



## Bajaj Finserv Limited

### PRESS RELEASE

#### BAJAJ FINSERV RESULTS: 2<sup>nd</sup> QUARTER ; FINANCIAL YEAR 2008-09

A meeting of the Board of Directors of Bajaj Finserv Limited was held today to consider and approve the results for the 2<sup>nd</sup> quarter of 2008-09.

The summarised financial results (**standalone**) of Bajaj Finserv Limited are as given below:

Rs. in crores	Q2 2008-09	Q2 2007-08	H1 2008-09	H1 2007-08	FY 2007-08
<b>Income from operations and other income</b>	<b>32</b>	<b>32</b>	<b>59</b>	<b>53</b>	<b>106</b>
<b>Gross Profit before depreciation and tax</b>	<b>28</b>	<b>30</b>	<b>50</b>	<b>49</b>	<b>95</b>
Depreciation (primarily of windmills)	7	7	15	15	30
<b>Profit before tax</b>	<b>21</b>	<b>23</b>	<b>35</b>	<b>34</b>	<b>65</b>
Provision for tax	7	6	11	10	21
<b>Net profit for the year</b>	<b>14</b>	<b>17</b>	<b>24</b>	<b>24</b>	<b>44</b>
Earnings per share (Rs.) not annualised	1.0	1.2	1.7	1.8	3.1

Bajaj Finserv Limited has significant presense in insurance business through its 74% holding in Bajaj Allianz Life Insurance Company Limited and 74% holding in Bajaj Allianz General Insurance Limited and in retail financing through its 40.53% holding in Bajaj Auto Finance Limited.

The **consolidated** results of Bajaj Finserv Limited are given in Annexure I.

A brief write up on the performance of these companies is given hereinbelow.

## **Bajaj Allianz General Insurance Company Limited**

### **Business Performance:**

- Market conditions for general insurance continued to be challenging in the 2<sup>nd</sup> quarter of 2008-09. Discounts on corporate business continued to be high and competition was intense in the retail segment. The Public sector insurers were seen to be more aggressive in the second quarter, while a slowdown in growth rates was seen in the private sector; profitability of all general insurers was under pressure in the wake of lower prices and downturn on equity investments.
- Growth of GWP of the General insurance market saw a further slackening in the 2<sup>nd</sup> quarter of 2008-09 as compared to the 1<sup>st</sup> quarter. The industry and Bajaj Allianz growth rates are shown below:

	<b>Q 1 2008-09</b>	<b>Q2 2008-09*</b>	<b>YTD 2008-09</b>	<b>Full year 2007-08</b>
Market	13.4%	10.8%	12.4%	12.6%
Private sector	22.4%	16.1%	20.1%	28.9%
Public Sector	7.7%	7.2%	7.5%	3.9%

<b>Bajaj Allianz</b>	<b>27.9%</b>	<b>26.2%</b>	<b>27.1%</b>	<b>33.3%</b>
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\* Q2 2008-09 figures for the market, public and private sectors are for July-August 2008 only

- Bajaj Allianz's market share in the general insurance sector (excluding specialised insurers) increased by 0.6% in the first half year. The share of the private sector of the market increased by 2% in the same period to 42%.

	<b>Apr-Aug 2008</b>	<b>Full year 2007-08</b>
Private sector	41.9%	39.9%
Public Sector	58.1%	60.1%

<b>Bajaj Allianz</b>	<b>9.1%</b>	<b>8.5%</b>
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- Bajaj Allianz' business mix continues to be largely retail. Motor and Health constituted 69% of the gross premiums in the first half of the year (previous year April to September – 57%) and the share of predominantly corporate lines (viz. Fire, Marine, Engineering, Aviation etc.) was 24% (previous year first half 31%).

**Financial Performance:**

(Rs. In Crores)	Q2 2008-09	Q2 2007-08	Change	H1 2008-09	H1 2007-08	Change
<b>Gross Written Premium</b>	<b>682</b>	<b>549</b>	<b>24%</b>	<b>1416</b>	<b>1123</b>	<b>26%</b>
<b>Net Earned Premium</b>	<b>427</b>	<b>319</b>	<b>34%</b>	<b>833</b>	<b>603</b>	<b>38%</b>
<b>Underwriting profit/(loss) excluding Motor pool losses</b>	<b>8</b>	<b>-2</b>		<b>-15</b>	<b>1</b>	
Provision for Motor Pool losses	-18	-9		-30	-18	
Underwriting profit/(loss) including Motor pool losses	<b>-10</b>	<b>-11</b>		<b>-45</b>	<b>-17</b>	
<b>Profit before tax</b>	<b>40</b>	<b>37</b>	<b>8%</b>	<b>52</b>	<b>63</b>	<b>-18%</b>
<b>Profit after tax</b>	<b>25</b>	<b>22</b>	<b>14%</b>	<b>32</b>	<b>38</b>	<b>-16%</b>

- For the quarter ended 30<sup>th</sup> September 2008, the Company' combined ratio improved from 100.7% in Q2/2007-08 to 98.1% mainly on the back of lower loss ratios, resulting in an underwriting profit for the quarter of Rs. 8 crores. The Company's profit before tax for the quarter ended 30<sup>th</sup> September 2008 was higher by 8% over the same quarter of the previous year.
- For the six months ended 30<sup>th</sup> September 2008, the Company's underwriting loss, excluding pool losses, was Rs. 15 crores as against Rs. 23 crores reported at 30<sup>th</sup> June 2008. The Company achieved, during the half year ended 30<sup>th</sup> September 2008, a profit before tax of Rs. 52 crores (after recording additional pool losses of Rs. 12 crores during the period as compared to the previous year), despite market conditions being not conducive for profitable growth.
- The Company has limited exposure to equity markets and is not significantly exposed to downturns in share prices. The investment surplus grew by Rs. 281 crores to Rs. 2330 crores in the first six months aided by strong operating and investment cash flows.
- The Company also maintained its number two position amongst private general insurers.

**Bajaj Allianz Life Insurance Company Limited****Business Performance:**

- In the 2nd quarter (July – Aug 08) the life insurance industry New Business Premiums showed a negative growth 21% as compared to a positive growth rate of 57% for same period in previous year. The Private sector new business premiums

have grown by 39% in Q2/2008-09 as compared to 41% drop in New Business Premium of LIC in the same period.

The market share of private sector has grown from 24.7% to 43.7%, while LIC's market share in Q2/2008-09 is 56.3% as compared to 75.3% in corresponding period of last year.

On an Annualised premium basis the life industry had a negative growth of 19.2% over corresponding period of last year. On annualised premium basis, LIC has lost market share from 66% to 38.7% for Q2/2008-09 whereas the private sector market share has grown from 34% to 61.3%.

The Company's market share on an annualized premium basis for Q2 was 8.9% (Q1/2008-09 market share 8%) as compared to 6.8% in the corresponding period of previous year.

- The Gross Written Premiums for the quarter ended 30th September 2008 was Rs. 2477 crores as compared to Rs. 2001 crores in the corresponding period of the previous year - growth of 24%.

New business premiums for the quarter ended 30<sup>th</sup> September 2008 was Rs. 1187 crores as compared to Rs. 1536 crores in the corresponding period of the previous year – negative growth of 23%.

Annualised Premium for the quarter ended 30<sup>th</sup> September 2008 was Rs. 1101 crores as compared to Rs. 1367 crores in the corresponding period of the previous year – negative growth of 19%.

The drop in new business and annualized premiums was mainly due to higher new business premium recorded in September 2007 – Rs. 776 crores at the time of withdrawal of its highest selling product - Capital Unit Gain (CUG) against September 2008 - Rs. 428 crores.

- Total investments as at 30th September 2008 was Rs. 14295 crores as compared to Rs. 13101 crores as at 30th June 2008 and Rs. 13569 crores on 31 March 2008. Overall investments of the Company have increased by 9% in Q2/2008-09. Slow growth was due to minimal increase in unit-linked investments because of the downturn in equity markets in the current period.
- The share capital (including share premium) was Rs. 1211 crores as at 30th September 2008. The solvency as at 30th September 2008 stands at 192 % (required solvency is 150%).

The Company added 72 offices in Q2/2008-09 and operates out of 1079 offices as at 30<sup>th</sup> September 2008.

The net addition to employees in Q2/2008-09 was 6902 and total employees (excluding contract staff) as at 30<sup>th</sup> September 2008 was 26,900.

### Financial Performance:

(Rs. In crores)	Q2 2008-09	Q2 2007-08	H1 2008-09	H1 2007-08
<b>Revenue A/c</b>				
New Business Premiums	1187	1536	2016	2265
Gross Written Premium	2477	2001	4324	3061
Investment Income	137	78	172	96
<b>Surplus for the period (Policyholders')</b>	<b>37</b>	<b>34</b>	<b>103</b>	<b>104</b>
Profit & Loss A/c (Shareholders')	-60	24	-130	-16
<b>Overall profit / (loss)</b>	<b>-23</b>	<b>58</b>	<b>-27</b>	<b>88</b>

### Bajaj Auto Finance Limited

#### Business Performance:

- During the quarter ended 30<sup>th</sup> September 2008, the Company disbursed under various financing scheme Rs. 431 crores and made other deployments of Rs. 124 crores totalling Rs. 555 crores as against Rs. 745 crores during the corresponding quarter of the previous year.
- The total income for the quarter ended 30<sup>th</sup> September 2008 was Rs.137 crores as against Rs.123 crores during the corresponding quarter of the previous year, an increase of 11%.
- The assets under finance and other receivables as of 30<sup>th</sup> September 2008 were Rs. 3226 crores.
- Profit after tax was Rs. 4.57 crores in Q2/2008-09 as against Rs. 3.78 crores in Q2/2007-08 – an increase of 21%.

- The company launched its Personal and Small Business loans vertical in Q2/2008-09. The program offers unsecured loans to affluent individuals and entities for loans between 10-30 lacs for a tenor upto 5 years. The program offers zero prepayment charge, free personal accident insurance up to 5 lacs, prompt repayment benefit and an attractive life insurance bundle as value added propositions.
- To expand its business further, the company partnered with ICICI Lombard to launch an extended warranty program for its durable and personal computer customers. This is first initiative by a financial services company to partner with an insurance firm to launch extended warranty offering.
- The company conducted a comprehensive review of its current branch network based on its branch profitability model and current default rates. Consequently, it decided to prune its branch network from 116 to 84 branches. The company also reduced 56 attached locations as part of the branch network rationalization. The company expects this to be an ongoing process. The company's business is now operational through 84 branch and 204 attached locations.

#### Financial Performance:

<b>Rs. in crores</b>	<b>Q2 2008-09</b>	<b>Q2 2007-08</b>	<b>H1 2008-09</b>	<b>H1 2007-08</b>	<b>FY 2007-08</b>
Total income	137	123	266	228	503
Total expenditure	86	75	166	136	298
Interest and finance charges	43	41	86	79	170
Depreciation	1	1	2	1	5
Profit before taxation	7	6	12	12	30
Profit after taxation	<b>5</b>	<b>4</b>	<b>8</b>	<b>8</b>	<b>20</b>

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**Sanjiv Bajaj**  
**Managing Director**  
 22<sup>nd</sup> October 2008