

11 November 2016

To The Corporate Relations Department. The Bombay Stock Exchange 1 st Floor, New Trading Ring Rotunda Building, P J Tower Dalal Street, Fort, Mumbai 400 001. BSE CODE: 532978	To National Stock Exchange of India Ltd Exchange Plaza, 5 th Floor Plot No.C-1, G Block Bandra-Kurla Complex, Bandra (East), MUMBAI 400 051. NSE CODE: BAJAJFINSV
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Subject: Chairman's communication letter to shareholders for half-year ended 30 September 2016 under Regulation 30(2)

Dear Sir/Madam,

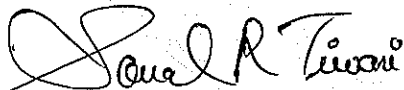
Please find enclosed Chairman's communication letter to shareholders for financial results of the second quarter ended 30 September 2016 under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 read with Schedule III thereto.

This is for your information please.

Thanking you,

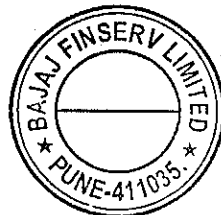
Yours faithfully,

For Bajaj Finserv Limited.



Sonal R Tiwari
Company Secretary

Encl: as above.



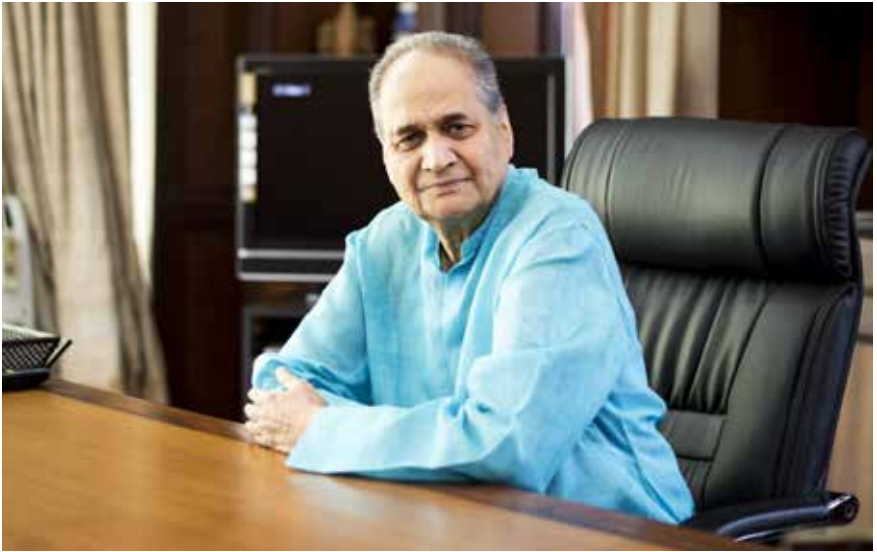
Bajaj Finserv Limited



BAJAJ FINSERV

Bajaj Finserv Limited

HALF YEARLY REPORT 2016-17



Dear Shareholder,

I am happy to share with you the financial results of your Company for the half year ended 30 September 2016.

As you are aware, your Company is the holding company for the financial services businesses of the Bajaj group with interests in consumer, SME and commercial financing and general and life insurance businesses. Your Company participates in the insurance business through Bajaj Allianz Life Insurance Company Ltd. and Bajaj Allianz General Insurance Company Ltd., in both of which it has a 74% holding and in the financing business through Bajaj Finance Limited, a listed company, in which it had a 57.28% stake as at 30 September 2016. Your Company holds 9,250,000 warrants of Bajaj Finance Limited, convertible into equal number of equity shares on or before 1 December 2016, against which 25% (amounting ₹ 102 crore) was paid during the financial year 2015-16. Your Company intends to exercise these warrants by paying balance 75% (amounting ₹ 306 crore) before the due date. If these warrants were to be converted into equity shares at 30 September 2016, your Company's holding in Bajaj Finance Limited would have been 58%.

Since the beginning of the current financial year, the Reserve Bank of India has lowered repo rates by 0.50% in the wake of inflation continuing to be low. Good monsoons were reported across most parts of India, which should be a boost to consumer sentiment. Consumer demand for autos and consumer durables has improved, which is favourable for your Company's businesses. However, globally the situation continues to be uncertain with the risk of higher interest rates in the US and continuation of muted growth in China. Credit growth has been also sluggish resulting in challenging conditions for financial services.

I am pleased to report that, during this half year, your Company's **consolidated gross revenue** recorded strong **growth of 26%**. The profit after tax on a consolidated basis, after minority interests, crossed ₹ 1,000 crore, **increasing by 23%** to ₹ **1,113 crore**, aided by **strong performances** from **Bajaj Finance Limited** and **Bajaj Allianz General Insurance Company Limited**. Both these companies recorded their **highest ever half yearly profit after tax** in the current half year.

Highlights of H1/2016-17 v/s H1/2015-16

Particulars	(₹ In Crore)		
	H1 2016-17	H1 2015-16	% Increase
Consolidated gross revenue	12,582	10,012	↑ 26%
Consolidated profit after tax	1,113	908	↑ 23%
Bajaj Finance, profit after tax	832	555	↑ 50%
General insurance, profit after tax	366	288	↑ 27%
Life insurance, shareholders' profit after tax	446	457	

A synopsis on the performance of the individual subsidiary companies is given below:

A. Bajaj Finance Limited (BFL)

- The Company's strong momentum in acquiring customers continued as it added 47 lakh customers in H1/2016-17 compared to 31 lakh customers in H1/2015-16 – an **increase of 52%**.
- Assets under management stood at ₹ **52,332 crore** as on 30 September 2016 as compared to ₹ 44,229 crore as on 31 March 2016.
- Total income was ₹ **4,667 crore** in H1/2016-17 as compared to ₹ 3,356 crore during H1/2015-16 – an **increase of 39%**.
- Loan losses and provisions increased from ₹ 240 crore for H1/2015-16 to ₹ **349 crore** during current half year. Net NPA for H1/2016-17 stood at **0.43%**.
- The Company's profit after tax **increased by 50%** to ₹ **832 crore** for H1/2016-17 from ₹ 555 crore for H1/2015-16.

B. Bajaj Allianz General Insurance Company Limited (BAGIC)

- The Company's gross written premium **increased by 31%** to ₹ **3,706 crore** for H1/2016-17 from ₹ 2,822 crore for H1/2015-16. BAGIC maintained its 2nd position amongst private sector general insurers in H1/2016-17.
- During H1/2016-17, the Company has written crop insurance of ₹ **746 crore** v/s ₹ 162 crore in H1/2015-16.
- Net earned premium for H1/2016-17 was ₹ **2,378 crore** as compared to ₹ 2,060 crore in H1/2015-16 – a **healthy increase of 15%**.
- Claims ratio was **72.0%** in H1/2016-17 as compared to 70.6% in H1/2015-16.

- The Company's combined ratio, for H1/2016-17 was **97.6%** as compared to 97.4% in H1/2015-16. The combined ratio is among the best in the industry. A combined ratio below 100% indicates the profitability of the insurance operations without considering investment income.
- Profit after tax grew from ₹ 288 crore for H1/2015-16 to ₹ **366 crore** during H1/2016-17 – an **increase of 27%**. The Company maintained its no. 1 position in profits amongst private sector general insurers in H1/2016-17.

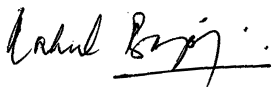
C. Bajaj Allianz Life Insurance Company Limited (BALIC)

- During the current year, BALIC shifted its focus towards selling more individual regular premium. BALIC's **individual rated premium grew by 50%** in H1/2016-17 as against the industry growth of 18%.
- The Company's individual rated new business premium for the current half year was ₹ **338 crore** v/s ₹ 226 crore in H1/2015-16 - an **increase of 50%**.
- New business premium for the current half year was ₹ **1,362 crore** v/s ₹ 1,133 crore in H1/2015-16 – an **increase of 20%**.
- Gross written premium for the current half year was ₹ **2,451 crore** v/s ₹ 2,254 crore in H1/2015-16 – an **increase of 9%**.
- Profit after tax during the current half year was ₹ **446 crore** v/s ₹ 457 crore in H1/2015-16.
- Total investments as on 30 September 2016 stood at ₹ **46,880 crore** as compared to ₹ 44,108 crore as on 31 March 2016.

Summary of consolidated financial results is given in **Annexure A**.

While interest rates have fallen significantly from their peak, we still need to see the same being transmitted to borrowers by the banking system. I am hopeful that, as an economy, we will begin seeing the investment cycle starting to pick up, leading to employment generation. Over the next few quarters, I am optimistic that improved domestic demand will help India overcome the challenges that may be posed by global events.

I take this opportunity to wish all our shareholders a happy and prosperous Diwali and New Year.



Rahul Bajaj

Chairman

27 October 2016

Annexure A

The consolidated financial results include results of the following companies:

Name of the company	% shareholding	Segment	Consolidated as
a. Bajaj Allianz Life Insurance Company Limited	74%	Insurance - life	Subsidiary
b. Bajaj Allianz General Insurance Company Limited	74%	Insurance - general	Subsidiary
c. Bajaj Finance Limited	57.28%	Retail financing	Subsidiary
d. Bajaj Financial Holdings Limited	100%	Others	Subsidiary
e. Bajaj Allianz Financial Distributors Limited	50%	Others	Joint venture

Summarised unaudited consolidated financial results for the half year ended 30 September 2016:

Particulars	(₹ In Crore)		
	H1 2016-17	H1 2015-16	Full Year 2015-16
A. Revenue			
Gross written premium - life insurance	2,451	2,254	5,897
Gross written premium - general insurance	3,706	2,822	5,901
Gross income - retail finance	4,670	3,356	7,384
Investment income, windpower and others	1,755	1,580	3,182
Gross revenue	12,582	10,012	22,364
B. Consolidated financial results			
Income from operations	5,670	4,273	9,135
Transfer from policyholders' account	242	163	311
Total income	5,912	4,436	9,446
Total expenses	1,741	1,259	2,765
Profit from operations before other income, finance costs	4,171	3,177	6,681
Other income	-	-	-
Finance costs	1,795	1,354	2,877
Profit before tax	2,376	1,823	3,804
Tax expense	696	493	1,030
Profit after tax	1,680	1,330	2,774
Less: Minority interest in net income of subsidiaries and others	567	422	911
Net profit	1,113	908	1,863
C. Segment profit before tax			
Life insurance	487	505	983
General insurance	554	419	771
Retail finance	1,304	858	1,989
Investments, windpower and others	31	41	61
Profit before tax	2,376	1,823	3,804
D. Basic and diluted earnings per share (₹) (face value ₹ 5)	70.0	57.1	117.7



Bajaj Finserv Limited

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