.00% p.a. as at 31 March 2019

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)**9. Subordinated debts – Terms of repayment****Terms of repayment of subordinated debts as at 31 March 2020**

(₹ In Crore)

Original maturity of loans (In no. of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Issued at par and redeemable at par					
More than 1825	228.70	50.00	207.10	3,452.50	3,938.30
Interest accrued and impact of EIR					203.45
Total					4,141.75

- Interest rate ranges from 8.05% to 10.21% as at 31 March 2020

Terms of repayment of subordinated debts as at 31 March 2019

(₹ In Crore)

Original maturity of loans (In no. of days)	Due within 1 year	Due 1 to 2 years	Due 2 to 3 years	More than 3 years	Total
Issued at par and redeemable at par					
More than 1825	-	228.70	50.00	3,659.60	3,938.30
Interest accrued and impact of EIR					200.77
Total					4,139.07

- Interest rate ranges from 8.05% to 10.21% as at 31 March 2019

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)**10. Insurance contract liabilities**

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Insurance contracts liabilities		
General insurance contract liabilities	17,354.83	15,444.58
Life insurance contract liabilities	40,414.17	40,790.19
Undistributed participating policyholders surplus	1,003.95	1,087.86
Total	58,772.95	57,322.63
Change in general insurance contract liabilities		
At the beginning of the period	15,444.58	13,767.72
Add/(Less)		
Premium	(240,109.43)	(237,347.63)
Insurance liabilities released	242,019.68	239,024.49
Total	17,354.83	15,444.58

Particulars	As at 31 March 2020			As at 31 March 2019		
	With DPF	Without DPF	Total	With DPF	Without DPF	Total
	Change in life insurance contract liabilities					
At the beginning of the period	15,564.20	25,225.99	40,790.19	14,193.82	23,043.25	37,237.07
Add/(Less)						
Premium	2,510.87	6,185.80	8,696.67	2,293.68	5,198.60	7,492.28
Insurance liabilities released	(1,808.06)	(5,163.11)	(6,971.16)	(1,786.90)	(3,883.19)	(5,670.09)
Unwinding of discount rate	988.86	(2,558.85)	(1,569.99)	884.49	1,463.13	2,347.62
Others	188.14	(719.68)	(531.54)	(20.89)	(595.80)	(616.69)
Total	17,444.01	22,970.16	40,414.17	15,564.20	25,225.99	40,790.19
Undistributed participating policyholders surplus						
Opening balance	1,087.86	-	1,087.86	512.96	-	512.96
Amount utilised during the period	-	-	-	-	-	-
Amount credited during the period	(83.91)	-	(83.91)	574.90	-	574.90
Total	1,003.95	-	1,003.95	1,087.86	-	1,087.86

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)**11. Investment contract liabilities**

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Investment contract liabilities	6,946.84	6,651.08
	6,946.84	6,651.08
Reconciliation of investment contract liabilities		
At the beginning of the period	6,651.08	5,411.31
Additions		
Deposits	1,055.85	1,364.88
Interest credited to policyholders'	409.42	513.48
	1,465.27	1,878.36
Deductions		
Withdrawals	1,131.49	580.85
Fee income and other expenses	69.00	59.79
Others	(30.98)	(2.05)
	1,169.51	638.59
At the end of the period	6,946.84	6,651.08

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)**12. Material partly owned subsidiaries**

Financial information of subsidiaries that have material non-controlling interests is provided below

Proportion of equity interest held by non-controlling interests

Name	Country of incorporation and operation	As at 31 March	
		2020	2019
Bajaj Finance Ltd.	India	52.82%	54.99%
Bajaj Allianz General Insurance Company Ltd.	India	74.00%	74.00%
Bajaj Allianz Life Insurance Company Ltd.	India	74.00%	74.00%

(₹ In Crore)

Particulars	As at 31 March	
	2020	2019
Information regarding non-controlling interest		
Accumulated balances of material non-controlling interests		
Bajaj Finance Ltd.	15,283.75	8,881.66
Bajaj Allianz General Insurance Company Ltd.	1,576.72	1,346.98
Bajaj Allianz Life Insurance Company Ltd.	2,699.68	2,579.01
Profit/(loss) allocated to material non-controlling interests		
Bajaj Finance Ltd.	2,412.66	1,798.21
Bajaj Allianz General Insurance Company Ltd.	182.67	210.82
Bajaj Allianz Life Insurance Company Ltd.	29.14	145.78

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)

12. Material partly owned subsidiaries (Contd.)

The summarised financial information of these subsidiaries are provided below. This information is based on amounts before inter-company eliminations.

Summarised Statement of Profit and Loss for the year ended 31 March 2020

(₹ In Crore)

Particulars	Bajaj Finance Ltd. (Consolidated)	Bajaj Allianz General Insurance Company Ltd.	Bajaj Allianz Life Insurance Company Ltd.
Revenue from operations	26,373.80	16,992.83	11,017.05
Other income	11.83	24.81	105.56
Total income	26,385.63	17,017.64	11,122.61
Employee benefits expenses	2,549.08	962.72	1,075.99
Finance costs	9,473.21	9.32	7.61
Fees and commission expense	1,056.37	832.76	462.05
Impairment on financial instruments	3,929.48	131.57	59.32
Claims incurred pertaining to insurance business	-	6,742.95	5,769.22
Reinsurance ceded	-	4,446.64	74.03
Net change in insurance/investment contract liabilities	-	1,511.05	2,842.82
Depreciation, amortisation and impairment	294.63	81.28	58.03
Other expenses	1,760.74	1,328.11	695.42
Total expenses	19,063.51	16,046.40	11,044.49
Profit before tax	7,322.12	971.24	78.12
Tax expense	2,058.37	268.65	(33.97)
Profit for the year	5,263.75	702.59	112.09
Total comprehensive income	5,148.49	1,009.43	584.31
Attributable to non-controlling interests	2,358.28	262.45	151.92
Dividends paid to non-controlling interests	441.13	28.66	27.43

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)**12. Material partly owned subsidiaries** (Contd.)**Summarised Statement of Profit and Loss for the year ended 31 March 2019**

(₹ In Crore)

Particulars	Bajaj Finance Ltd. (Consolidated)	Bajaj Allianz General Insurance Company Ltd.	Bajaj Allianz Life Insurance Company Ltd.
Revenue from operations	18,487.14	13,677.29	10,433.99
Other income	13.04	19.39	95.50
Total income	18,500.18	13,696.68	10,529.49
Employee benefits expenses	1,938.53	828.27	924.09
Finance costs	6,623.56	-	0.49
Fees and commission expense	712.88	833.17	342.83
Impairment on financial instruments	1,501.35	59.65	127.67
Claims incurred pertaining to insurance business	-	5,771.44	4,892.50
Reinsurance ceded	-	3,066.15	53.18
Net change in insurance/investment contract liabilities	-	925.98	2,775.98
Depreciation, amortisation and impairment	144.15	43.53	30.00
Other expenses	1,400.55	968.66	633.15
Total expenses	12,321.02	12,496.85	9,779.89
Profit before tax	6,179.16	1,199.83	749.60
Tax expense	2,184.17	388.99	188.90
Profit for the year	3,994.99	810.84	560.70
Total comprehensive income	3,994.81	850.84	665.40
Attributable to non-controlling interests	1,925.24	221.22	173.00
Dividends paid to non-controlling interests	104.07	28.66	27.43

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)**12. Material partly owned subsidiaries** (Contd.)**Summarised Balance Sheet as at 31 March 2020**

(₹ In Crore)

Particulars	Bajaj Finance Ltd. (Consolidated)	Bajaj Allianz General Insurance Company Ltd.	Bajaj Allianz Life Insurance Company Ltd.
Financial assets	161,897.31	21,539.72	60,094.54
Non-financial assets	2,494.06	5,655.51	733.48
Financial liabilities	131,511.24	2,017.42	8,386.79
Insurance contract liabilities	-	17,354.83	41,418.12
Non-financial liabilities	552.50	1,758.68	639.76
Equity	32,327.63	6,064.30	10,383.35
Attributable to			
Equity holders of the parent	17,043.88	4,487.58	7,683.67
Non-controlling interest	15,283.75	1,576.72	2,699.68

Summarised Balance Sheet as at 31 March 2019

(₹ In Crore)

Particulars	Bajaj Finance Ltd. (Consolidated)	Bajaj Allianz General Insurance Company Ltd.	Bajaj Allianz Life Insurance Company Ltd.
Financial assets	122,659.21	19,210.69	59,848.88
Non-financial assets	1,573.30	4,764.21	501.55
Financial liabilities	104,103.54	2,055.21	7,867.01
Insurance contract liabilities	-	15,444.58	41,878.05
Non-financial liabilities	431.95	1,293.35	684.58
Equity	19,697.02	5,181.76	9,920.79
Attributable to			
Equity holders of the parent	10,815.36	3,834.78	7,341.78
Non-controlling interest	8,881.66	1,346.98	2,579.01

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

46 Other disclosure (Contd.)**12. Material partly owned subsidiaries** (Contd.)**Summarised cash flow information for the year ended 31 March 2020**

(₹ In Crore)

Particulars	Bajaj Finance Ltd. (Consolidated)	Bajaj Allianz General Insurance Company Ltd.	Bajaj Allianz Life Insurance Company Ltd.
Operating	(24,426.18)	959.13	161.37
Investing	(8,756.88)	(879.52)	242.50
Financing	34,180.56	(132.88)	(127.18)
Net increase/(decrease) in cash and cash equivalents	997.50	(53.27)	276.69

Summarised cash flow information for the year ended 31 March 2019

(₹ In Crore)

Particulars	Bajaj Finance Ltd. (Consolidated)	Bajaj Allianz General Insurance Company Ltd.	Bajaj Allianz Life Insurance Company Ltd.
Operating	(29,061.53)	1,356.82	685.30
Investing	(5,378.93)	(1,605.35)	305.54
Financing	34,449.31	(132.88)	(127.18)
Net increase/(decrease) in cash and cash equivalents	8.85	(381.41)	863.66

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

47 Revenue from contract with customers (BFL)

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2020	2019
Type of services		
Service and administration charges	899.61	580.64
Fees on value added services and products	413.68	328.51
Foreclosure charges	157.43	105.16
Distribution income	1,115.29	667.56
Sale of services	124.27	68.77
Brokerage Income	4.94	-
Total	2,715.22	1,750.64
Geographical markets		
India	2,715.22	1,750.64
Outside India	-	-
Total	2,715.22	1,750.64
Timing of revenue recognition		
Services transferred at a point in time	2,715.22	1,750.64
Services transferred over time	-	-
Total	2,715.22	1,750.64

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Contract balances		
Service asset receivable	157.07	94.50
Fees, commission and other receivable	258.84	141.85
Total	415.91	236.35

Impairment allowance recognised on contract balances is ₹ Nil (Previous year ₹ Nil)

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

48 Employee stock option plan**i. Bajaj Finance Ltd.**

The Board of Directors at its meeting held on 14 October 2009, approved an issue of stock options up-to a maximum of 5% of the then issued equity capital of BFL aggregating to 1,829,803 equity shares of the face value of ₹ 10 each in a manner provided in the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 subject to the approval of the shareholders under section 81(1A) of the Companies Act, 1956. The shareholders of BFL vide their special resolution passed through postal ballot on 15 December 2009 approved the issue of equity shares of BFL under one or more Employee Stock Option Scheme(s). The shareholders, at the Annual General Meeting held on 16 July 2014, approved an additional issue of 6,77,313 stock options i.e. from 1,829,803 to 2,507,116 options of the face value of ₹ 10 each under the stock options scheme of BFL i.e. Employee Stock Option Plan 2009.

Pursuant to the sub-division of each equity share of face value of ₹ 10 into five equity shares of face value of ₹ 2 on 10 September 2016 and allotment of bonus equity share in the proportion of one equity share of face value of ₹ 2 for every one equity share on 14 September 2016, the aggregate number of equity shares which would be available for future grants under the Employee Stock Option Plan, 2009 were adjusted from 2,507,116 equity shares of face value of ₹ 10 to 25,071,160 equity shares of face value of ₹ 2 each.

The Nomination and Remuneration Committee of BFL has approved the following grants to select senior level executives of BFL in accordance with the Stock Option Scheme. Under the scheme, fourteen grants have been made as of 31 March 2020, details of which, duly adjusted for sub-division of shares and issue of bonus shares thereon, are given as under

Grant date	Exercise price (₹)	Options granted	Options vested and exercisable	Options unvested	Options exercised	Options cancelled	Options outstanding
12-Jan-10	35.87	1,320,000	-	-	1,282,500	37,500	-
21-Jul-10	54.20	3,267,500	-	-	2,948,130	319,370	-
28-Jul-11	70.52	3,762,000	74,250	-	3,260,750	427,000	74,250
16-May-12	87.61	3,595,000	291,950	-	2,723,800	579,250	291,950
15-May-13	138.04	3,949,300	647,100	-	2,449,200	853,000	647,100
1-Nov-13	135.31	197,000	-	-	49,250	147,750	-
16-Jul-14	219.66	2,816,000	895,145	-	1,580,105	340,750	895,145
20-May-15	448.16	1,935,000	676,850	-	888,650	369,500	676,850
24-May-16	765.37	1,430,000	481,000	276,250	447,375	225,375	757,250
17-May-17	1,347.75	1,120,750	298,449	468,104	214,360	139,837	766,553
16-Oct-17	1,953.05	16,350	4,088	8,176	4,086	-	12,264
1-Feb-18	1,677.85	120,000	20,062	29,828	22,021	48,089	49,890
17-May-18	1,919.95	1,273,416	180,128	811,100	102,005	180,183	991,228
16-May-19	3,002.75	1,123,900	-	1,104,550	-	19,350	1,104,550
Total		25,926,216	3,569,022	2,698,008	15,972,232	3,686,954	6,267,030

Weighted average fair value of stock options granted during the year is as follows

Particulars	Financial year 2019-20	Financial year 2018-19
Grant date	16-May-19	17-May-18
No. of options granted	1,123,900	1,273,416
Weighted average fair value (₹)	1,257.94	824.14

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

48 Employee stock option plan (Contd.)

i. Bajaj Finance Ltd. (Contd.)

Following table depicts range of exercise prices and weighted average remaining contractual life

Total for all grants	No. of options	Range of exercise prices (₹)	Weighted average exercise price (₹)	Weighted average remaining contractual life (years)
Outstanding at the beginning of the year	6,621,597	54.20-1,953.05	791.71	4.20
Granted during the year	1,123,900	3,002.75	3,002.75	
Cancelled during the year	201,512	765.37-3002.75	1,868.80	
Exercised during the year	1,276,955	54.20-1953.05	532.80	
Outstanding at the end of the year	6,267,030	70.52-3002.75	1,206.35	3.98
Exercisable at the end of the year	3,569,022	70.52-1953.05	498.17	4.15

The weighted average market price of equity shares for options exercised during the year is ₹ 3,584.30 (previous year ₹ 2,440.04).

Method used for accounting for share based payment plan

BFL has used the fair value method to account for the compensation cost of stock options to employees. The fair value of options used are estimated on the date of grant using the Black - Scholes Model. The key assumptions used in Black - Scholes Model for calculating fair value as on the date of respective grants are

Grant date	Risk free interest rate	Expected life	Expected volatility	Dividend yield	Price of the underlying share in the market at the time of the option grant (₹)*
12-Jan-10	6.70%	1-5 years	54.01%	0.62%	35.87
21-Jul-10	7.42%	3.5 -6.5 years	55.38%	1.28%	54.20
28-Jul-11	8.27%	3.5 -6.5 years	53.01%	1.42%	70.52
16-May-12	8.36%	3.5 -6.5 years	49.58%	1.37%	87.61
15-May-13	7.32%	1-5 years	29.97%	1.09%	138.04
01-Nov-13	8.71%	1-5 years	32.83%	1.11%	135.31
16-Jul-14	8.66%	1-5 years	38.01%	0.73%	219.66
20-May-15	7.76%	3.5 -6.5 years	34.88%	0.36%	448.16
24-May-16	7.38%	3.5 -6.5 years	33.13%	0.47%	765.37
17-May-17	6.89%	3.5 -6.5 years	34.23%	0.05%	1,347.75
16-Oct-17	6.69%	3.5 -6.5 years	34.51%	0.04%	1,953.05
1-Feb-18	7.42%	3.5 -6.5 years	34.05%	0.04%	1,677.85
17-May-18	7.91%	3.5 -6.5 years	33.65%	0.19%	1,919.95
16-May-19	7.09%	3.5 -6.5 years	34.03%	0.13%	3,002.75

* adjusted for sub-division of shares and issue of bonus shares thereon

For the year ended 31 March 2020, BFL has accounted expense of ₹ 100.76 crore as employee benefit expenses on the aforesaid employee stock option plan (Previous year ₹ 74.79 crore). The balance in employee stock option outstanding account is ₹ 213.17 crore as of 31 March 2020 (Previous year ₹ 137.85 crore).

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

48 Employee stock option plan (Contd.)**ii. Bajaj Allianz General Insurance Company Ltd.**

BAGIC has allotted stock options to eligible employees under Employee Stock Option Scheme 2018 (ESOP 2018) and Employee Stock Option Scheme 2019 (ESOP 2019). These grants have a graded vesting over three years and the vested options have to be exercised by employees within five years from the date of vesting subject to the norms prescribed by the Nomination and Remuneration Committee. The mode of settlement of the scheme is through equity shares of the Bajaj Finserv Ltd. (holding company). Details of each scheme is as follows

Particulars	ESOP 2019	ESOP 2018
Date of grant	16-May-19	19-Jul-18
No. of option granted	45,200	16,625
Exercise price	₹ 7,454.70	₹ 6,365.70
Graded vesting period		
1st Year	34%	34%
2nd Year	33%	33%
3rd Year	33%	33%

These schemes are administered by the Bajaj Finserv Employee Stock Option Trust. The Trust has acquired shares of the holding company from the secondary market.

BAGIC follows the fair value method of accounting for stock options granted to employees. A summary of status of ESOP schemes in terms of options forfeited, options exercised, options outstanding and options exercisable is as given below

Particulars	For the year ended 31 March 2020		For the year ended 31 March 2019	
	ESOP 2019	ESOP 2018	ESOP 2019	ESOP 2018
Outstanding at the beginning of the year	-	15,900	-	-
Granted during the year	45,200	1,725	-	16,625
Forfeited/lapsed during the year *	825	182	-	725
Exercised during the year	-	130	-	-
Outstanding at the end of the year	44,375	17,313	-	15,900
Exercisable at the end of the year	-	5,879	-	-

* Including transfer within group companies

Particulars	ESOP 2019	ESOP 2018
Weighted average fair value on the date of grant	₹ 2,240.09	₹ 1,930.46
Risk-free interest rate	7.56%	8.07%
Expected life	One year after vesting	One year after vesting
Expected volatility *	30.40%	29.65%
Expected dividend yield	₹ 1.75	₹ 1.75

* Based on historical stock prices using annualised standard deviation of daily change in stock price.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

48 Employee stock option plan (Contd.)

ii. Bajaj Allianz Life Insurance Company Ltd.

BALIC has allotted stock options to eligible employees under Employee Stock Option Scheme 2018 (ESOP 2018) and Employee Stock Option Scheme 2019 (ESOP 2019). These grants have a graded vesting over three years and the vested options have to be exercised by employees within five years from the date of vesting subject to the norms prescribed by the Nomination and Remuneration Committee. The mode of settlement of the scheme is through equity shares of the Bajaj Finserv Ltd. (holding company). Details of each scheme is as follows

Particulars	ESOP 2019	ESOP 2018
Date of grant	16-May-19	19-Jul-18
No. of option granted	42,250	23,825
Exercise price	₹ 7,454.70	₹ 6,365.70
Graded vesting period		
1st Year	34%	34%
2nd Year	33%	33%
3rd Year	33%	33%

These schemes are administered by the Bajaj Finserv Employee Stock Option Trust. The Trust has acquired shares of the holding company from the secondary market.

BALIC follows the fair value method of accounting for stock options granted to employees. A summary of status of ESOP schemes in terms of options forfeited, options exercised, options outstanding and options exercisable is as given below

Particulars	For the year ended 31 March 2020		For the year ended 31 March 2019	
	ESOP 2019	ESOP 2018	ESOP 2019	ESOP 2018
Outstanding at the beginning of the year	-	21,325	-	-
Granted during the year	42,250	-	-	23,825
Forfeited/lapsed during the year *	6,750	4,225	-	2,500
Exercised during the year	-	242	-	-
Outstanding at the end of the year	35,500	16,858	-	21,325
Exercisable at the end of the year	-	5,591	-	-

* Including ESOP units of employee transferred within Group Company

Particulars	ESOP 2019	ESOP 2018
Weighted average fair value on the date of grant	₹ 2,240.09	₹ 1,930.46
Risk-free interest rate	7.56%	8.07%
Expected life	One year after vesting	One year after vesting
Expected volatility *	30.40%	29.65%
Expected dividend per share	₹ 1.75	₹ 1.75

* Based on historical stock prices using annualised standard deviation of daily change in stock price.

Notes to consolidated financial statements for the year ended 31 March 2020 (Contd.)

49 Disclosure in terms of Schedule III of the Companies Act, 2013

(₹ In Crore)

Particulars	Net assets (i.e. Total assets minus total liabilities)		Share in profit or (loss)		Share in other comprehensive income		Share in total comprehensive income	
	As a % of consolidated net assets	Amount	As a % of consolidated profit or loss	Amount	As a % of consolidated other comprehensive income	Amount	As a % of consolidated total comprehensive income	Amount
1 Parent								
Bajaj Finserv Ltd.	11.29%	3,535.43	19.79%	666.86	(0.45%)	(2.30)	17.12%	664.56
2 Subsidiaries (Indian)								
Bajaj Allianz General Insurance Company Ltd.	19.37%	6,064.30	20.85%	702.59	59.77%	306.84	26.00%	1,009.43
Bajaj Allianz Life Insurance Company Ltd.	33.17%	10,383.35	3.33%	112.09	91.99%	472.22	15.05%	584.31
Bajaj Finance Ltd. (Consolidated)	103.50%	32,395.02	156.24%	5,263.75	(22.45%)	(115.26)	132.61%	5,148.49
Bajaj Finserv Direct Ltd. (formerly known as Bajaj Financial Holdings Ltd.)	0.31%	98.06	(0.65%)	(21.91)	0.02%	0.09	(0.56%)	(21.82)
Bajaj Finserv Health Ltd.	0.08%	23.39	(0.34%)	(11.54)	(0.01%)	(0.07)	(0.30%)	(11.61)
(Less): Minority interests in all subsidiaries	(62.49%)	(19,560.15)	(77.90%)	(2,624.47)	(28.87%)	(148.18)	(71.42%)	(2,772.65)
(Less): Inter-company eliminations	(5.27%)	(1,650.77)	(21.34%)	(718.90)	-	-	(18.52%)	(718.90)
3 Joint venture (as per equity method) (Indian)								
Bajaj Allianz Financial Distributors Ltd.	0.04%	13.82	0.02%	0.66	-	-	0.02%	0.66
(Less): Inter-company eliminations	-	(1.20)	-	-	-	-	-	-
Total	100.00%	31,301.25	100.00%	3,369.13	100.00%	513.34	100.00%	3,882.47

50 Events after reporting date

There have been no events after the reporting date that require disclosure in these financial statements.

51 Miscellaneous

Amounts less than ₹ 50,000 have been shown at actual against respective line items statutorily required to be disclosed.

As per our report of even date

For S R B C & CO LLP
ICAI Firm Registration Number: 324982E/E300003
Chartered Accountants

per Arvind Sethi
Partner
Membership Number: 89802
Pune: 21 May 2020

On behalf of the Board of Directors

S Sreenivasan
Chief Financial Officer

Sonal R Tiwari
Company Secretary

Sanjiv Bajaj
Chairman & Managing Director

Madhur Bajaj
Director

Salient features of the financial statements of subsidiaries for the year ended 31 March 2020

Form AOC-1

In accordance with section 129(3) of the Companies Act, 2013, the salient features of the financial statements of subsidiaries is given below

Part A: Subsidiaries

(₹ In Crore)

Particulars	Bajaj Allianz General Insurance Co. Ltd.	Bajaj Allianz Life Insurance Co. Ltd.	Bajaj Finance Ltd.	Bajaj Housing Finance Ltd.	Bajaj Financial Securities Ltd.	Bajaj Finserv Direct Ltd. *	Bajaj Finserv Health Ltd.
a The date since when subsidiary was acquired	20 February 2008 (being the effective date of demerger of erstwhile Bajaj Auto Ltd.)	20 February 2008 (being the effective date of demerger of erstwhile Bajaj Auto Ltd.)	20 February 2008 (being the effective date of demerger of erstwhile Bajaj Auto Ltd.)	1 November 2014	1 November 2014	7 February 2014	5 July 2019
b Reporting period for the subsidiary	1 April 2019 to 31 March 2020	1 April 2019 to 31 March 2020	1 April 2019 to 31 March 2020	1 April 2019 to 31 March 2020	1 April 2019 to 31 March 2020	1 April 2019 to 31 March 2020	5 July 2019 to 31 March 2020
c Paid-up share capital	110.23	150.71	119.99	4,883.33	114.00	2.50	2.50
d Reserves and surplus	5,954.07	10,232.64	31,693.22	701.80	9.10	95.55	20.88
e Total assets	27,195.23	60,828.02	138,003.57	31,372.42	241.24	127.85	36.70
f Total liabilities	27,195.23	60,828.02	138,003.57	31,372.42	241.24	127.85	36.70
g Investments	18,774.00	57,608.82	20,138.98	2,508.02	52.33	21.27	2.01
h Turnover	17,017.64	11,122.61	23,834.15	2,646.23	10.56	126.98	0.97
i Profit before tax	971.24	78.12	6,808.13	567.45	1.27	(21.92)	(11.54)
j Provision for tax	268.65	(33.97)	1,927.01	146.12	(0.98)	(0.01)	-
k Profit after tax	702.59	112.09	4,881.12	421.33	2.25	(21.91)	(11.54)
l Proposed dividend	-	-	-	-	-	-	-
m % of shareholding	74.00%	74.00%	52.82%	100.00%**	100.00%**	100.00%	100.00%

* Formerly Bajaj Financial Holdings Ltd.

** Held by Bajaj Finance Ltd.

Name of the subsidiary sold for the year: NIL

Part B: Associates and Joint Venture

Particulars	Bajaj Allianz Financial Distributors Ltd.	Bajaj Allianz Staffing Solutions Ltd.
a Date on which the associate or joint venture was associated or acquired	20 February 2008 (being the effective date of demerger of erstwhile Bajaj Auto Ltd.)	16 March 2015
b Latest audited Balance Sheet date	31 March 2020	31 March 2020
c Shares of joint venture held by the company on the year end		
Number	12,00,000	9,50,000
Amount of investment in joint venture	1.20	0.95
Extent of holding %	50.00%	100.00%*
d Description of how there is significant influence	By way of shareholding	By way of shareholding
e Reason why associate/joint venture is not consolidated	N.A.	N.A.
f Networth attributable to shareholding as per latest audited Balance Sheet	12.69	1.60
g Profit/(loss) for the year		
Considered in consolidation	0.96	0.34
Not considered in consolidation	-	-

* Held by Bajaj Allianz Financial Distributors Ltd.

On behalf of the Board of Directors

S Sreenivasan
Chief Financial OfficerSanjiv Bajaj
Chairman & Managing DirectorSonali R Tiwari
Company SecretaryMadhur Bajaj
Director

Pune: 21 May 2020

STANDALONE FINANCIAL STATEMENTS

Independent Auditors' Report on the Standalone Ind AS Financial Statements

To the Members of **Bajaj Finserv Ltd.**

Opinion

We have audited the accompanying standalone Ind AS financial statements of Bajaj Finserv Ltd. ('the Company'), which comprise the Balance sheet as at 31 March 2020, the Statement of Profit and Loss, including the statement of Other Comprehensive Income, the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Companies Act, 2013, as amended ('the Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2020, its profit including other comprehensive income its cash flows and the changes in equity for the year ended on that date.

Basis for opinion

We conducted our audit of the standalone Ind AS financial statements in accordance with the Standards on Auditing (SAs), as specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the 'Auditor's Responsibilities for the Audit of the Standalone Ind AS Financial Statements' section of our report. We are independent of the Company in accordance with the 'Code of Ethics' issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

Key audit matters

We have determined that there are no key audit matters to communicate in our report

Other information

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the standalone Ind AS financial statements and our auditor's report thereon.

Our opinion on the standalone Ind AS financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone Ind AS financial statements, our responsibility is to read the other information and, in doing so, consider whether such other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the standalone Ind AS financial statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding

Independent Auditors' Report on the Standalone Ind AS Financial Statements (Contd.)

of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone Ind AS financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are also responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the standalone Ind AS financial statements

Our objectives are to obtain reasonable assurance about whether the standalone Ind AS financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone Ind AS financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone Ind AS financial statements, including the disclosures, and whether the standalone Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditors' Report on the Standalone Ind AS Financial Statements (Contd.)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone Ind AS financial statements for the financial year ended 31 March 2020 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ('the Order'), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the 'Annexure 1' a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143(3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) The Balance Sheet, the Statement of Profit and Loss including the Statement of Other Comprehensive Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;
 - (d) In our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
 - (e) On the basis of the written representations received from the directors as on 31 March 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2020 from being appointed as a director in terms of section 164 (2) of the Act;
 - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company with reference to these standalone Ind AS financial statements and the operating effectiveness of such controls, refer to our separate Report in 'Annexure 2' to this report;
 - (g) In our opinion, the managerial remuneration for the year ended 31 March 2020 has been paid/provided by the Company to its directors in accordance with the provisions of section 197 read with Schedule V to the Act;

Independent Auditors' Report on the Standalone Ind AS Financial Statements (Contd.)

- (h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements – Refer Note 26 to the standalone Ind AS financial statements;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For S R B C & CO LLP
ICAI Firm Registration Number: 324982E/E300003
Chartered Accountants

per Arvind Sethi
Partner
Membership Number: 89802
UDIN: 20089802AAAABX3685

Pune: 21 May 2020

Annexure 1 to Independent Auditors' Report

Annexure 1 referred to in paragraph 1 under the heading 'Report on other legal and regulatory requirements' of our report of even date

Re: Bajaj Finserv Ltd. (the 'Company')

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.
- (c) According to the information and explanations given by the management, the title deeds of immovable properties included in property, plant and equipment are held in the name of the Company.
2. The Company's business does not involve inventories and, accordingly, the requirements under clause 3(ii) of the Order are not applicable to the Company and hence not commented upon.
3. According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Act. Accordingly, the provisions of clause 3(iii) (a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.
4. In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities granted in respect of which provisions of section 185 and 186 of the Act are applicable and hence not commented upon.
5. The Company has not accepted any deposits within the meaning of sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
6. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 148(1) of the Act, related to generation of power through wind turbines, and are of the opinion that prima facie, the specified accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
7. (a) Undisputed statutory dues including provident fund, income-tax, goods and service tax, duty of custom, duty of excise, value added tax, cess and other statutory dues applicable to the Company have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases in respect of payment of goods and service tax. The provisions relating to employees' state insurance are not applicable to the Company.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income-tax, goods and service tax, duty of custom, duty of excise, value added tax, cess and other statutory dues applicable to the Company were outstanding, at the year end, for a period of more than six months from the date they became payable. The provisions relating to employees' state insurance are not applicable to the Company.
- (c) According to the records of the Company, the dues of income-tax, sales-tax, duty of custom, duty of excise, value added tax, goods and services tax and cess which have not been deposited on account of any dispute, are as follows:

(₹ In Crore)

Name of the statute	Nature of dues	Amount	Period to which the amount relates	Forum where the dispute is pending
Income tax Act, 1961	Income Tax	26.92	FY 2008-09 and FY 2010-11	Income Tax Appellate Tribunal
Income tax Act, 1961	Income Tax	18.55	FY 2011-12, FY 2012-13 and FY 2015-16	Commissioner of Income Tax (Appeals)

Annexure 1 to Independent Auditors' Report (Contd.)

8. The Company did not have any outstanding loans or borrowing dues in respect of a financial institution or bank or to government or dues to debenture holders during the year.
9. According to the information and explanations given by the management, the Company has not raised any money by way of initial public offer/further public offer/debt instruments and term loans hence, reporting under clause (ix) is not applicable to the Company and hence not commented upon.
10. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or on the Company by the officers and employees of the Company has been noticed or reported during the year.
11. According to the information and explanations given by the management, the managerial remuneration has been paid/ provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
12. In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company and hence not commented upon.
13. According to the information and explanations given by the management, transactions with the related parties are in compliance with section 177 and 188 of the Act where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.
14. According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence, reporting requirements under clause 3(xiv) are not applicable to the Company and hence not commented upon.
15. According to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him as referred to in section 192 of the Act.
16. According to the information and explanations given by the management, the Company was registered as a Non-deposit accepting Non-Banking Financial Company until the financial year 2014-15. During the year 2015-16, vide order dated October 23, 2015, the Company was recognised as a Core Investment Company (CIC) by the Reserve Bank of India (RBI) and is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of the clause 3(xvi) of the Order are not applicable to the Company.

For S R B C & CO LLP
ICAI Firm Registration Number: 324982E/E300003
Chartered Accountants

per Arvind Sethi
Partner
Membership Number: 89802
UDIN: 20089802AAAABX3685

Pune: 21 May 2020

Annexure 2 to Independent Auditors' Report

Annexure 2 referred to in paragraph 2 (f) under the heading 'Report on other legal and regulatory requirements' to the independent auditor's report of even date on the standalone Ind AS financial statements of Bajaj Finserv Ltd.

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of section 143 of the Companies Act, 2013 ('the Act')

We have audited the internal financial controls over financial reporting of Bajaj Finserv Ltd. ('the Company') as of 31 March 2020 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management's responsibility for internal financial controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting with reference to these standalone Ind AS financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the 'Guidance Note') and the Standards on Auditing as specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to these standalone Ind AS financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to these standalone Ind AS financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting with reference to these standalone Ind AS financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls over financial reporting with reference to these standalone Ind AS financial statements.

Meaning of internal financial controls over financial reporting with reference to these financial statements

A company's internal financial control over financial reporting with reference to these standalone Ind AS financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting with reference to these standalone Ind AS financial statements includes those policies and procedures that

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

Annexure 2 to Independent Auditors' Report (Contd.)

- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent limitations of internal financial controls over financial reporting with reference to these Standalone Ind AS financial statements

Because of the inherent limitations of internal financial controls over financial reporting with reference to these standalone Ind AS financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting with reference to these standalone Ind AS financial statements to future periods are subject to the risk that the internal financial control over financial reporting with reference to these standalone Ind AS financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting with reference to these standalone Ind AS financial statements and such internal financial controls over financial reporting with reference to these standalone Ind AS financial statements were operating effectively as at 31 March 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For S R B C & CO LLP
ICAI Firm Registration Number: 324982E/E300003
Chartered Accountants

per Arvind Sethi
Partner
Membership Number: 89802
UDIN: 20089802AAAABX3685

Pune: 21 May 2020

Balance Sheet

Particulars	Note No.	(₹ In Crore)	
		As at 31 March	
		2020	2019
ASSETS			
Financial assets			
Cash and cash equivalents	3	4.35	59.97
Bank balance other than cash and cash equivalents	4	0.61	0.30
Trade receivables	5	0.43	0.29
Investment in subsidiaries and joint venture	6A	2,282.77	2,177.53
Other investments	6B	1,057.23	759.87
Other financial assets	7	61.53	50.90
		3,406.92	3,048.86
Non-financial assets			
Current tax assets (net)		24.61	20.39
Deferred tax assets (net)	8	7.94	8.08
Investment property	9	5.50	5.63
Property, plant and equipment	10	152.88	67.79
Capital work-in-progress		-	33.34
Other non-financial assets	11	2.31	8.96
		193.24	144.19
Total		3,600.16	3,193.05

Balance Sheet (Contd.)

Particulars	Note No.	As at 31 March	
		2020	2019
(₹ In Crore)			
LIABILITIES AND EQUITY			
LIABILITIES			
Financial liabilities			
Trade payables			
Total outstanding dues of micro enterprises and small enterprises		-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises		2.10	4.69
Other financial liabilities	12	32.52	24.42
		34.62	29.11
Non-financial liabilities			
Current tax liabilities (net)		17.41	17.41
Provisions	13	8.80	9.86
Other non-financial liabilities	14	3.90	1.61
		30.11	28.88
EQUITY			
Equity share capital	15	79.57	79.57
Other equity	16	3,455.86	3,055.49
		3,535.43	3,135.06
Total		3,600.16	3,193.05
Summary of significant accounting policies followed by the Company	2		

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S R B C & CO LLP
ICAI Firm Registration Number: 324982E/E300003
Chartered Accountants

per Arvind Sethi
Partner
Membership Number: 89802
Pune: 21 May 2020

S Sreenivasan
Chief Financial Officer

Sonal R Tiwari
Company Secretary

On behalf of the Board of Directors

Sanjiv Bajaj
Chairman & Managing Director

Madhur Bajaj
Director

Statement of Profit and Loss

Particulars	Note No.	For the year ended 31 March	
		2020	2019
(₹ In Crore)			
Revenue from operations			
Interest income	17	67.28	59.31
Dividend income		668.14	286.76
Rental income		2.16	2.05
Windpower income	18	39.23	71.10
Net gain on fair value changes	19	3.05	3.83
Total revenue from operations		779.86	423.05
Other income	20	35.30	25.51
Total income		815.16	448.56
Expenses			
Employee benefits expenses	21	84.72	53.53
Depreciation, amortisation and impairment	22	2.90	1.55
Other expenses	23	45.66	67.49
Total expenses		133.28	122.57
Profit before tax		681.88	325.99
Tax expense			
Current tax		13.94	18.02
Deferred tax		1.08	0.80
Total tax expense	24	15.02	18.82
Profit for the year		666.86	307.17
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial gains/(losses) of defined benefit plans		(3.24)	(1.79)
Tax impacts on above		0.94	0.52
Items that will be reclassified to profit or loss		-	-
Other comprehensive income for the year (net of tax)		(2.30)	(1.27)
Total comprehensive income for the year		664.56	305.90
Basic and diluted Earnings per share (in ₹)	25	41.9	19.3
(Nominal value per share ₹ 5)			
Summary of significant accounting policies followed by the Company	2		

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S R B C & CO LLP
ICAI Firm Registration Number: 324982E/E300003
Chartered Accountants

per Arvind Sethi
Partner
Membership Number: 89802
Pune: 21 May 2020

S Sreenivasan
Chief Financial Officer

Sonal R Tiwari
Company Secretary

On behalf of the Board of Directors

Sanjiv Bajaj
Chairman & Managing Director

Madhur Bajaj
Director

Statement of Changes in Equity

A Equity share capital

Particulars	Note No.	(₹ In Crore)	
		For the year ended 31 March	
		2020	2019
At the beginning of the year		79.57	79.57
Changes in equity share capital during the year		-	-
At the end of the year	15	79.57	79.57

B Other equity

Particulars	Note No.	Reserves and surplus					Total other equity
		Securities premium	General reserve	Share based payments reserve	Treasury shares	Retained earnings	
Balance as at 31 March 2018	16	929.11	1,197.14	-	-	673.93	2,800.18
Profit for the year		-	-	-	-	307.17	307.17
Recognition of share based payments to employees		-	-	3.04	-	-	3.04
Other comprehensive income (net of tax)		-	-	-	-	(1.27)	(1.27)
Total comprehensive income for the year ended 31 March 2019		-	-	3.04	-	305.90	308.94
Transactions with owners in their capacity as owners							
Equity shares earlier held in abeyance, issued during the year [See note 15 d.]		0.07	-	-	-	-	0.07
Final dividend, declared and paid during the year		-	-	-	-	(27.85)	(27.85)
Treasury shares held by ESOP trust		-	-	-	(25.85)	-	(25.85)
Balance as at 31 March 2019	16	929.18	1,197.14	3.04	(25.85)	951.98	3,055.49
Profit for the year		-	-	-	-	666.86	666.86
Recognition of share based payments to employees		-	-	14.17	-	-	14.17
Other comprehensive income (net of tax)		-	-	-	-	(2.30)	(2.30)
Total comprehensive income for the year ended 31 March 2020		-	-	14.17	-	664.56	678.73
Transactions with owners in their capacity as owners							
Equity shares earlier held in abeyance, issued during the year [See note 15 d.]		0.08	-	-	-	-	0.08
Final dividend, declared and paid during the year		-	-	-	-	(39.79)	(39.79)
Interim dividend, declared and paid during the year		-	-	-	-	(79.57)	(79.57)
Treasury shares held by ESOP trust		-	-	-	(174.32)	-	(174.32)
Deemed equity at cost on account of ESOP scheme		-	-	15.24	-	-	15.24
Balance as at 31 March 2020	16	929.26	1,197.14	32.45	(200.17)	1,497.18	3,455.86
Summary of significant accounting policies followed by the Company	2						

The accompanying notes are an integral part of the financial statements

As per our report of even date

For S R B C & CO LLP
ICAI Firm Registration Number: 324982E/E300003
Chartered Accountants

per Arvind Sethi
Partner
Membership Number: 89802
Pune: 21 May 2020

On behalf of the Board of Directors

S Sreenivasan
Chief Financial Officer

Sonal R Tiwari
Company Secretary

Sanjiv Bajaj
Chairman & Managing Director

Madhur Bajaj
Director

Statement of Cash Flows

(₹ In Crore)

Particulars	For the year ended 31 March	
	2020	2019
I. Operating activities		
Profit before tax	681.88	325.99
Adjustments to reconcile profit before tax to net cash flows:		
Add:		
i) Depreciation, amortisation and impairment	2.90	1.55
ii) Share based payment to employees	14.17	3.04
iii) Loss on sale of assets	0.40	-
	17.47	4.59
Less:		
i) Profit on sale of investments, net	3.05	3.83
ii) Amortisation of premium/discount on acquisition of debt securities	0.60	(0.34)
	3.65	3.49
	695.70	327.09
Change in assets and liabilities		
i) (Increase)/decrease in trade receivables	(0.14)	3.67
ii) (Increase)/decrease in loans and other assets	(3.98)	(12.03)
iii) (Increase)/decrease in other bank balances	(0.31)	(0.01)
iv) Increase/(decrease) in liabilities and provisions	3.19	9.21
	(1.24)	0.84
(Purchase)/sale of money market mutual funds, etc., net *	(37.47)	8.07
Net cash from operating activities before income-tax	656.99	336.00
Income-tax paid	(18.16)	(23.70)
Net cash flow from operating activities	638.83	312.30
Carried forward	638.83	312.30

Statement of Cash Flows (Contd.)

(₹ In Crore)

For the year ended 31 March

Particulars	For the year ended 31 March	
	2020	2019
Brought forward	638.83	312.30
II. Investing activities		
i) Purchases of capital assets	(55.24)	(27.07)
ii) Sales proceeds of assets	0.32	0.11
iii) Investment in subsidiaries*	(90.00)	(70.00)
iv) Sale of investments*	141.50	115.28
v) Purchase of investments*	(397.74)	(229.14)
vi) Investment in treasury shares by ESOP trust	(174.32)	(25.85)
Net cash used in investing activities	(575.48)	(236.67)
III. Financing activities		
i) Dividend paid	(119.05)	(27.84)
ii) Rights issue proceeds (net of expenses)	0.08	0.07
Net cash used in financing activities	(118.97)	(27.77)
Net change in cash and cash equivalents	(55.62)	47.86
Cash and cash equivalents as at the beginning of the year	59.97	12.11
Cash and cash equivalents as at the end of the year	4.35	59.97
	-	-

* As the Company is an investment company, dividend received and interest earned are considered as part of cash flow from operating activities. Purchase and sale of investments has been classified into operating and investing activity based on the intention of the Management at the time of purchase of securities.

Summary of significant accounting policies followed by the Company

2

As per our report of even date

For S R B C & CO LLP
ICAI Firm Registration Number: 324982E/E300003
Chartered Accountants

per Arvind Sethi
Partner
Membership Number: 89802
Pune: 21 May 2020

S Sreenivasan
Chief Financial Officer

Sonal R Tiwari
Company Secretary

On behalf of the Board of Directors

Sanjiv Bajaj
Chairman & Managing Director

Madhur Bajaj
Director

Notes to standalone financial statements for the year ended 31 March 2020

1 Bajaj Finserv Ltd. (the 'Company') is a public limited company domiciled in India and incorporated under the provisions of Companies Act, 1956. The Company is primarily engaged in the business of promoting financial services such as finance, insurance, wealth management, etc. through its investments in subsidiaries and joint ventures. The Company is also engaged in the business of generating power through wind turbines, a renewable source of energy. The Company's registered office is at Bajaj Auto Ltd. Complex, Mumbai-Pune road, Pune, Maharashtra, India. Its shares are listed on two recognised stock exchanges in India.

The Company has been recognised as a Core Investment Company (CIC) by the Reserve Bank of India (RBI) in terms of the regulations governing Non-Banking Financial Companies and is not required to be registered thereunder.

2 Significant accounting policies followed by the Company

2A Basis of preparation

These financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) notified under section 133 of the Companies Act, 2013 ('the Act') read together with the Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time, other relevant provisions of the Act and the RBI guidelines/regulations to the extent applicable on an accrual basis.

The financial statements have been prepared on a historical cost basis, except for certain financial assets and financial liabilities that are measured at fair value.

The financial statements are presented in INR, which is also the Company's functional currency and all values are rounded to the nearest crore (INR 0,000,000), except when otherwise indicated.

2B Summary of significant accounting policies followed by the Company

1. Use of estimates

Estimates and assumptions used in the preparation of the financial statements and disclosures are based upon Management's evaluation of the relevant facts and circumstances as of the date of the financial statements, which may differ from the actual results at a subsequent date.

2. Revenue recognition

A. Income

The Company recognises income (including rent, etc.) on accrual basis to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. However, where the ultimate collection of revenue lacks reasonable certainty, revenue recognition is postponed.

1. Interest income

Interest income from debt instruments is recognised using the effective interest rate (EIR) method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Company recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the instrument.

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk. The adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

2B Summary of significant accounting policies followed by the Company (Contd.)

the Balance Sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through Interest income in the Statement of Profit and Loss.

2. Dividends

Dividends are recognised in the Statement of Profit and Loss only when the right to receive payment is established, and it is probable that the economic benefits associated with the dividend will flow to the Company and that the amount of the dividend can be measured reliably.

3. Wind farm income

Income from wind-power generation is recognised on acceptance by Maharashtra State Electricity Distribution Company Ltd. (MSEDCL) of units generated and after giving allowance for wheeling and transmission losses over time as the customer simultaneously receives and consumes the benefits, as the services are rendered. Simultaneously, relevant entitlements for generating green energy are recognised to the extent the ultimate collection is reasonably certain.

A five-step model in line with Ind AS 115 is applied to account for revenue arising from contracts with customers and revenue is recognised at an amount that reflects the consideration to which Company expects to be entitled in exchange for transferring goods or services to a customer.

Company exercises judgment, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers.

4. Other income

The Company recognises income on accrual basis as it becomes due.

3. Property, plant and equipment and depreciation/amortisation

A. Property, plant and equipment

- i) Property, plant and equipment, capital work in progress except land are carried at cost of acquisition or construction as the case may be, less accumulated depreciation and amortisation. Land is carried at cost of acquisition. Cost comprises of the purchase price including import duties and non-refundable taxes, and directly attributable expenses incurred to bring the asset to the location and condition necessary for it to be capable of being operated in the manner intended by the Management. The Company identifies and determines cost of each component/part of the asset separately, if the component/part has a cost which is significant to the total cost of the asset and has useful life that is materially different from that of the remaining asset. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. Changes in the expected useful life are accounted for by changing the period or methodology, as appropriate, and treated as changes in accounting estimates. All other repair and maintenance costs are recognised in the Statement of Profit and Loss as incurred.
- ii) An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit and Loss when the asset is derecognised.

B. Depreciation and amortisation

a. Leasehold land

Premium on leasehold land is amortised over the period of lease.

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

2B Summary of significant accounting policies followed by the Company (Contd.)

b. On other tangible assets

- i. Depreciation is calculated using the straight line method to write down the cost of property and equipment (including components thereof) to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are, as follows:
 - Buildings – 60 years
 - Computers – 3 years
 - Others – furniture, electric fittings and office equipment – 3 to 22 years
- ii. Useful life of assets/components are determined by the Management by internal technical assessments.
- iii. Depreciation on additions is being provided on pro rata basis from the month of such additions.
- iv. Depreciation on assets sold, discarded or demolished during the year is being provided upto the month in which such assets are sold, discarded or demolished.
- v. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if necessary and appropriate.

C. Impairment of property, plant and equipment

An assessment is done at each Balance Sheet date as to whether there are any indications that an asset may be impaired. If any such indication exists, an estimate of the recoverable amount of the asset/Cash Generating Unit (CGU) is made. Where the carrying value of the asset/CGU exceeds the recoverable amount, the carrying value is written down to the recoverable amount.

4. Investment property

Land and buildings which are held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property. Investment property measured initially at its cost, including related transaction costs. Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance costs are expensed when incurred. Depreciation on investment property is provided on a pro rata basis on straight line method over the estimated useful lives. Useful life of assets, as assessed by the management, corresponds to those prescribed by Schedule II- Part 'C'.

5. Investments and financial assets

A. Investment in subsidiary, associates and joint venture

Interest in subsidiary, associates and joint venture are recognised at cost and not adjusted to fair value at the end of each reporting period. Cost represents amount paid for acquisition of the said investments. Loans and other similar arrangements with subsidiaries which are probable to be settled for a fixed number of equity shares of the borrower for a fixed price are classified as equity investments.

The Company assesses at the end of each reporting period, if there are any indications that the said investments may be impaired. If so, the Company estimates the recoverable value/amount of the investment and provides for impairment, if any i.e. the deficit in the recoverable value over cost.

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

2B Summary of significant accounting policies followed by the Company (Contd.)

B. Other investments and financial assets

I. Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (FVTOCI), or through profit or loss (FVTPL), and
- those measured at amortised cost.

The classification is done depending upon the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets classified as 'measured at fair value', gains and losses will either be recorded in profit or loss or other comprehensive income, as elected. For assets classified as 'measured at amortised cost', this will depend on the business model and contractual terms of the cash flows.

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- The expected frequency, value and timing of sales are also important aspects of the Company's assessment

If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test (Solely Payments of Principal and Interest)

As a second step of its classification process the Company assesses the contractual terms of financial instruments to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset.

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk.

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

2B Summary of significant accounting policies followed by the Company (Contd.)

II. Measurement

Initial Measurement

Financial assets are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. At initial recognition, the Company measures a financial asset at its fair value including, in the case of 'a financial asset not at FVTPL', transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at 'FVTPL' are expensed in profit or loss.

Subsequent Measurement

Subsequent measurement of financial assets depends on the Company's business model for managing the financial asset and the cash flow characteristics of the financial asset. There are two measurement categories into which the Company classifies its financial instruments:

Subsequently measured at amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost e.g. Debentures, Bonds etc. A gain or loss on a financial asset that is subsequently measured at amortised cost is recognised in the Statement of Profit and Loss when the asset is derecognised or impaired. Interest income from these financial assets is included in investment income using the effective interest rate method.

Subsequently measured at FVTPL

Financial assets that do not meet the criteria for amortised cost, are measured at FVTPL e.g. investments in mutual funds. A gain or loss on a financial asset that is subsequently measured at FVTPL is recognised in profit or loss and presented net in the Statement of Profit and Loss with other gains/(losses) in the period in which it arises.

III. Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk and if so, assess the need to provide for the same in the Statement of Profit and Loss.

The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables.

The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument.

Since the Company makes investments in highly rated fixed income securities, which are categorised as 'subsequently measured at amortised cost', the risk parameters such as tenor, the probability of default corresponding to the credit rating by rating agency (viz. CRISIL, ICRA), for each of these instruments is considered in estimating the probable credit loss over life time of such securities.

ECL impairment loss allowance (or reversal) is recognised during the period only if material and is recognised as income/expense in the Statement of Profit and Loss. This amount is reflected under the head 'other expenses' in the Statement of Profit and Loss.

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

2B Summary of significant accounting policies followed by the Company (Contd.)

Financial assets measured at amortised cost and revenue receivables: ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the Balance Sheet. The allowance reduces the net carrying amount. Until the asset meets write-off criteria, the Company does not reduce impairment allowance from the gross carrying amount.

IV. Reclassification of financial assets and liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified. The Company did not reclassify any of its financial assets or liabilities in 2019-20 and 2018-19.

V. Derecognition of financial assets

A financial asset is derecognised only when Company has transferred the rights to receive cash flows from the financial asset. Where the entity has transferred an asset, the Company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised.

6. Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

7. Employee benefits

A. Compensated absences and long-term incentive plan

Compensated absences entitlements are recognised as a liability, in the calendar year of rendering of service, as per the rules of the Company. As accumulated leave can be availed and/or encashed at any time during the tenure of employment the liability is recognised on the basis of an independent actuarial valuation.

The Company's liability towards long-term incentive plan, being a defined benefit plan, is accounted for on the basis of an independent actuarial valuation.

They are therefore measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields at the end of the reporting period that have terms approximating to the terms of the related obligation.

Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in Statement of Profit and Loss.

B. Gratuity

Payment for present liability of future payment of gratuity is being made to approved gratuity fund, which fully covers the same under Cash Accumulation Policy and Debt fund of the Life Insurance Corporation of India (LIC) and Bajaj Allianz Life Insurance Company Ltd. (BALIC). However, any deficit in plan assets managed by LIC and BALIC as compared to the liability on the basis of an independent actuarial valuation is recognised as a liability.

The liability or asset recognised in the Balance Sheet in respect of defined benefit gratuity plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income.

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

2B Summary of significant accounting policies followed by the Company (Contd.)

C. Employee stock option scheme

The fair value of options granted under the Bajaj Finserv Ltd. - Employee Stock Option Scheme (BFS-ESOS) is recognised as an employee benefits expenses with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g., the entity's share price)
- excluding the impact of any service and non-market performance conditions (e.g., continuance of an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions

The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

In case of forfeiture/lapse stock option, which is not vested, amortised portion is reversed by credit to employee compensation expense. In a situation where the stock option expires unexercised, the related balance standing to the credit of the share based payments reserve is transferred within other equity.

D. Treasury shares

The Company has created an employee benefit trust (EBT) for providing share based payment to its employees. The Company uses EBT as a vehicle for distributing shares to employees under the Employee Stock Option Scheme. The EBT purchases shares of the Company from the market, for giving shares to employees. The Company treats EBT as its extension and shares held by EBT are treated as treasury shares.

Own equity instruments that are re-acquired (treasury shares) are recognised at cost and deducted from other equity. No gain or loss is recognised in the Statement of Profit and Loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued or sold, is recognised in capital reserve. Share options exercised during the reporting period are settled with treasury shares.

E. Defined contribution plans

The Company operates three defined contribution plans for its employees:

- Contribution to superannuation fund as per the scheme of the Company
- Contribution to provident fund is made to Government Provident Fund Authority
- Contribution to Employees Pension Scheme 1995 is made to Government Provident Fund Authority

The Company recognises contribution payable to these fund/schemes as an expenditure, when an employee renders the related service. If the contribution payable to the scheme for service received before the balance sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognised as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the balance sheet date, then excess is recognised as an asset to the extent that the prepayment will lead to, for example, a reduction in future payment or a cash refund.

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

2B Summary of significant accounting policies followed by the Company (Contd.)

8. Taxation

- a) Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, in accordance with the Income Tax Act, 1961 and the Income Computation and Disclosure Standards prescribed therein. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.
- b) Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Current tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.
- c) Minimum Alternate Tax (MAT) in respect of a year is charged to the Statement of Profit and Loss as current tax for the year. The deferred tax asset is recognised for MAT credit available only to the extent that it is probable that the Company will pay normal income tax and thereby utilising MAT credit during the specified period, i.e., the period for which MAT credit is allowed to be carried forward and utilised. In the year in which the Company recognises MAT credit as an asset, it is created by way of credit to the Statement of Profit and Loss and shown as part of deferred tax asset. The Company reviews the 'MAT credit entitlement' asset at each reporting date and writes down the asset to the extent that it is no longer probable that it will pay normal tax during the specified period.
- d) Deferred tax is provided using the asset-liability method on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.
- e) Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences.
- f) The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.
- g) Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.
- h) Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

9. Goods and service tax/value added taxes paid on acquisition of assets or on incurring expenses.

Expenses and assets are recognised net of the goods and services tax/value added taxes paid, except:

- When the tax incurred on a purchase of assets, goods or services is not eligible for recovery from the taxation authority, in which case, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of tax included

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

2B Summary of significant accounting policies followed by the Company (Contd.)

10. Provisions and contingent liabilities

The Company creates a provision when there is present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When the likelihood of outflow of resources is remote, no provision or disclosure is made.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

11. Operating leases including investment properties

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

a) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to note 3C for accounting policies on impairment of non-financial assets.

b) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments primarily comprise of fixed payments.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

c) Short term leases

The Company applies the short-term lease recognition exemption to its short-term leases of office spaces (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

2B Summary of significant accounting policies followed by the Company (Contd.)

As a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

12. Cash and cash equivalents

For the purpose of presentation in the Statement of Cash Flows, cash and cash equivalents includes cash on hand, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

13. Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. Earnings considered in ascertaining the Company's earnings per share is the net profit for the period. The weighted average number of equity shares outstanding during the period and all periods presented is adjusted for events, such as bonus shares, other than the conversion of potential equity shares that have changed the number of equity shares outstanding without a corresponding change in resources. For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of share outstanding during the period is adjusted for the effects of all dilutive potential equity shares.

14. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Core Management Committee which includes the Chairman & Managing Director who is the Chief Operating Decision Maker. The Core Management Committee examines performance both from product and a geographical perspective.

15. Foreign currency translation

Functional and presentational currency

The standalone financial statements are presented in INR which is also functional currency of the Company.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date. All differences arising on non-trading activities are taken to other income/expense in the Statement of Profit and Loss.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

16. Dividends on equity shares

The Company recognises a liability to make cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

2B Summary of significant accounting policies followed by the Company (Contd.)

17. Fair value measurement

The Company measures financial instruments, such as, investment in mutual funds at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Company has set policies and procedures for both recurring and non-recurring fair value measurement of financial assets, which includes valuation techniques and inputs to use for each case.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

3 Cash and cash equivalents

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Balances with banks	4.35	10.69
Cash equivalents		
Certificate of Deposits with maturity of less than three months from date of acquisition	–	49.28
	4.35	59.97

4 Bank balances other than cash and cash equivalents

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Unclaimed dividend accounts	0.61	0.30
	0.61	0.30

5 Trade Receivables

(Unsecured, considered good, unless stated otherwise)

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Good	0.43	0.29
	0.43	0.29

No trade or other receivable are due from directors or other officers of the company either severally or jointly with any other person. Nor any trade or other receivable are due from firms or private companies respectively in which any director is a partner, a director or a member.

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

6 Investments

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
A Investment in subsidiaries and joint venture		
Investment in equity instruments carried at cost		
In subsidiaries		
Bajaj Finance Ltd.	1,910.73	1,910.73
Bajaj Allianz Life Insurance Co. Ltd.	111.53	111.53
Bajaj Allianz General Insurance Co. Ltd.	81.57	81.57
Bajaj Finserv Direct Ltd. (formerly Bajaj Financial Holdings Ltd.)	2.50	2.50
Bajaj Finserv Health Ltd.	2.50	-
Deemed equity at cost for Bajaj Finserv Direct Ltd. (formerly Bajaj Financial Holdings Ltd.)*	125.00	70.00
Deemed equity at cost for Bajaj Finserv Health Ltd.*	32.50	-
Deemed equity at cost on account of ESOP scheme	15.24	-
Cost	2,281.57	2,176.33
In joint venture		
Bajaj Allianz Financial Distributors Ltd.	1.20	1.20
Cost	1.20	1.20
Total (A)	2,282.77	2,177.53
B Other investments		
Investments carried at amortised cost		
In debt securities		
Bajaj Finance Ltd.	912.45	750.65
Amortised cost	912.45	750.65
In certificate of deposits		
Small Industries Development Bank Of India	47.45	-
Axis Bank Ltd.	23.73	-
National Bank For Agriculture And Rural Development Ltd.	23.87	-
Amortised cost	95.05	-
Investments carried at fair value through profit and loss		
In mutual funds		
ICICI Prudential Liquid Fund- Direct Plan- Growth	-	9.22
SBI Liquid Fund- Direct Growth	39.73	-
Nippon India Overnight Fund - Direct Growth Plan	10.00	-
Fair value	49.73	9.22
Total (B)	1,057.23	759.87
Total Investments (C) = (A) + (B)	3,340.00	2,937.40

* Refer note 2B. 5) A.

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

7 Other financial assets

(Unsecured, considered good, unless stated otherwise)

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Credit receivable for windpower generated	2.22	4.53
REC sale proceeds/REC receivable ₹ 45,313 (31 March 2019: ₹ 28,826)		
Interest receivable on investments	54.13	34.62
Security deposits	1.34	4.84
Other receivables	3.84	6.91
	61.53	50.90

8 Deferred tax assets (net)

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Deferred tax liabilities		
On account of timing difference in Property, plant and equipment	9.20	9.01
Retiral and other employee benefits:		
Defined benefit plan provisions - P&L	0.88	-
Gross deferred tax liabilities	10.08	9.01
Deferred tax assets		
On account of timing difference in		
Retiral and other employee benefits:		
Provision for compensated absences	0.61	0.59
Defined benefit plan provisions - P&L	-	0.08
Defined benefit plan provisions - OCI	1.60	0.66
Financial instruments		
Amortisation of premium/discount on acquisition of fixed income securities	0.11	0.06
MAT credit entitlement	15.70	15.70
Gross deferred tax assets	18.02	17.09
	7.94	8.08

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

8 Deferred tax assets (net) (Contd.)

Movement in deferred tax assets

(₹ In Crore)

Particulars	Property, plant and equipment	Financial instruments	Retiral and other employee benefits	MAT credit entitlement	Total
At 31 March 2018	(8.85)	0.19	1.32	15.70	8.36
(Charged)/credited					
To profit and loss	(0.16)	(0.13)	(0.51)	-	(0.80)
To other comprehensive income	-	-	0.52	-	0.52
At 31 March 2019	(9.01)	0.06	1.33	15.70	8.08
(Charged)/credited					
To profit and loss	(0.19)	0.05	(0.94)	-	(1.08)
To other comprehensive income	-	-	0.94	-	0.94
At 31 March 2020	(9.20)	0.11	1.33	15.70	7.94

9 Investment property

(₹ In Crore)

Particulars	As at 31 March	
	2020	2019
Gross carrying amount		
Opening balance	8.25	8.25
Additions	-	-
Closing balance	8.25	8.25
Accumulated depreciation		
Opening balance	2.62	2.49
Depreciation charge	0.13	0.13
Closing balance	2.75	2.62
Net carrying amount	5.50	5.63

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

9 Investment property (Contd.)

i) Amounts recognised in profit or loss for investment properties

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2020	2019
Rental income	2.16	2.05
Direct operating expenses from property that generated rental income	(0.03)	(0.03)
Profit from investment properties before depreciation	2.13	2.02
Depreciation	(0.13)	(0.13)
Profit from investment property	2.00	1.89

ii) Contractual obligations

There are no contractual obligations to purchase, construct or develop investment property.

iii) Leasing arrangements

Investment properties are leased out to tenants under operating leases. Disclosure on future rent receivable is included in Note 32.

iv) Fair value

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Investment property	39.29	39.29

Estimation of fair value

The best evidence of fair value is current prices in an active market for similar properties. Investment properties leased out by the Company are cancellable leases. The market rate for sale/purchase of such premises are representative of fair values. Company's investment properties are at a location where active market is available for similar kind of properties. Hence fair value is ascertained on the basis of market rates prevailing for similar properties in those location determined by an independent registered valuer and consequently classified as a level 2 valuation.

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

10 Property, plant and equipment

Current year

(₹ In Crore)

Particulars	Gross block (a)			As at 31 March 2020	Accumulated depreciation			Net block	
	As at 1 April 2019	Additions	Deductions/ adjustments		As at 1 April 2019	Deductions/ adjustments	For the year (a)	As at 31 March 2020	As at 31 March 2020
Land freehold (c)	18.95	28.17	-	47.12	-	-	-	-	47.12
Land leasehold	8.19	-	-	8.19	-	-	-	-	8.19
Buildings (b)	28.47	43.21	-	71.68	6.45	-	0.88	7.33	64.35
Waterpumps, Reservoirs and Mains	-	0.94	-	0.94	-	-	0.02	0.02	0.92
Computers	1.53	1.09	-	2.62	1.21	-	0.26	1.47	1.15
Electric fittings	0.47	6.93	-	7.40	0.40	-	0.33	0.73	6.67
Furniture	1.99	4.66	-	6.65	1.50	-	0.48	1.98	4.67
Office equipment	2.10	0.01	0.10	2.01	1.81	0.07	0.09	1.83	0.18
Vehicles	4.97	3.57	1.02	7.52	1.70	0.33	0.71	2.08	5.44
Wind energy generators	283.72	-	-	283.72	269.53	-	-	269.53	14.19
Total	350.39	88.58	1.12	437.85	282.60	0.40	2.77	284.97	152.88

Previous year

(₹ In Crore)

Particulars	Gross block (a)			As at 31 March 2019	Accumulated depreciation			Net block	
	As at 1 April 2018	Additions	Deductions/ adjustments		As at 1 April 2018	Deductions/ adjustments	For the year (a)	As at 31 March 2019	As at 31 March 2019
Land freehold (c)	18.95	-	-	18.95	-	-	-	-	18.95
Land leasehold	8.19	-	-	8.19	-	-	-	-	8.19
Buildings (b)	28.47	-	-	28.47	6.04	-	0.41	6.45	22.02
Computers	1.27	0.28	0.02	1.53	1.15	0.02	0.08	1.21	0.32
Electric fittings	0.47	-	-	0.47	0.34	-	0.06	0.40	0.07
Furniture	1.95	0.04	-	1.99	1.27	-	0.23	1.50	0.49
Office equipment	2.06	0.04	-	2.10	1.70	-	0.11	1.81	0.29
Vehicles	3.66	1.56	0.25	4.97	1.31	0.14	0.53	1.70	3.27
Wind energy generators	283.72	-	-	283.72	269.53	-	-	269.53	14.19
Total	348.74	1.92	0.27	350.39	281.34	0.16	1.42	282.60	67.79

(a) Refer note 2B clause 3) of summary of significant accounting policies.

(b) Excludes premises held as investment properties and given on lease disclosed as an investment. Correspondingly depreciation for the year on investment property amounting to ₹ 0.13 crore (Previous year ₹ 0.13 crore) has been reduced from the said Investments under note 9.

(c) Includes proportionate ownership in land consequent to acquisition of office premises under a Deed of Apartment, at an attributed cost of ₹ 2.94 crore.

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

11 Other non-financial assets

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Capital advances	1.04	6.80
VAT refund receivable	0.88	1.42
Others	0.39	0.74
	2.31	8.96

12 Other financial liabilities

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Unclaimed dividend	0.61	0.30
Directors' remuneration and commission payable	8.23	5.94
Employee benefits payable	17.65	14.10
Security deposits	2.14	2.14
Others	3.89	1.94
	32.52	24.42

13 Provisions

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Provision for employee benefits [See note 29]		
Provision for gratuity	2.43	2.54
Provision for compensated absences	2.11	2.04
Provision for long-term incentive plan	4.26	5.28
	8.80	9.86

14 Other non-financial liabilities

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Taxes and duties payable	3.49	1.31
Other payables	0.41	0.30
	3.90	1.61

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

15 Equity share capital

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Authorised		
200,000,000 equity shares of ₹ 5 each	100.00	100.00
Issued, subscribed and fully paid-up shares		
159,137,290 (31 March 2019: 159,136,111) equity shares of ₹ 5 each	79.57	79.57
	79.57	79.57

a. Reconciliation of the shares outstanding at the beginning and at the end of the year

Particulars	As at 31 March 2020		As at 31 March 2019	
	Nos.	₹ In Crore	Nos.	₹ In Crore
Equity shares				
At the beginning of the year	159,136,111	79.57	159,135,097	79.57
Equity shares earlier held in abeyance, issued during the year [See note 15 d.]	1,179		1,014	
Outstanding at the end of the year	159,137,290	79.57	159,136,111	79.57

b. Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 5 per share. Each holder of equity shares is entitled to one vote per share. The interim dividend declared by the Board of Directors and the final dividend proposed by the Board of Directors and approved by the shareholders in the annual general meeting is paid in Indian rupees. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

c. Details of shareholders holding more than 5% shares in the Company

Particulars	As at 31 March 2020		As at 31 March 2019	
	Nos.	% Holding	Nos.	% Holding
Equity shares of ₹ 5 each fully paid				
Bajaj Holdings & Investment Ltd.	62,314,214	39.16%	62,314,214	39.16%
Jamnalal Sons Pvt. Ltd.	15,345,384	9.64%	15,270,784	9.60%

d. Shares reserved for issue at a subsequent date

14,571 (31 March 2019: 15,750) equity shares of ₹ 5 each offered by way of right in an earlier year, have been held in abeyance pending adjudication of title and subscription thereafter.

During the year, the Company issued and allotted 1,179 of such equity shares at the offered price of ₹ 650, thereby collecting ₹ 0.08 crore as premium.

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

16 Other equity

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
a. Reserves and surplus		
Securities premium		
Balance as at the beginning of the year	929.18	929.11
Add: Received during the year (Refer note 15 d.)	0.08	0.07
Balance as at the end of the year	929.26	929.18
General reserve		
Balance as at the beginning and the end of the year	1,197.14	1,197.14
Share based payments reserve		
Balance as at the beginning of the year	3.04	-
Add: Movement during the year	14.17	3.04
Add: Deemed equity at cost on account of ESOP scheme	15.24	-
Balance as at the end of the year	32.45	3.04
Treasury shares		
Balance as at the beginning of the year	(25.85)	-
Add: Movement during the year	(174.32)	(25.85)
Balance as at the end of the year	(200.17)	(25.85)
Retained earnings		
Balance as at the beginning of the year	951.98	673.93
Profit for the year	666.86	307.17
Items of other comprehensive income recognised directly in retained earnings		
Actuarial losses of defined benefit plans	(2.30)	(1.27)
Less: Appropriations		
Final dividend, declared and paid during the year	39.79	27.85
Interim dividend, declared and paid during the year	79.57	-
Total appropriations	119.36	27.85
Balance as at the end of the year	1,497.18	951.98
	3,455.86	3,055.49

b. Nature and purpose of reserve**Securities premium**

Securities premium is used to record the premium on issue of shares. The reserve can be utilised only for limited purposes such as issuance of bonus shares in accordance with the provisions of the Companies Act, 2013.

General reserve

General reserve is free reserve available for distribution as recommended by Board in accordance with requirements of the Companies Act, 2013.

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

16 Other equity (Contd.)**Share based payments reserve**

Share based payments reserve is created as required by Ind AS 102 'Share Based Payments' on the employee stock option scheme operated by the Company for its employees.

Treasury shares

The reserve for shares of the Company held by the BFS ESOP Trust (ESOP Trust). Company has issued employees stock option scheme for its employees. The equity shares of the Company have been purchased and held by ESOP Trust. Trust to issue and allot to employees at the time of exercise of option by employees.

17 Interest income

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2020	2019
Interest income on		
Investments (at amortised cost)	67.17	59.15
Others	0.11	0.16
	67.28	59.31

18 Windpower income

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2020	2019
Income from power generation (within India)	26.53	59.11
Income from Renewable Energy Certificates (REC) (within India)	12.70	11.99
	39.23	71.10

19 Net gain on fair value changes

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2020	2019
Net gain/(loss) on financial instruments at fair value through profit or loss		
On trading portfolio		
Debt instrument at FVTPL	3.04	3.73
Others		
Gain on sale of debt instrument at amortised cost	0.01	0.10
Total net gain on fair value changes	3.05	3.83
Fair value changes		
Realised	2.92	3.82
Unrealised	0.13	0.01
	3.05	3.83

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

20 Other income

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2020	2019
Business support service	35.20	25.34
Miscellaneous receipts	0.08	0.03
Provision no longer required	0.02	0.14
	35.30	25.51

21 Employee benefits expenses

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2020	2019
Salaries, wages and bonus to employees	66.30	47.60
Contribution to provident and other funds	3.82	2.52
Share based payments to employees	14.17	3.04
Staff welfare expenses	0.43	0.37
	84.72	53.53

22 Depreciation, amortisation and impairment

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2020	2019
Depreciation on property, plant and equipment	2.77	1.42
Depreciation on investment property	0.13	0.13
	2.90	1.55

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

23 Other expenses

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2020	2019
Rent	0.59	0.39
Repairs to buildings	1.83	1.22
Repairs to machinery - windmill	8.43	8.10
Repairs to others	0.09	0.06
Energy generation expenses	9.60	40.90
REC registration, issuance and brokerage charges	0.37	0.33
Rates and taxes	0.64	0.67
Insurance	0.50	0.44
Payment to auditor	0.24	0.28
Directors' fees and travelling expenses	0.68	0.55
Commission to non-executive directors	1.16	0.62
Travelling (including foreign travel) expenses	0.81	0.48
Business support service expenses	1.70	0.99
Expenditure towards Corporate Social Responsibility (CSR) activities	1.20	1.53
Legal and professional charges	2.95	1.76
Miscellaneous expenses	14.87	9.17
	45.66	67.49
Payment to auditor		
As auditor		
Audit fee	0.11	0.11
Tax audit fee	0.02	0.02
Limited review	0.09	0.08
Other services (certification fees and other matters)	-	0.04
Reimbursement of expenses	0.02	0.02
Tax on above charged to Statement of Profit and Loss	-	0.01
	0.24	0.28
Expenditure towards Corporate Social Responsibility (CSR) activities		
Gross amount required to be spent by the Company during the year	1.16	1.44
Amount spent in cash during the year on:		
(i) Construction/acquisition of any asset	-	-
(ii) On purpose other than (i) above	1.20	1.53
	1.20	1.53

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

24 Tax expense

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2020	2019
(a) Tax expense		
Current tax		
Current tax on profits for the year	13.94	18.02
Total current tax expense	13.94	18.02
Deferred tax		
Decrease/(increase) in deferred tax assets	(0.05)	0.64
(Decrease)/increase in deferred tax liabilities	1.13	0.16
Total deferred tax expense/(benefit)	1.08	0.80
Tax expense	15.02	18.82
(b) Reconciliation of tax expense and the accounting profit multiplied by Statutory tax rate		
Profit before tax	681.88	325.99
Tax at the Indian tax rate of 29.12% (Previous year - 29.12%)	198.56	94.93
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Corporate social responsibility expenditure	0.28	0.34
Disallowance under section 14A	6.14	6.14
Others	4.78	1.08
Tax effect of amounts which are deductible (non taxable) in calculating taxable income		
Dividend income	(194.56)	(83.50)
Disallowance of expenditure incurred on rented property (net)	(0.18)	(0.17)
Tax expense	15.02	18.82

25 Earnings per share (EPS)

Particulars	For the year ended 31 March	
	2020	2019
Profit for the year (₹ In Crore)	666.86	307.17
Weighted average number of shares outstanding during the year (Nos)	159,136,747	159,135,642
Weighted average number of shares outstanding during the year (Nos) - Diluted	159,173,555	159,159,216
Earnings per share (Basic) ₹	41.9	19.3
Earnings per share (Diluted) ₹	41.9	19.3
Face value per share ₹	5.0	5.0

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

26 Contingent liabilities

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
a. Claims against the Company not acknowledged as debts	8.53	8.53
b. Income-tax matters under dispute Appeal by Company	5.10	2.24
c. Value Added Tax (VAT) and service tax matters under dispute	1.23	1.82

In all the cases mentioned above, outflow is not probable and hence not provided by the Company.

27 Capital and other commitments

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Capital commitments, net of capital advances	-	11.07

28 Details of windpower generation and turnover

Particulars	For the year ended 31 March	
	2020	2019
	Credit for units brought forward from previous year	
In units (In Lakh)	73	48
In value (₹ In Crore)	4.53	2.75
Generated, during the year		
In units (In Lakh)	792	876
In value (₹ In Crore)	26.53	59.11
Sold, during the year		
In units (In Lakh)	792	851
In value (₹ In Crore)	28.84	57.33
Credits receivable		
In units (In Lakh)	73	73
In value (₹ In Crore)	2.22	4.53

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

29 Employee benefits plan

Liability for employee benefits has been determined by an actuary, appointed for the purpose, in conformity with the principles set out in the Indian Accounting Standard 19 the details of which are as hereunder.

Funded schemes

Gratuity

The Company provides for gratuity payments to employees. The gratuity benefit payable to the employees of the Company is greater of the provisions of the Payment of Gratuity Act, 1972 and the Company's gratuity scheme. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The gratuity plan is a funded plan and the Company makes contributions to approved gratuity fund.

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Amount recognised in Balance Sheet		
Present value of funded defined benefit obligation	16.83	11.64
Fair value of plan assets	14.40	9.10
Net funded obligation	2.43	2.54
Expense recognised in the Statement of Profit and Loss		
Current service cost	0.96	0.48
Interest on net defined benefit liability/(asset)	0.16	0.24
Total expense charged to statement of profit and loss	1.12	0.72
Amount recorded as Other Comprehensive Income		
Opening amount recognised in OCI outside statement of profit and loss	2.20	0.40
Remeasurements during the period due to		
Changes in financial assumptions	1.21	0.05
Change in demographic assumptions	-	0.01
Experience adjustments	2.22	1.90
Actual return on plan assets less interest on plan assets	(0.19)	(0.16)
Closing amount recognised in OCI outside statement of profit and loss	5.44	2.20
Reconciliation of net liability/(asset)		
Opening net defined benefit liability/(asset)	2.54	3.62
Expense charged to statement of profit and loss	1.12	0.72
Amount recognised outside statement of profit and loss	3.24	1.80
Employer contributions	(4.47)	(3.60)
Closing net defined benefit liability/(asset)	2.43	2.54

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

29 Employee benefits plan (Contd.)**Funded schemes** (Contd.)

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Movement in benefit obligation		
Opening of defined benefit obligation	11.64	7.06
Current service cost	0.96	0.48
Interest on defined benefit obligation	0.80	0.47
Remeasurements due to		
Actuarial loss/(gain) arising from change in financial assumptions	1.21	0.05
Actuarial loss/(gain) arising from change in demographic assumptions	-	0.01
Actuarial loss/(gain) arising on account of experience changes	2.22	1.90
Benefits paid	-	1.67
Closing of defined benefit obligation	16.83	11.64
Movement in plan assets		
Opening fair value of plan assets	9.10	3.44
Employer contributions	4.47	3.60
Interest on plan assets	0.64	0.23
Administration expenses	-	-
Remeasurements due to		
Actual return on plan assets less interest on plan assets	0.19	0.16
Benefits paid	-	-
Assets acquired/(settled)*	-	1.67
Assets distributed on settlements	-	-
Closing fair value of plan assets	14.40	9.10
Disaggregation of assets		
Category of assets		
Insurer managed funds.	14.40	9.10
Others	-	-
Grand Total	14.40	9.10

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

29 Employee benefits plan (Contd.)

Funded schemes (Contd.)

Sensitivity Analysis

Gratuity is a lump sum plan and the cost of providing these benefits is typically less sensitive to small changes in demographic assumptions. The key actuarial assumptions to which the benefit obligation results are particularly sensitive to are discount rate and future salary escalation rate. The following table summarises the impact in percentage terms on the reported defined benefit obligation at the end of the reporting period arising on account of an increase or decrease in the reported assumption by 50 basis points.

Particulars	As at 31 March 2020		As at 31 March 2019	
	Discount rate	Salary escalation rate	Discount rate	Salary escalation rate
Senior staff				
Impact of increase in 50 bps on DBO	(3.72%)	3.80%	(3.77%)	3.89%
Impact of decrease in 50 bps on DBO	3.93%	(3.63%)	3.99%	(3.71%)
Junior staff				
Impact of increase in 50 bps on DBO	(9.99%)	11.01%	(8.70%)	9.57%
Impact of decrease in 50 bps on DBO	11.42%	(9.76%)	9.84%	(8.57%)

These sensitivities have been calculated to show the movement in defined benefit obligation in isolation and assuming there are no other changes in market conditions at the accounting date. There have been no changes from the previous periods in the methods and assumptions used in preparing the sensitivity analysis.

Funding arrangement and policy

The money contributed by the Company to the fund to finance the liabilities of the plan has to be invested.

The trustees of the plan have outsourced the investment management of the fund to insurance companies. The insurance companies in turn manage these funds as per the mandate provided to them by the trustees and the asset allocation which is within the permissible limits prescribed in the insurance regulations.

There is no compulsion on the part of the Company to fully pre fund the liability of the Plan. The Company's philosophy is to fund the benefits based on its own liquidity and tax position as well as level of under funding of the plan.

The expected contribution payable to the plan next year is ₹ 0.95 crore

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

29 Employee benefits plan (Contd.)**Funded schemes** (Contd.)**Projected plan cash flow**

The table below shows the expected cash flow profile of the benefits to be paid to the current membership of the plan

Particulars	Less than a year	Between 1 – 2 years	Between 2 – 5 years	Over 5 years	Total
31 March 2020					
Senior staff	2.89	0.15	0.71	24.55	28.30
Junior staff	0.05	0.01	0.03	5.36	5.45
31 March 2019					
Senior staff	2.58	0.11	0.43	19.12	22.24
Junior staff	0.04	-	0.02	2.38	2.44

Particulars	As at 31 March	
	2020	2019
Weighted average duration of defined benefit obligation (in years)		
Senior Staff	7.65	7.76
Junior Staff	21.34	18.49

Principal Actuarial Assumptions (Expressed as Weighted Averages)

Particulars	As at 31 March	
	2020	2019
Discount rate (p.a.)	6.80%	7.70%
Salary escalation rate (p.a.) – senior staff	10.00%	10.00%
Salary escalation rate (p.a.) – junior staff	10.00%	10.00%

The estimates of future salary increases, considered in actuarial valuation, takes into account, inflation, seniority, promotions and other relevant factors, such as demand and supply in the employment market.

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

29 Employee benefits plan (Contd.)

Unfunded schemes

Particulars	As at 31 March 2020		As at 31 March 2019	
	Compensated Absences	Long-term incentive plan	Compensated Absences	Long-term incentive plan
Present value of unfunded obligations	2.11	4.26	2.04	5.28
Expense recognised in the Statement of Profit and Loss	1.50	0.35	1.28	0.42
Amount recorded as Other Comprehensive Income	-	-	-	-
Discount rate (p.a.)	6.80%	6.80%	7.70%	7.70%
Salary escalation rate (p.a.) – senior staff	10.00%	N.A	10.00%	N.A
Salary escalation rate (p.a.) – junior staff	10.00%	N.A	10.00%	N.A

Amount recognised in the Statement of Profit and Loss

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Defined contribution plans		
Provident fund paid to Government authorities	2.00	1.29
Superannuation paid to trust	0.57	0.43
Pension fund paid to Government authorities	0.10	0.06
Others	0.01	-
Defined Benefit Plans		
Gratuity	1.12	0.72
Others	0.02	0.02
Total	3.82	2.52

30 Segment Information

Segment information based on consolidated financial statements is given in note 43 to consolidated financial statements.

The Company has disclosed the business segments as primary reporting segment on the basis that risks and returns are primarily determined by the nature of products and services. Consequently, geographical segment has been considered as a secondary segment.

The business segments have been identified on the basis of the nature of products and services, the risks and returns and internal performance reporting systems.

The business segments comprise the following:

- i. Insurance
- ii. Windmill
- iii. Retail financing
- iv. Investments and others

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

31 Disclosure of transactions with related parties as required by Ind AS 24

(₹ In Crore)

Name of the related party and nature of relationship	Nature of transaction	2019-20		2018-19	
		Transaction value	Outstanding amounts carried in Balance Sheet	Transaction value	Outstanding amounts carried in Balance Sheet
A Subsidiaries:					
Bajaj Allianz General Insurance Co. Ltd. (74% shares held by Bajaj Finserv Ltd.)	Contribution to equity (81,568,165 shares of ₹ 10 each)	-	81.57	-	81.57
	Dividend received	81.57	-	81.57	-
	Rent received	2.14	-	2.03	-
	Deposit received	-	(2.14)	0.27	(2.14)
	Insurance premium paid	0.60	0.70	0.35	0.37
	Business support service rendered	6.10	-	3.54	-
	Revenue expenses reimbursement received	0.34	-	1.03	-
Bajaj Allianz Life Insurance Co. Ltd. (74% shares held by Bajaj Finserv Ltd.)	Contribution to equity (111,524,660 shares of ₹ 10 each)	-	111.53	-	111.53
	Dividend received	78.07	-	78.07	-
	Business support service rendered	7.31	3.84	3.83	2.52
	Insurance expense	0.05	-	-	-
	Revenue expenses reimbursement received	0.34	-	1.03	-
Bajaj Finance Ltd. (52.82% shares held by Bajaj Finserv Ltd. previous year 54.99%)	Contribution to equity (317,816,130 shares of ₹ 2 each)	-	1,910.73	-	1,910.73
	Investment/(Redeemed) in non-convertible debentures/ Commercial Paper	-	910.00	-	751.00
	Redemption of Non-convertible debenture	141.00	-	10.00	-
	Interest received on non-convertible debentures	57.73	-	64.01	-
	Dividend received	508.51	-	127.13	-
	Employee car transfer	0.16	-	0.51	-
	Licences fee received	-	-	-	-
	Business support services received	1.10	-	0.34	-
	Business support services rendered	21.13	-	16.55	4.35
	Revenue expenses reimbursement paid	-	-	0.07	-
	Revenue expenses reimbursement received	-	-	0.86	-
Bajaj Finserv Direct Ltd. (formerly Bajaj Financial Holdings Ltd.) (Fully owned subsidiary)	Contribution to equity (2,500,000 shares of ₹ 10 each)	-	2.50	-	2.50
	Loan given to Bajaj Finserv Direct Ltd	55.00	125.00	70.00	70.00
	Security deposit paid and refunded	-	-	0.01	-
	Licences fee received	-	-	-	-
	Business support service received	0.05	-	0.14	-
	Rent received	-	-	0.02	-
	Revenue expenses reimbursement received	-	-	0.07	-
Bajaj Finserv Health Ltd. (Fully owned subsidiary)	Contribution to equity (2,499,994 shares of ₹ 10 each)	2.50	2.50	-	-
	Loan given to Bajaj Finserv Health Ltd	32.50	32.50	-	-
	Business support service rendered	0.66	-	-	-
	Revenue expenses reimbursement received	1.54	-	-	-
Bajaj Housing Finance Ltd. (Fellow subsidiary)	Revenue expenses reimbursement received	-	-	0.03	0.03
Bajaj Financial Securities Ltd. (Fellow subsidiary)	Nil	-	-	-	-
B Associates, joint ventures and investing parties:					
Bajaj Holdings & Investment Ltd. (investing party)	Shares of BFS held by BHIL (62,314,214 shares of ₹ 5 each)	-	(31.16)	-	(31.16)
	Dividend paid	46.74	-	10.90	-

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

31 Disclosure of transactions with related parties as required by Ind AS 24 (Contd.)

(₹ In Crore)

Name of the related party and nature of relationship	Nature of transaction	2019-20		2018-19	
		Transaction value	Outstanding amounts carried in Balance Sheet	Transaction value	Outstanding amounts carried in Balance Sheet
	Business support services received	0.12	-	0.08	-
	Revenue expenses reimbursement paid	0.48	-	0.04	-
Bajaj Allianz Financial Distributors Ltd. (a joint venture - 50% shares held by Bajaj Finserv Ltd.)	Contribution to equity (1,200,000 shares of ₹ 10 each)	-	1.20	-	1.20
	Services received	1.72	-	1.05	-
	Business support services rendered	-	-	0.03	-
Bajaj Allianz Staffing Solutions Ltd. (Fully owned subsidiary of Bajaj Allianz Financial Distributors Ltd.)	Business support services received	0.08	-	-	-
C Key management personnel and their relatives:					
Rahul Bajaj (Chairman up to 16 May 2019, Chairman Emeritus w.e.f. 17 May 2019)	Sitting fees	0.02	-	0.05	-
	Commission	0.03	(0.03)	0.05	(0.05)
Madhur Bajaj	Sitting fees	0.04	-	0.03	-
	Commission	0.06	(0.06)	0.03	(0.03)
Rajiv Bajaj	Sitting fees	0.05	-	0.03	-
	Commission	0.08	(0.08)	0.03	(0.03)
Sanjiv Bajaj (Managing Director, also Chairman w.e.f. 17 March 2020) (Also Key management personnel)	Short-term employee benefits (including Commission)	9.91	(7.07)	7.30	(5.31)
	Post-employment benefits	0.91	-	0.63	-
	Deposit paid	0.02	0.41	0.39	0.39
	Rent paid	0.41	-	0.33	-
Shekhar Bajaj	Nil	-	-	-	-
Niraj Bajaj	Nil	-	-	-	-
D Other entities/persons:					
Bajaj Auto Ltd.	Sale of windpower	14.57	-	13.82	-
	OA charges reimbursement	8.74	-	8.05	-
	Business support services received	0.43	-	0.41	-
	Revenue expenses reimbursement paid	0.10	-	0.11	-
Bajaj Electricals Ltd.	Purchases	-	-	-	-
Bajaj Auto Holdings Ltd.	Shares of BFS held by BAHF (209,005 shares of ₹ 5 each)	-	(0.10)	-	(0.10)
	Dividend paid	0.16	-	0.04	-
Hind Musafir Agency Ltd.	Services received	0.65	(0.08)	0.39	0.04
Mukand Ltd.	Sale of windpower	13.56	0.44	43.41	0.29
	OA charges reimbursement	1.93	-	30.94	-
	Rent paid	0.05	-	0.06	-
	Security deposit paid	(3.90)	0.10	-	4.00
	Interest received	0.05	-	0.06	-
Maharashtra Scooters Ltd.	Shares of BFS held by MSL (3,725,740 shares of ₹ 5 each)	-	1.86	-	1.86
	Dividend paid	2.79	-	0.65	-
Sanjali Family Trust	Rent Paid	0.14	-	-	-
	Security Deposit Paid	0.14	0.14	-	-
	Revenue expenses reimbursement received	0.03	-	-	-
Bajaj Auto Employees Superannuation Fund	Superannuation contribution	0.57	-	0.43	-
Bajaj Auto Employees Group Gratuity Fund	Gratuity Contribution	0.50	-	0.02	-
Bajaj Auto Senior staff Group Gratuity Fund	Gratuity Contribution	4.00	-	3.60	-
Bajaj Finserv Charitable Trust	CSR payment	0.25	-	0.25	-

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

31 Disclosure of transactions with related parties as required by Ind AS 24 (Contd.)

(₹ In Crore)

Name of the related party and nature of relationship	Nature of transaction	2019-20		2018-19	
		Transaction value	Outstanding amounts carried in Balance Sheet	Transaction value	Outstanding amounts carried in Balance Sheet
Late Nanoo Pamnani (Chairman w.e.f. 18 May 2019 and up to demise on 22 February 2020)	Sitting fees	0.12	-	0.09	-
	Commission	0.38	(0.38)	0.29	(0.29)
D J Balaji Rao	Sitting fees	0.11	-	0.08	-
	Commission	0.17	(0.17)	0.08	(0.08)
Dr. Gita Piramal	Sitting fees	0.12	-	0.08	-
	Commission	0.18	(0.18)	0.08	(0.08)
Dr. Naushad Forbes	Sitting fees	0.09	-	0.05	-
	Commission	0.14	(0.14)	0.05	(0.05)
Manish Kejriwal	Sitting fees	0.03	-	0.01	-
	Commission	0.05	(0.05)	0.01	(0.01)
Anami Roy	Sitting fees	0.06	-	0.01	-
	Commission	0.09	(0.09)	0.01	(0.01)

Name of the related party and nature of the related party relationship where control exists have been disclosed irrespective of whether or not there have been transactions between the related parties. In other cases, disclosure has been made only when there have been transactions with those parties.

Related parties as defined under para 9 of Ind AS 24 'Related Party Disclosures' have been identified based on representations made by key managerial personnel and information available with the Company.

32 Lease

As a Lessor

The Company has given a premise on operating lease. This lease arrangement is for a period of five years and is a cancellable lease. This lease agreement is renewable for further period on mutually agreeable terms and also includes escalation clause.

(₹ In Crore)

Particulars	As at 31 March	
	2020	2019
i) Office premise		
Gross carrying amount	8.25	8.25
Depreciation for the year	0.13	0.13
Accumulated depreciation	2.75	2.62
ii) The total future minimum lease rentals receivable at the balance sheet date is as under		
Receivable		
Within one year	0.89	2.14
After one year but not more than five years	-	0.89
More than five years	-	-
	0.89	3.03

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

33 Fair value measurement

i) Financial instruments by category

(₹ In Crore)

Particulars	31 March 2020			31 March 2019		
	FVTPL	FVTOCI	Amortised cost	FVTPL	FVTOCI	Amortised cost
Financial assets						
Investments						
Bonds and debentures	-	-	912.45	-	-	750.65
Liquid mutual funds	49.73	-	-	9.22	-	-
Certificate of Deposit	-	-	95.05	-	-	-
Trade receivables	-	-	0.43	-	-	0.29
Other financial assets	-	-	61.53	-	-	50.90
Cash and cash equivalents	-	-	4.35	-	-	59.97
Other bank balances	-	-	0.61	-	-	0.30
Total financial assets	49.73	-	1,074.42	9.22	-	862.11
Financial liabilities						
Trade payables	-	-	2.10	-	-	4.69
Other financial liabilities	-	-	32.52	-	-	24.42
Total financial liabilities	-	-	34.62	-	-	29.11

ii) Fair value hierarchy

This section explains the basis of estimates made in determining the fair values of the financial instruments that are

- recognised and measured at fair value and
- measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the Accounting Standard, which are explained herein below.

Financial assets measured at fair value - recurring fair value measurements at 31 March 2020

(₹ In Crore)

Particulars	Notes	Level 1	Level 2	Level 3	Total
Financial investments at FVTPL					
Liquid mutual funds	6B	49.73	-	-	49.73
Total financial assets		49.73	-	-	49.73

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

33 Fair value measurement (Contd.)**ii) Fair value hierarchy** (Contd.)**Financial assets which are measured at amortised cost for which fair values as at 31 March 2020 are disclosed below.**

Particulars	Notes				(₹ In Crore)
		Level 1	Level 2	Level 3	Total
Bonds and debentures	6B	919.57	-	-	919.57
Certificate of Deposit	6B	-	95.05	-	95.05
Total financial assets		919.57	95.05	-	1,014.62

Assets disclosed at fair value - at 31 March 2020

Particulars	Notes				(₹ In Crore)
		Level 1	Level 2	Level 3	Total
Investment property	9	-	39.29	-	39.29

Financial assets measured at fair value - recurring fair value measurements at 31 March 2019

Particulars	Notes				(₹ In Crore)
		Level 1	Level 2	Level 3	Total
Financial investments at FVTPL					
Liquid mutual funds	6B	9.22	-	-	9.22
Total financial assets		9.22	-	-	9.22

Financial assets which are measured at amortised cost for which fair values as at 31 March 2019 are disclosed below.

Particulars	Notes				(₹ In Crore)
		Level 1	Level 2	Level 3	Total
Bonds and debentures	6B	749.74	-	-	749.74
Total financial assets		749.74	-	-	749.74

Assets disclosed at fair value - at 31 March 2019

Particulars	Notes				(₹ In Crore)
		Level 1	Level 2	Level 3	Total
Investment property	9	-	39.29	-	39.29

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

33 Fair value measurement (Contd.)

ii) Fair value hierarchy (Contd.)

Valuation principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price), regardless of whether that price is directly observable or estimated using a valuation technique.

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as explained below

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices in active markets. Quotes would include rates/values/valuation references published periodically by BSE, NSE etc. basis which trades take place in a linked or unlinked active market. This includes traded bonds and mutual funds, as the case may be, that have quoted price/rate/value.

Level 2: The fair value of financial instruments that are not traded in an active market are determined using valuation techniques which maximise the use of observable market data (either directly as prices or indirectly derived from prices) and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities, contingent consideration and indemnification asset included in level 3.

Valuation techniques used to determine fair value

Valuation techniques used to determine fair value include

- Open ended mutual funds and certain bonds and debentures at NAV's/rates declared and/or quoted
- Close ended mutual funds at NAV's declared by AMFI
- For other bonds and debentures values with references to prevailing yields to maturity matching tenures, quoted on sites of credible organisation such as FIMMDA (Fixed Income Money Market and Derivative Association of India)/valuation by ICRA
- Commercial papers and certificate of deposits, being short term maturity papers, amortised cost is assumed to be the fair value

iii) Fair value of financial assets and liabilities measured at amortised cost

Particulars	31 March 2020		31 March 2019	
	Carrying Amount	Fair value	Carrying Amount	Fair value
Financial assets				
Investments				
Bonds and debentures	912.45	919.57	750.65	749.74
Certificate of Deposit	95.05	95.05	-	-
Total financial assets	1,007.50	1,014.62	750.65	749.74

The carrying amounts of commercial papers, certificate of deposits, trade receivables, trade payables, other financial assets/liabilities and cash and cash equivalents are considered to be the same as their fair values, due to their short-term nature.

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

34 Financial risk management

The Company has operations in India. Whilst risk is inherent in the Company's activities, it is managed through a risk management framework, including ongoing identification, measurement and monitoring subject to risk limits and other controls. The Company's activities expose it to credit risk, liquidity risk and market risk.

This note explains the sources of risk which the Company is exposed to and how the entity manages the risk

Risk	Exposure arising from	Measurement	Management
Credit Risk	Cash and cash equivalents, financial assets measured at amortised cost and FVTPL	Credit ratings	Setting limits on the amount of acceptable risk, diversification of investment limits, monitoring of counterparties basis credit rating
	Trade receivables	Credit limit and Aging analysis	No. of overdue days, monitoring of credit limits
Liquidity Risk	Other liabilities	Maturity analysis	Maintaining sufficient cash/cash equivalents and marketable securities

The Board of Directors provide guiding principles for overall risk management, as well as policies covering specific areas, such as, credit risk, liquidity risk, and investment of available funds. The Company's risk management is carried out by its Risk Management Committee as per such policies approved by the Board of Directors. Accordingly, Company's Risk Management Committee identifies, evaluates and manages financial risks

A. Credit risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations leading to a financial loss to the Company. Credit risk primarily arises from cash equivalents, financial assets measured at amortised cost, financial assets measured at FVTPL and trade receivables.

Credit Risk Management

In regard to Trade receivables, which are typically unsecured, credit risk is managed through credit approvals, establishing credit and exposure limits and continuously monitoring the credit worthiness of customers to whom credit is extended (substantially through Debt securities) in the normal course of business.

For other financial assets the Company has an investment policy which allows the Company to invest only with counterparties having a credit rating equal to or above AA+ and P1+. The Company reviews the creditworthiness of these counterparties on an on-going basis. Counter party limits maybe updated as and when required, subject to approval of Board of Directors.

B. Liquidity Risk

The Company's principal sources of liquidity are 'cash and cash equivalents' and cash flows that are generated from operations. The Company believes that its working capital is sufficient to meet the financial liabilities within maturity period.

C. Other risk (Market Risk)

The Company has deployed its surplus funds in debt instruments (including through mutual funds) and money market instruments. The Company is exposed to price risk on such investments; which arises on account of movement in interest rates, liquidity and credit quality of underlying securities.

As a CIC, the Company must invest at least 90% of its net assets in Group companies, of which at least 60% must be through equity investments. Therefore 10% of its net assets are currently invested in liquid fixed income securities such as certificate of deposits and liquid mutual funds to ensure adequate liquidity is available. Hence temporary market shocks (such as those due to pandemics/epidemics such as COVID) are not considered to have material impacts on these Investments. Nevertheless, the Company has invested its surplus funds primarily in debt instruments of its subsidiary with CRISIL AAA and STABLE A1+ rating and thus the Company does not have significant risk exposure here.

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

35 Capital management

a) Objectives, policies and processes of capital management

The Company is cash surplus and has only equity capital. The Company has been recognised as a Core Investment Company (CIC) by the Reserve Bank of India (RBI) in terms of the regulations governing Non-Banking Financial Companies and is not exposed to any regulatory imposed capital requirements.

The cash surpluses are currently invested in income generating debt instruments (including through mutual funds) and money market instruments depending on economic conditions in line with the CIC guidelines set out by the RBI and investment policy set by the Management. Safety of capital is of prime importance to ensure availability of capital for operations. Investment objective is to provide safety and adequate return on the surplus funds.

The Company does not have any borrowings.

Particulars	(₹ In Crore)	
	As at 31 March	
	2020	2019
Equity	3,535.43	3,135.06
Less: Tangible and other assets	158.38	106.76
Working capital	29.11	82.82
Deferred tax assets (net)	7.94	8.08
Investments in subsidiaries and joint venture	2,282.77	2,177.53
Investments in debt and similar investments	1,057.23	759.87

No changes were made in the objectives, policies and processes of capital management during the year.

b) Dividends distributed and proposed

Particulars	(₹ In Crore)	
	For the year ended 31 March	
	2020	2019
Dividends recognised in the financial statements		
Final dividend for the year ended 31 March 2019 of ₹ 2.50 (31 March 2018 - ₹ 1.75) per equity share, declared and paid	39.79	27.85
Interim dividend for the year ended 31 March 2020 of ₹ 5.00 (31 March 2019 - ₹ Nil) per equity share, declared and paid	79.57	-
Dividends not recognised at the end of the reporting period		
No final dividend has been recommended by the Directors for the year ended 31 March 2020. Directors had recommended the payment of a final dividend of ₹ 2.50 for the year ended 31 March 2019. The proposed dividend declared in the previous year was subject to the approval of shareholders in the ensuing annual general meeting.	-	39.79

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

36 Maturity analysis of assets and liabilities

(₹ In Crore)

Particulars	As at 31 March 2020			As at 31 March 2019		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Assets						
Financial assets						
Cash and cash equivalents	4.35	-	4.35	59.97	-	59.97
Bank balance other than cash and cash equivalents	0.03	0.58	0.61	-	0.30	0.30
Trade receivables	0.43	-	0.43	0.29	-	0.29
Investment in subsidiaries and a joint venture	-	2,282.77	2,282.77	-	2,177.53	2,177.53
Other investments	704.60	352.63	1,057.23	149.69	610.18	759.87
Other financial assets	60.20	1.33	61.53	46.05	4.85	50.90
Non-financial assets						
Current tax assets (net)	-	24.61	24.61	-	20.39	20.39
Deferred tax assets (net)	-	7.94	7.94	-	8.08	8.08
Investment property	-	5.50	5.50	-	5.63	5.63
Property, plant and equipment	-	152.88	152.88	-	67.79	67.79
Capital work-in-progress	-	-	-	-	33.34	33.34
Other non-financial assets	0.38	1.93	2.31	1.42	7.54	8.96
Total	769.99	2,830.17	3,600.16	257.42	2,935.63	3,193.05
Liabilities						
Financial liabilities						
Trade payables	2.10	-	2.10	4.69	-	4.69
Other financial liabilities	29.79	2.73	32.52	21.98	2.44	24.42
Non-financial liabilities						
Current tax liabilities (net)	-	17.41	17.41	-	17.41	17.41
Provisions	2.43	6.37	8.80	3.08	6.78	9.86
Other non-financial liabilities	3.90	-	3.90	1.61	-	1.61
Total	38.22	26.51	64.73	31.36	26.63	57.99
Net	731.77	2,803.66	3,535.43	226.06	2,909.00	3,135.06

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

37 Share-based payments (Employee option plan)

The Company has established employees stock options plan, 2018 (ESOP Scheme) for its employees pursuant to the special resolution passed by shareholders at the annual general meeting held on 19 July 2018. The employee stock option plan is designed to provide incentives to the employees of the company to deliver long-term returns and is an equity settled plan. The ESOP Scheme is administered by the Compensation committee of the Board. Participation in the plan is at the Compensation committee's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. Options granted under ESOP scheme would vest in not less than one year and not more than five years from the date of grant of the options. The Compensation committee of the company has approved grant with related vesting conditions. Vesting of the options would be subject to continuous employment with the company and hence the options would vest with passage of time. In addition to this, the Compensation committee may also specify certain performance parameters subject to which the options would vest. Such options would vest when the performance parameters are met.

Once vested, the options remain exercisable period of eight years from the date of vesting or such period as may be decided by the Compensation committee at its sole discretion from time to time. Options granted under the plan are for no consideration and carry no dividend or voting rights. On exercise, each option is convertible into one equity share.

Set out below is a summary of options granted under the plan

Particulars	Number of options	
	31 March 2020	31 March 2019
Opening balance	94,397	-
Granted during the year	61,850	94,397
Exercised during the year	-	-
Forfeited during the year	-	-
Closing balance	156,247	94,397
Vested and exercisable	-	-

No options expired during the year

Fair value of options granted

Tranche I

The fair value at grant date of options granted on 19 July 2018 was ₹ 1,520 per option. The fair value at grant date is determined using the Black Scholes model which takes into account the exercise price, the term of the option, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Tranche II

The fair value at grant date of options granted on 29 January 2019 was ₹ 1,434 per option. The fair value at grant date is determined using the Black Scholes model which takes into account the exercise price, the term of the option, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Tranche III

The fair value at grant date of options granted on 16 May 2019 was ₹ 1,771 per option. The fair value at grant date is determined using the Black Scholes model which takes into account the exercise price, the term of the option, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. The model inputs for options granted during the year ended 31 March 2020 and 31 March 2019 included:

Notes to standalone financial statements for the year ended 31 March 2020 (Contd.)

37 Share-based payments (Employee option plan) (Contd.)

Particulars	Tranche I	Tranche II	Tranche III
a) options are granted for no consideration and vesting period is	4 years	2 to 4 years	4 years
b) exercise price	₹ 6,365.70 per option	₹ 6,050.90 per option	₹ 7,454.70 per option
c) grant date	19 July 2018	29 January 2019	16 May 2019
d) expiry date	18 July 2026	28 January 2027	15 May 2027
e) share price at grant date	₹ 6,296.90	₹ 6,233.05	₹ 7,617.45
f) expected price volatility of the Company's shares	29.65%	30.50%	30.40%
g) expected dividend yield	0.03%	0.03%	0.02%
h) risk-free interest rate	8.07%	7.45%	7.56%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

38 On the basis of information requested from vendors with regards to their registration (filing of Memorandum) under 'The Micro, Small and Medium Enterprises Development Act, 2006. (27 of 2006)' and in view of the terms of payments not exceeding 45 days, which has been promptly paid, no liability exists as at 31 March 2020 and 31 March 2019 and hence no disclosures have been made in this regard.

39 Events after reporting date

There have been no events after the reporting date that require disclosure in these financial statements.

40 Miscellaneous

Amounts less than ₹ 50,000 have been shown at actual against respective line items statutorily required to be disclosed.

As per our report of even date

For S R B C & CO LLP
ICAI Firm Registration Number: 324982E/E300003
Chartered Accountants

per Arvind Sethi
Partner
Membership Number: 89802
Pune: 21 May 2020

On behalf of the Board of Directors

S Sreenivasan
Chief Financial Officer

Sonal R Tiwari
Company Secretary

Sanjiv Bajaj
Chairman & Managing Director

Madhur Bajaj
Director





BAJAJ FINSERV LIMITED
Akurdi, Pune - 411 035, India
www.bajajfinserv.in

BUSINESS RESPONSIBILITY REPORT

(also includes elements of Environmental, Social and Governance for the Company and its subsidiaries)

Section A General information about the Company												
1	Corporate identification number	L65923PN2007PLC130075										
2	Name of the Company	Bajaj Finserv Ltd.										
3	Registered address	Bajaj Auto Ltd. Complex, Mumbai-Pune Road, Akurdi, Pune 411 035										
4	Website	www.bajajfinserv.in										
5	Email address	investors@bajajfinserv.in										
6	Financial year reported	1 April 2019 - 31 March 2020										
7	Sector(s) that the Company is engaged in	Financial Services (Investments) and Windmill										
8	Three key products/services manufactured/ provided by the Company	1. Investment activity (NIC code - 6430) 2. Electric power generation (NIC Code - 3510)										
9	Total number of locations where business activity is undertaken by the Company	Three locations - Registered office at Akurdi (Pune), Corporate office at Viman Nagar (Pune) and Windmills at Satara										
10	Markets served by the Company	India										
Section B Financial details of the Company												
1	Paid up capital	₹ 79.57 crore										
2	Total turnover	₹ 815.16 crore (On consolidated basis ₹ 54,351.47 crore)										
3	Total profit after tax	₹ 666.86 crore (On consolidated basis ₹ 3,369.13 crore)										
4	Total spending on CSR as percentage of profit after tax (%)	₹ 1.20 crore (2%) (₹ in Crore)										
		<table border="1"> <thead> <tr> <th>Name of Material Subsidiary</th> <th>CSR Spend (2% of PAT)</th> </tr> </thead> <tbody> <tr> <td>BFL</td> <td>82.19</td> </tr> <tr> <td>BAGIC</td> <td>23.93</td> </tr> <tr> <td>BALIC</td> <td>16.63</td> </tr> <tr> <td>BHFL</td> <td>0.56</td> </tr> </tbody> </table>	Name of Material Subsidiary	CSR Spend (2% of PAT)	BFL	82.19	BAGIC	23.93	BALIC	16.63	BHFL	0.56
Name of Material Subsidiary	CSR Spend (2% of PAT)											
BFL	82.19											
BAGIC	23.93											
BALIC	16.63											
BHFL	0.56											
5	List of the activities in which expenditure in 4 above has been incurred	Refer 76 to 81 of our Annual Report for FY2020 for a detailed disclosure of our CSR activities										

Section C		Other details
1	Does the Company have any subsidiary company(ies)	Yes (for details, refer Consolidated Financial Statements page 237 of Annual Report).
2	Do the subsidiary company(ies) participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(ies)	Yes, seven
3	Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]	All material outsourcing and vendor contracts have to agree to and abide by an Anti-Corruption clause in the agreement with the Company. They are all required to be compliant with applicable law in their business dealings.
Section D		BR information
1a	Details of director(s) responsible for BR:	DIN 00014615
	Name	Sanjiv Bajaj
	Designation	Chairman & Managing Director
1b	Details of the BR head:	
	Name	Sonal Tiwari
	Designation	Company Secretary
	Telephone number	(020) 6610 7458
	Email id	sonal.tiwari@bajajfinserv.in
2.	Principle-wise BR policy/policies	Included in this Report
3.	Governance related to BR	Included in this Report
Section E		Principle-wise performance
1.	Principle-wise performance	Included in this Report

Preface

As mandated by the Securities and Exchange Board of India (SEBI), India's top 1000 listed entities based on market capitalisation on the BSE Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE), are required to submit a 'Business Responsibility Report' (BRR) along with their Annual Report for 2019-20. This Report is required to be in line with 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business' (NVG), as released by the Ministry of Corporate Affairs in July 2011.

As one of India's leading companies in the financial sector, Bajaj Finserv Ltd. ('BFS' or 'the Company') has adopted the NVG and BRR requirements both in letter and spirit. All of the Company's commitments, business decisions and activities are aligned to the NVG principles. In order to ensure strong governance around this, the business responsibility performance of the Company is assessed annually by its Board of Directors.

Achieving the UN Sustainable Development Goals (SDGs), as outlined in Agenda 2030, requires the public and private sectors to work together at scale in order to achieve results across the three dimensions of sustainable development: economic, social and environmental. BFS is cognizant of the importance of integrating sustainable development dimensions of Environmental, Social and Governance (ESG) in its business operations. ESG factors are becoming increasingly significant for the financial sector, as the sector has the ability to mobilize finance to create long term positive impacts for the society at large. This Report describes the Company's approach towards creating positive environmental and social outcomes through its businesses. Full details of the Company's Corporate Governance are presented separately in the Corporate Governance Report on page no. 33 of the Annual Report.

The Company

BFS is the Promoter of various financial services businesses under the Bajaj Group of Companies. Through its material subsidiaries viz. Bajaj Finance Ltd. (BFL-listed material subsidiary), Bajaj Housing Finance Ltd. (BHFL-debt listed material subsidiary), Bajaj Allianz Life Insurance Company Ltd. (BALIC) and Bajaj Allianz General Insurance Company Ltd. (BAGIC) (unlisted material subsidiaries). BFS serves millions of customers in the financial services space by providing financing solutions, asset and personal protection through general and health insurance, besides providing family and income protection, retirement and savings solutions in the form of life insurance.

BFS also has investments in renewable energy in the form of 138 windmills situated in Maharashtra, with an aggregate installed capacity of 65.2 MW.

The Company annually publishes its disclosures on the nine principles outlined in the National Voluntary Guidelines. While this Report is the BRR of BFS for 2019-20, initiatives and actions by its subsidiaries towards these objectives have also been provided throughout the Report where relevant. The Company's approach to each principle is described below:

Principle 1: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability

BFS is a part of the Bajaj Group, which has its roots in the freedom struggle that led to India's independence, and strives to combine the Group's historical values with modern best-in-class business practices. The Company firmly believes that integrity and ethical behaviour form the foundation on which great and successful businesses are built. As the Promoter Company of the financial services businesses under the Bajaj Group, the values of ethics, transparency and accountability are deeply ingrained and practised in the Company's daily operations. It strives to adopt high standards of corporate governance, while adhering to all applicable guidelines with transparent disclosures about the Company's performance.

Ethics

- The Company regularly engages with the management teams of its subsidiaries to reinforce its commitment to ethics. The commitment to ethical business practices is further strengthened through the Employee Codes of Conduct for BFS and its subsidiaries. No stakeholder complaints linked to adherence of Code of Conduct were received by the Company in the reporting year.
- The Company and its subsidiaries have zero tolerance towards unethical business practices and ensures adherence to necessary policies with respect to anti-fraud, anti-bribery, conflict of interest, prevention of insider trading, prevention of money laundering, prevention of sexual harassment and related party transactions, as applicable.

- To ensure compliance, BFS and its material subsidiaries have established Vigil Mechanisms/ Whistle Blower Policies which lay down the process for reporting any unethical behaviour or violations. Instances of unethical behaviour, suspected fraud or violation of the Code of Conduct can be reported to the Management by any employee through these channels. Sufficient measures have been put in place by the Company and its material subsidiaries to safeguard employees, who report any unethical behaviour, against victimisation. There is also a provision for direct access to the Chairman of the Audit Committee in exceptional cases. All whistle blower complaints are investigated and actions are initiated, where required.
- The Company and its listed subsidiaries adhere to the Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information (UPSI). Concerned employees of all four material subsidiaries are also covered by the Code of Conduct for regulation of trades by designated persons, pursuant to SEBI (Prohibition of Insider Trading) Regulations, 2019. These policies are reviewed periodically and updated as required. Any non-compliance with these policies is viewed seriously by the Board and actions commensurate with proven violations are initiated as required.
- BFS and its listed subsidiaries have a separate Code of Conduct for Directors and Senior Management. A declaration of the affirmation to the Code of Conduct by the Directors and Senior Management of BFS is communicated to all stakeholders by the Chairman & Managing Director in the Annual Report.
- The Company is a signatory to the Model Code of Conduct developed by the Confederation of Indian Industry (CII) and the same is placed on the Company's website <https://www.bajajfinserv.in/media/corporate/downloads/cii-code-of-conduct-signed.pdf>
This Code of Conduct have specific anti-corruption clauses pertaining to payment and acceptance of bribes and favours.
- All material outsourcing agreements with vendors across BFS and its subsidiaries have anti-corruption clauses and all vendors are required to abide by the same.
- BFL and BHFL have relevant policies related to disciplinary action and grievance redressal, fraud prevention and prevention of money laundering in line with the requirements of Reserve Bank of India (RBI) and National Housing Board (NHB) respectively.

Transparency

- Transparency and fairness in dealings with customers is one of the stated principles of the Company to which all the subsidiaries adhere to. None of the products withhold any relevant information needed by the customers to make informed choices.
- The Company follows a transparent investor communication protocol including investor presentations, quarterly investor calls and uploading of call transcripts. Members of the senior managements of the insurance subsidiaries participate in the investor calls, underlining the importance of these calls. BFL, a subsidiary of the Company, is a listed entity and carries out its own investor communications in line with the Group protocol.
- After the end of each quarter, BFL voluntarily provides provisional key financial metrics pertaining to that quarter to the stock exchanges. This is done to ensure symmetry of information in line with the principles of fair disclosures.
- The insurance companies endeavour to maintain complete transparency with its customers and distributors through real-time online availability of account statements, policy documents, receipts, etc. to all customers and agents. In addition, Life insurance being a long-term commitment is backed by a goal based sales accompanied by a Key Feature document and a benefit illustration that completely explains the product features, conditions, etc. to every customer.

Accountability

- ‘Accountable Empowerment’ is one of the stated principles of the Company which has been adopted across all its subsidiaries. The Company strongly believes that empowerment and accountability go hand in hand and one without the other would be ineffective.
- BFS and its subsidiaries are managed by competent and professional Managing Directors/ CEOs, while being overseen by the respective Boards of Directors and supported by a strong team of competent professionals.
- The remuneration of Senior Management is benchmarked with appropriate peer groups and consists of a mixture of fixed pay, annual variable pays and long-term incentives in the form of ESOPs and/or deferred bonuses.
- Following are examples of practices followed by the Company and its material subsidiaries, which reflect their endeavour to maintain high standards of governance and go beyond legal requirements:
 - i. Pre-Audit meetings are held wherein the Chairman of the Audit Committee thoroughly reviews, along with Management and internal and statutory auditors, the observations of said auditors.
 - ii. The insurance subsidiaries on annual basis and BFL twice a year have meetings of senior management and the independent directors of their respective companies.
 - iii. The insurance subsidiaries have meetings of independent directors with the respective compliance officers as well.
 - iv. The Chief Risk Officer of BFL and BHFL meets the Board without the presence of the Managing Director, on a quarterly basis.
 - v. BFS, BFL, BALIC and BAGIC hold higher number of Board meetings as against the minimum of four required by law. This also facilitates familiarisation of independent directors with respective companies’ businesses.
 - vi. Company Secretaries of BFS and its subsidiaries meet regularly to discuss and implement issues of common applicability thereby ensuring consistency across BFS group companies.

Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle

Primarily, BFS is the Promoter of financial services companies. The Company and its subsidiaries do not have consumption of raw materials nor do they produce any physical goods. However, BFS has direct investment in 138 windmills with a total installed capacity of 65.2 MW. This enables the Company to promote renewable energy production and low-carbon sustainable growth, thereby contributing to India’s National Action Plan on Climate Change.

The wind-farms are maintained under the supervision of BFS engineers and supported by comprehensive maintenance contracts. They are certified for management systems such as ISO 9001, ISO 14001 and OHSAS 18001 for quality, environment and health & safety respectively. In 2019-20, the windmills generated 792 lakh units of net power. The Company and its subsidiaries do not consume the minimum power needed to qualify for captive consumption and hence, the power is wheeled to third party consumers.

The insurance subsidiaries of BFS offer products which are value-added, simple to understand and responsive to the needs of their customers. Both the insurance subsidiaries have a wide reach in providing insurance service in rural and social sectors. These include providing services to unorganised sector and economically vulnerable or backward classes, which are otherwise deprived of the benefits of financial inclusion. BALIC offers products in the savings, retail and group protection segments and BAGIC offers products in the motor, health, crop insurance, property and commercial lines of business. These products have been designed to help customers meet their respective risk management objectives and life goals. Further, both the insurance

subsidiaries conduct campaigns to promote health and safety among the masses. They use technology to support their customers by connecting the eco-systems of their services, thereby bringing a greater degree of engagement, ease of use and transparency to their customers. Of the total business done by BAGIC in 2019-20, ₹ 1,012 crore of premium was written in the rural sector, 47 lakh lives were covered in the economically backward social sector and ₹ 2,721 crore of premium was written to promote the government backed crop and health insurance schemes. Similarly, of the total business written by BALIC in 2019-20, 27.5% of the policies were written in the rural sector and 64 lakh lives were covered in the economically backward social sector.

BFL has created deep distribution in medium and small towns in across country thereby taking financing solutions closer to society. It offers wide range of simple financial solution suited to the rural population including consumer durables, mobile phones and gold loans. As of 31 March 2020, BFL has a book of ₹ 13,328 crore (9.13% of consolidated AUM) across all rural products.

BFL's auto finance segment offers loans for two wheelers and three-wheel passenger carriers and commercial vehicles which are the mainstay of the rural population. A large proportion of these borrowers are from the less privileged sections of society which include daily income earners. It also provides life care finance, which is an easy EMI solution for customers to meet their uninsured healthcare and medical needs. This also includes purchase of fitness equipment and bicycles, which leads to overall improvement in the health and well-being in the society. During the FY2020, BFL was operational in 1,357 locations through nearly 19,600 points of presence in its rural lending division.

In the rural markets, all our companies endeavour, as far as possible, to recruit locally, thus creating employment as well as reducing migration.

Principle 3: Businesses should promote the well-being of all employees

The Company and its subsidiaries are committed to the well-being and all-round development of their employees. Employees are an integral pillar of their success and it is a continuous endeavour to attract qualified people and invest in their long-term growth and development. The Company regularly engages its employees, conducts learning and development programmes and provides them opportunities to move across the subsidiaries to gain wider professional exposure. BFL also focuses on the continual education of its employees and provides opportunities for their academic and professional development through its Employee Education Programme Policy.

The Human Resources and employee well-being policies of BFS and its subsidiaries are largely aligned, while taking into consideration the distinct nature of business of respective companies and the need to benchmark with industry peers.

As of 31 March 2020, BFS had a total of 83 employees, including 24 permanent female employees. The Company had one contractual employee, and did not have any specially-abled employee or a recognised employee association.

The Company and its subsidiaries regularly organise a variety of programmes for the well-being of their employees, intermediaries and customers. In the reporting year, the insurance subsidiaries sponsored and actively participated in organizing half-marathon in Pune, which received tremendous response from people across all walks of life. BALIC's Plankathon, an immensely popular consumer engagement health-initiative, entered the Guinness Book of World Records for the second time, for 'most people holding the abdominal plank position' simultaneously for one minute. BAGIC initiated a programme for its employees, where the participating employees used wearable devices that measured the number of steps walked every day, bringing people together in the quest for healthy living. BAGIC's employee value proposition statement - 'Live Ambition. Breathe Care' is targeted to ensure that talent acquisition, development, and engagement strategies are all focused to have a greater sense of 'purpose' inculcated in each of its employees.

BFL's wellness initiative 'Pure Life' continued focusing on promoting health and physical well-being of its employees through various programmes including comprehensive medical check-ups, doctor on phone, marathon opportunities and periodic health tips. It has appointed a visiting doctor to provide emergency medical care and assistance, or preventive health advice to employees in its Corporate Offices. Additionally, BFL's senior employees undergo a health coaching programme to set an example for other employees. In addition, BFL runs an 'I-care' programme through its employees to provide finance assistance to the employee or their family in the times of need.

BFS and its subsidiaries have adequately insured all their employees under group term insurance, life insurance and accidental insurance policy.

BFS and its subsidiaries prohibit discrimination on the basis of race, caste, religion, colour, ancestry, marital status, gender, sexual orientation, age, nationality, ethnic origin or disability. Further, the Company has zero tolerance policy towards harassment, whether sexual, verbal, physical or psychological against any employee.

In order to prevent any kind of discrimination, BFS and its subsidiaries have various policies and procedures in place. The 'Policy on Prevention of Sexual Harassment at Workplace' ensures the safety and security of female employees of BFS and its material subsidiaries. Each complaint of sexual harassment is investigated by an independent Committee consisting of internal and external female members, providing full anonymity to the complainant and in cases where evidence of harassment is found, strict disciplinary action is initiated. All sexual harassment cases are reviewed and followed up by the Audit Committees until closure.

The Company does not employ child labour in its premises and did not receive any complaints relating to child labour, forced labour or involuntary labour in 2019-20. The Company has not received any complaints of sexual harassment during the year. The subsidiaries have robust processes for investigating all complaints in line with recommended best practice with all cases being reviewed by the Audit Committee.

The Company and its subsidiaries have taken requisite steps to prevent spread of COVID-19. At the outset they took various measures like, (i) cancelled all international trips, physical trainings and conferences, (ii) curtailed domestic travels, (iii) took extensive precautionary measures like sanitisation of offices, availability of hand sanitisers and masks, (iv) rosters of a certain percentage of employees per day, (v) introduced operations in multiple shifts to ensure lesser number of employees at the workplace, etc., enabling social distancing. Post lockdown, all employees were moved immediately to work from home and advised to strictly follow lockdown guidelines of the Government as employee safety is the top most priority. BFL has prepared its offices with additional health protocols viz., operationalisation of Central Emergency Service Desk (CESD) into 24*7 helpline for employees, continuous communication to employees on protection, social distancing and self-declaration survey for employees on health status etc. for the safety of its employees.

Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised

BFS and its material subsidiaries are equal opportunity employers and ensure that remuneration practices are based on merit, irrespective of the person's ethnic background, gender etc. Remuneration is periodically evaluated and updated and is in line with the market benchmarks. In addition, BFS practises affirmative action and ensures there is no discrimination of any type against disadvantaged sections at the work place, be it social, economic or otherwise.

In order to further support the disadvantaged sections of the society, the Company has initiated a Certificate Programme in Banking, Finance and Insurance (CPBFI). A core part of the employability initiative of BFS and its subsidiaries, this programme aims at making graduates, especially first-generation graduates, employable for the BFSI Sector. CPBFI is a customised training

programme conducted at multiple degree colleges in around 40 Tier 2 and 3 cities and towns across six states. Around 65% of the students of this programme are females, around 46% are from socially weaker backgrounds and an estimated 60% are first generation graduates.

During 2019-20, around 3,000 students completed the training in 86 batches. The cumulative enrolment for the programme up to March 2020 was about 5,000. In 2019-20, BFS spent ₹ 44.75 lakh on the project, while BFL spent ₹ 378 lakh. This employability initiative is the Company's humble contribution to the Skill India campaign of the Indian Government to make the youth of the country skilled and earn a better livelihood.

Principle 5: Businesses should respect and promote human rights

BFS and its subsidiaries uphold human rights as enshrined in the Constitution of India. The Company and its insurance subsidiaries have adopted two CII Charters viz., Charters on Fair and Responsible Workplace Guidelines for Contract Labour and Charters on Fair and Responsible Workplace Guidelines for Collaborative Employee Relations. The Company did not receive any complaint pertaining to violation of human rights in 2019-20.

Principle 6: Businesses should respect, protect, and make efforts to restore the environment

As a Promoter Company with a small number of employees, BFS does not have direct business operations other than the renewable energy business. As a result, it does not have any significant direct environmental impacts. Specifically, the Company or its subsidiaries do not own any manufacturing units that produce effluents including carbon emissions which harm the environment. However, they are committed to conducting their business in a manner that protects the environment.

Direct contribution to renewable energy: During the year, the wind-farms of the Company produced 792 lakh units of clean, renewable form of electricity whereas the requirements across BFS and its subsidiaries is only 525 lakh units (65%). This way, the Company being a net contributor of green energy has made a significant positive contribution towards sustainability and fight against climate change.

The wind energy produced by BFS considerably exceeds its electricity consumption however the power consumption of the Company and its subsidiaries does not meet the minimum required criteria for captive consumption, under the present regulation. Thus, the electricity generated by the wind-farms is wheeled to third party consumers who otherwise would use electricity from the grid, thereby avoiding 64,944¹ tCO₂ emissions.

As a step towards further reducing the environmental impact of BFS and its subsidiaries, documents for Board and Committee meetings as well as internal review meetings are transmitted electronically, using a secured web-based application, since past many years. During the year, the annual performance evaluation of directors has also been made paperless by adopting automated online survey module. Further, BFS and its subsidiaries submit their Annual Reports and other communications to a majority of their shareholders electronically, leading to considerable reduction in paper consumption. The Company and its subsidiaries have also taken initiatives to ensure energy efficiency at their office locations. These include installation of LED lighting and rainwater harvesting systems, selecting and designing offices to facilitate maximum natural light utilisation, video-conferencing facilities across all offices to reduce the need of employee travel, digital learning initiatives for employees, optimised usage of lights and continuous monitoring and control of the operations of the air conditioning equipment as well as elimination of non-recyclable plastic in offices.

¹ CO₂ emissions of equivalent grid electricity, Source: CO₂ Baseline Database for the Indian Power Sector, User Guide Version 14.0, Central Electricity Authority

Both the insurance subsidiaries of BFS endeavour to create a positive impact on the environment through their business operations. To the extent feasible and permitted by the fund mandates, they endeavour to invest in the companies which are committed and compliant to the principles of ESG. BALIC's pure stock unit-linked fund which invests in accordance with the restricted set of companies, is one of the best performing ULIP Funds over several years. The insurance subsidiaries strive, to the extent permitted by law, to employ latest technologies, encourage digital adoption and processes that facilitate paperless processes for their customers and partners, thereby reducing negative environmental impact. BFS has done plantation of 230,000 saplings across 350+ locations through its tree plantation initiative.

Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner

BFS is a member of World Economic Forum (WEF) and CII, through which it actively engages in policy advocacy. In addition, Sanjiv Bajaj, Chairman & Managing Director of the Company, was the Chairman of CII, Western Region for the year 2019-20 as well as the Chairman of the CII National Committee for Insurance and Pensions.

The Company proactively contributes to the discussions and resolutions within the scope of the above-mentioned associations. Through these associations, BFS routinely puts forward its views on formulation of new industry standards and regulatory developments pertaining to the non-banking finance and insurance sectors. This includes aspects such as governance, administration, economic reforms and inclusive development policies, among others. Furthermore, the Company consistently attempts to balance the interests of various stakeholders while making any recommendations. Both insurance subsidiaries are amongst the largest companies in their respective industries and hence play a very active role in policy making along with the Regulator through their contribution to various committees formed by IRDAI or through the Life and the General Insurance Councils.

Principle 8: Businesses should support inclusive growth and equitable development

The vision and philosophy of Late Jamnalal Bajaj, the founder of Bajaj Group, guide the Corporate Social Responsibility (CSR) activities of the Group. He embodied the concept of trusteeship in business and common good, and laid the foundation for ethical, value-based and transparent functioning.

The Bajaj Group believes that true and full measure of growth, success and progress lies beyond balance sheets or conventional economic indices. It is best reflected in the difference that business and industry make to the lives of people. Thus, community development forms the core of all CSR initiatives undertaken by Bajaj Group. These initiatives are designed to reflect the needs of the target population. In order to ensure community ownership and sustainability of the CSR programmes, key stakeholders such as governments, NGOs, local communities and other local institutions are actively engaged during project planning as well as implementation.

On 26 March 2020, Bajaj Group committed ₹ 100 crore towards the fight against the recent outbreak of COVID-19 pandemic, which has severely impacted the people of many countries, including India. By working with the Government and Bajaj's network of over 200 NGO partners, Bajaj Group ensured that these resources reach those individuals who needed it the most. As part of this initiative, support was provided to upgrade/strengthen key healthcare infrastructure in Pune, while ensuring food supply, shelter, access to sanitation, rural care, livelihood aid and awareness creation on COVID-19.

Further, to strengthen the fight against COVID-19, BFS and its subsidiaries and group employees have together contributed over ₹ 10 crore to the PM Cares Fund.

In 2019-20, under section 135 (Schedule VII) of the Companies Act, 2013, BFS and its four material subsidiaries viz., BFL, BALIC, BAGIC and BHFL, collectively spent ₹ 124.51 crore on several projects, mainly in the field of education and healthcare. These projects aimed at providing an equal opportunity to all children to access education and shape a better future for themselves, while also working towards making healthcare more accessible to less privileged and bringing the nation a step closer towards healthcare for all. Specifically, BFS spent ₹ 1.20 crore against the mandatory spend of ₹ 1.16 crore on various CSR projects. These projects were implemented directly or through NGOs and other welfare agencies, with further support from local authorities and business associations, wherever deemed necessary.

Following were some of the key CSR projects supported by BFS Group in 2019-20:

1. Skill Development - Certificate Program in Banking, Finance and Insurance (CPBFI)

CPBFI is an employability initiative of Bajaj Finserv and its subsidiaries to make graduates employable. This initiative covered 3,000 students in around 50 cities of India.

2. Education

Providing an equal opportunity to all children to access education and shape a better future for themselves. The Company and its subsidiaries partnered with several leading NGOs in the sector, which work with underprivileged and disabled children to provide better educational avenues to them.

3. Health

The group focuses on meting out healthcare to lesser privileged and bringing the nation to a step closer towards health for all. The Company and its subsidiaries work closely with some of the leading names in the sector, like Smile Train, Hrudaya Foundation, Cuddles, CanKids, etc. to provide speciality health care facilities like cleft surgeries, cancer treatment, ophthalmic surgeries, mental health, etc.

4. Protection

The group works with NGOs like Rainbow homes to resettle homeless children by providing nutrition and residential care.

(₹ In Crore)

Sr. No.	Project Name	Details	Sector in which the project is covered	Location of project	Amount Spent
1	Smile Train India	Free cleft correction surgeries to underprivileged children	Healthcare	Pan-India	103.32
2	Bandhan	School for children for their holistic and optimistic learning	Education	West Bengal and Rajasthan	94.91
3	Certificate Program in Banking, Finance and Insurance	Employment enhancing vocational skills training for fresh graduates seeking career in banking, finance and insurance sector	Education	Pan-India	17.19
4	BWCP-JBGVS	Water Conservation and School Infrastructure Work	Environment	Aurangabad, Maharashtra	15.30
5	Hrudaya Cure a Little Heart Foundation	Hrudaya - Funding for surgeries of children diagnosed with Congenital Heart Disease	Healthcare	Hyderabad, Telangana	4.01
6	SOS Children's Village	Equipping vulnerable families with adequate means to provide for their children	Children	Latur, Maharashtra	3.13

For more information, refer to the Annual Report on CSR activities as contained in the Annual Report 2019-20.

Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner

As a Promoter Company, BFS does not have any direct customers or consumers under the scope of this BRR. We are transparent in providing product details in an easy to understand manner. However, both its insurance subsidiaries along with BFL have a proven track record of excellent customer services. The insurance subsidiaries have consistently maintained one of the lowest complaints ratio in terms of the number of complaints to the number of policies issued.

Both the insurance subsidiaries are engaged in providing education to customers through extensive use of digital mediums. BAGIC imparts education on health insurance, motor insurance and home insurance on its website, app and social media platforms. It leverages several offline tools, including print and radio, for transmitting advisory messages to customers and the general public about the benefits of general insurance. BAGIC is engaged with the industry-wide general insurance awareness campaign – Faayde Ki Baat and has contributed monetarily and in the form of advisory support for enabling this project. BAGIC has created an App called ‘Farmitra’ for farmers. The app leverages technology to aid farmers in their day-to-day activities. This app acts as a true friend to the farmers, providing details about the weather forecast, market price across India and more. The app is an initiative to empower the farmers with all the knowledge they need about farming and is a pioneering initiative amongst insurers.

BALIC imparts education to its customers and general public in the form of investment commentary, webinars, video messages on social media, website, email, blogs, thereby enabling them to take a well-informed decision. It is also engaged with the industry-wide life insurance awareness campaign – Sabse Pehle Life Insurance and has contributed monetarily and in the form of advisory support for enabling this project.

BFL engages with its customers directly as well as through its various channel partners and has consistently maintained a high Net Promoter Score (NPS). It is a mechanism adopted by BFL to gauge the outcome of its customer engagement efforts. The NPS survey is conducted through an independent third party and its outcome is given due importance in the Company’s future planning process in order to enhance overall customer experience.

Further, BFL and its subsidiaries have Code of Conduct for Direct Marketing and Selling Agents. These Codes, *inter alia*, prescribes the guidelines for tele-calling such as maintaining privacy of the prospects, explaining the product, not making misleading/misrepresentation claims, telemarketing etiquettes, etc. BFL and BHFL also have a Fair Practices Code (FPC) that is made available across all its respective branches. BFL’s FPC is made available in vernacular language as well. This helps the customers to better understand its contents, which includes the grievance redressal mechanism.

The material subsidiaries of BFS consider information security to be of utmost importance and as a step towards strengthening it, they have a Cyber Security Policy in place. This Policy applies to all internet facing information/data processing facilities, etc. which are available to or accessible by respective companies’ customers, employees, contractors, consultants, temporary staff and other individuals including those affiliated with third Parties. BAGIC was one of the first companies to offer cyber security Policy for individual.