

MANAGEMENT DISCUSSION AND ANALYSIS

Bajaj Finance Ltd. ('BFL', 'Bajaj Finance', or 'the Company') is a subsidiary of Bajaj Finserv Ltd. It is a deposit-taking Non-Banking Financial Company (NBFC-D) registered with the Reserve Bank of India (RBI) and is classified as an NBFC-Investment and Credit Company (NBFC-ICC). Since 30 September 2022, it has been categorised as an upper layer NBFC (NBFC-UL) pursuant to the Scale Based Regulation (SBR) put forth by the RBI.

BFL is engaged in the business of lending, partnership and services, payments and acceptance of deposits. The Company has a diversified lending portfolio across retail, SMEs (small and medium sized enterprises), and commercial customers with significant presence in both urban and rural India. It accepts public and corporate deposits and offers a variety of financial services products to its customers.

The Company was originally incorporated as Bajaj Auto Finance Private Ltd. on 25 March 1987 as a Non-Banking Financial Company primarily focused on providing two and three-wheeler finance. It launched an initial public offering of equity shares and was listed on the Bombay Stock Exchange ('BSE') on 7 June 1994. Thereafter, it got listed on National Stock Exchange of India ('NSE') on 1 April 2003. Subsequently, the Company ventured into consumer lending, SME lending, commercial lending, rural lending, partnership and services, payments and deposits.

Bajaj Finance has two wholly owned subsidiaries. viz (i) Bajaj Housing Finance Ltd. ('BHFL' or 'Bajaj Housing'), which is registered with the National Housing Bank as a Housing Finance Company (HFC); and (ii) Bajaj Financial Securities Ltd. ('BFSL', 'BFinsec', 'Bajaj Broking'), which is registered with the Securities and Exchange Board of India (SEBI) as a Stock Broker and Depository Participant.

BFL also has two associate companies: (i) Snapwork Technologies Private Ltd. ('STPL') and (ii) Pennant Technologies Private Ltd. ('PTPL'). BFL acquired a 26.53% stake on a fully diluted basis in PTPL on 19 January 2024 and hence, it has become an associate company.

Over the years, Bajaj Finance has emerged as a leading player in the country's NBFC sector. As on 31 March 2024, on a consolidated basis, it had a franchise of 83.64 million customers and its assets under management (AUM) stood at ₹ 330,615 crore. It enjoys a capital adequacy of approximately 22.52%, which is well above the RBI norms. During the financial year 2023-24 ('FY2024'), it earned a net interest income of ₹ 29,582 crore; and profit after tax of ₹ 14,451 crore.

Macroeconomic Overview

Despite three turbulent years which witnessed a global pandemic, supply chain disruptions, conflict in Ukraine, and elevated interest rates to counter high inflation, India emerged as the fastest growing major economy of the world. Notwithstanding conflicts in Europe and Gaza and rising tensions in West Asia, a global recession that experts thought was imminent has not occurred. Indeed, the key indicators have turned positive: inflation is falling across all major countries; unemployment has not risen as economists thought it would; and the major central banks have put an end to monetary tightening, though they have not yet begun reducing their key interest rates.

According to the IMF's World Economic Outlook (April 2024), inflation is falling faster than expected in most regions; and it has forecasted global headline inflation to fall to 5.9% in 2024 and further to 4.5% in 2025, with the possibility of the 2025 forecast being further revised downwards.

In a milieu where the IMF has projected the world's real GDP growth at 3.2% in 2024 and 3.2% in 2025, its forecasts for India are impressive: 6.8% in 2024 followed by yet another stint of 6.5% in 2025. Indeed, the IMF has placed India as the fastest growing major economy in the world.

With a fair degree of control over retail inflation despite high and growing domestic demand and significant government-led capital expenditure, India has recorded robust growth in FY2024. The second advance estimate of national income released by the national statistics office (NSO) on 29 February 2024 has pegged real GDP growth in FY2024 to be 7.6% versus 7% (first revised estimate) in FY2023. Table 1 gives the data.

Table 1: Real Gross Domestic Product (GDP) and Gross Value Added (GVA)

	FY2021 (2nd RE)	FY2022 (2nd RE)	FY2023 (1st RE)	FY2024 (2nd AE)
Real GDP (₹ in trillion)	136.9	150.2	160.7	172.9
Real GVA (₹ in trillion)	126.8	138.8	148.0	158.3
Real GDP growth	(5.7%)	9.7%	7.0%	7.6%
Real GVA growth	(4.1%)	9.5%	6.7%	6.9%

Source: Government of India, National Statistical Office (CSO). AE denotes advance estimate, and RE denotes revised estimate.

The first three quarters of FY2024 have witnessed impressive real GDP growth. Q1, FY2024 saw 8.2% growth; this was followed by 8.1% in Q2, FY2024; and then by 8.4% in Q3, FY2024. If numbers such as these prevail in the fourth quarter, then it is safe to assume that the actual GDP growth FY2024 will comfortably exceed the second advanced estimate of 7.6%.

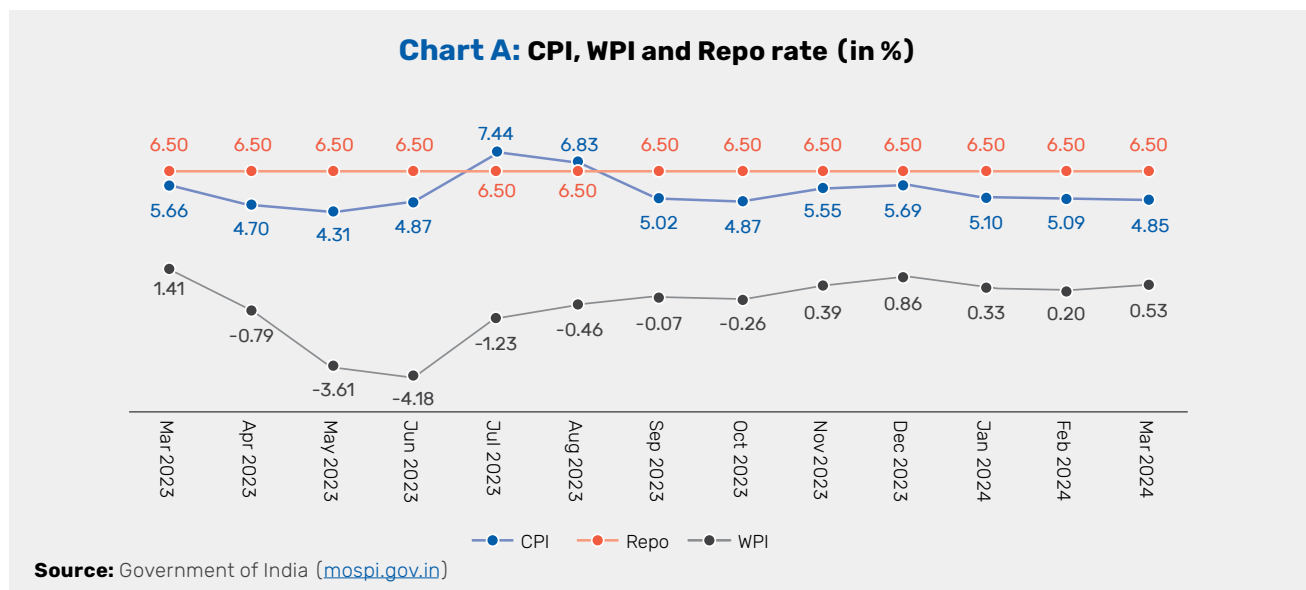
The major driver of growth has been the central government-led capital expenditure. The present government had considerably raised this to counter the overall demand and GDP suppression during the pandemic; and it has continued to rely upon it as a significant component of growth. To give an example: according to the second advance estimate for FY2024, gross fixed capital formation (GFCF) is expected to contribute over 34% of the GDP in FY2024 – an impressive ratio by any standard.

India’s current account deficit (CAD) for Q3 FY2024 stood at US\$10.5 billion, or 1.2% of GDP versus US\$11.4 billion (1.3% of GDP) in Q2 FY2024. For the first three quarters of FY2024, the CAD aggregated US\$31 billion, or 1.2% of GDP – compared to 2.6% over same period of FY2023. This narrowing of the CAD was due to a fall in merchandise trade deficit, robust growth in the export of services exports and strong remittances. According to the RBI, India is the largest recipient of remittances in the world.

Consumer price inflation (CPI) moderated in first three quarters of FY2024, with average retail inflation easing to 5.5%. The decline was account of benign core (non-food, non-fuel) inflation, which reduced to a four-year low of 3.8% in December 2023. CPI was 5.1% in January 2024 and 5.09% in February 2024. The monetary policy report of the RBI dated 5 April 2024 suggests that the moderation in inflation in Q3 and Q4 FY2024 was a result of weakening of supply side shocks especially in food prices and from the transmission of past monetary policy actions. Of course, regarding inflation, adverse weather conditions and escalating geopolitical hostilities remain key risks. Nevertheless, the CPI averaged at the rate of 5.4% in FY2024, and it is fair to expect it to further reduce to something like 4.5% in FY2025 subject to, of course, the usual upside risks.

In any event, overall retail inflation is now stable and within the tolerance band of the RBI.

Chart A depicts the movement of consumer price index (CPI), wholesale price index (WPI) and the repo rate since March 2023 over the respective month.



The RBI's Monetary Policy Report of 5 April 2024 expects India's real GDP for FY2024 will grow by 7.6% and that CPI inflation will decline from 5.4% in FY2024 to 4.5% in FY2025, with most of the decline occurring in the first half of FY2025.

Non-food credit growth of the scheduled commercial banks was 20.5% as on 23 February 2024 over 24 February 2023 versus 15.9% for the same period in the previous year. This growth was largely driven by services industry and personal loans which recorded a growth of 24% and 28.3%, respectively as on 23 February 2024 versus 20.5% and 20.6% for the same period in the previous year. Credit to industry registered a growth of 9.1% in February 2024 over the previous year against 6.8% in February 2023.

Credit to large industry rose by 7.1% versus 4.6% a year ago; to medium industries it was 12.5% as against 12.8%; to micro and small industries it was a growth of 14.7% in February 2024 as against 12.8% a year ago.

The Indian economy has weathered the external shocks reasonably well. It is by far the fastest growing major economy in the world. The growth impetus continues across all major sectors. Inflationary pressures have abated. The CAD is well under control. And, at the very least, we can expect yet another stellar year in FY2025.

NBFCs: An Industry Overview

NBFCs remain an important constituent of India's financial sector, and continue to leverage their superior understanding of regional dynamics and customised products and services to expedite financial inclusion in India. Lower transaction costs, innovative products, quick decision making, customer orientation and prompt service standards have differentiated NBFCs from banks.

Considering the reach and expanse of NBFCs, these entities are well-suited to bridge the financing gap in a large country like India. Systemically important NBFCs have demonstrated agility, innovation and frugality to provide formal financial services to millions of Indians.

The sector has undergone remarkable growth and has established itself as a significant player in the country's financial landscape. As of FY2023, the NBFC sector reached an impressive size of US\$ 326 billion, underscoring its influence in the financial domain. Growth in the business of NBFCs is primarily attributed to a substantial increase in the demand for specialised financial services, particularly from Micro, Small, and Medium Enterprises (MSMEs), which typically face challenges in obtaining loans from traditional banks. Moreover, the rise of digitisation has been a driving force behind the NBFC sector's growth. Adoption of digital platforms has enabled NBFC's to broaden their customer base, streamline operations, reduce costs and enhance overall customer experience. This transformation is further accentuated by the role of emerging technologies like artificial intelligence, machine learning, robotic process automation and big data.

The latest edition of the RBI's Financial Stability Report notes that aggregate lending by NBFCs rose by 20.8% (y-o-y) in September 2023 from 10.8% a year ago, primarily led by personal loans and loans to industry. The gross non-performing assets (GNPA) and net non-performing assets (NNPA) ratios of NBFCs continued on their downward trajectory. The overall GNPA ratio in September 2023 was 4.6% versus 5.9% in September 2022; and NNPA ratio was 1.5% compared to 3.2% across the same period. Capital adequacy has also improved to 27.6% from 27.4% during this period. So too has the profitability—as evident from increase in the return on assets (RoA) to 2.9% from 2.5%.

Over the past two years, banks and NBFCs have seen rapid and persistent growth in retail loans, especially unsecured lending. Between September 2021 to September 2023, banks' retail loans grew at a compound annual growth rate (CAGR) of 25.5%, which exceeded the headline credit growth of 18.6%. Consequently, the share of retail lending in gross advances increased from 37.7% in September 2021 to 42.2% in September 2023. Alongside, unsecured retail lending grew by 27% during the same period, taking its share in total retail lending to 23.3% (or 9.8% of total gross advances of the banks).

Despite the sharp growth in retail lending, underlying asset quality has improved. The GNPA ratio of total retail advances improved to 1.6% in September 2023 from 2% in September 2022; and that of unsecured retail advances improved to 2% in September 2023 from 2.5% a year earlier.

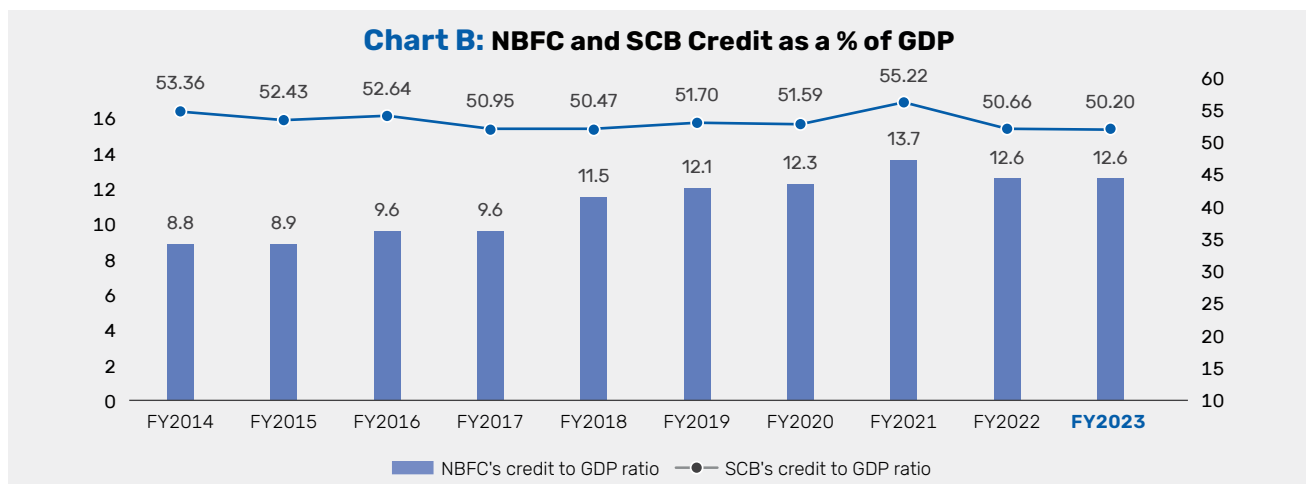
A related development which has facilitated rapid growth in retail loans is bank lending to NBFCs, which constituted 9.9% of total bank credit at the end of June 2023. Bank lending to NBFCs increased at a CAGR of 26.3% during the past two years (i.e., from June 2021 to June 2023), which has been well above the growth of 14.8% in overall bank credit. However, such lending is mostly limited to top-rated NBFCs with close to 80% of credit given to those with AA-rating and above. Although there are no imminent signs of stress in the retail credit segment, its rapid growth amidst the disinflationary monetary policy stance raises concerns in terms of procyclicality of lending and higher debt servicing costs.

Recognising the importance of NBFCs, a series of measures have been implemented which have played an important role in strengthening the NBFCs. For instance, considering the growing size, complexity and interconnectedness of NBFCs, a revised scale-based regulatory framework has been implemented to harmonise the regulations of NBFCs with those of banks, wherever appropriate. In addition, the formal Prompt Corrective Action (PCA) framework was extended to NBFCs which enables supervisory intervention at appropriate times and requires the supervised entity to initiate and implement remedial measures in a timely manner.

As banks and NBFCs have entered into various co-lending models with divergent underwriting practices and banks have been the major lender to NBFCs, this rising interconnectedness raises risks emanating from cross-sectional dimensions. Thus, on 16 November 2023, the RBI increased risk weight on unsecured retail loans from 100% to 125% and also increased risk weight on bank exposures to NBFCs by 25% subject to a cap of 100%. The RBI’s Financial Stability Report states that “the Reserve Bank took proactive regulatory measures, such as increase in risk weights on certain segments of consumer credit by banks and NBFCs as well as bank credit to NBFCs, along with a strengthening of credit standards in respect of various sub-segments under consumer credit, to prevent build-up of risks and spill-over to the wider financial system.”

This decision to increase risk weights is both stability enhancing and credit positive. First, banks and NBFCs will be required to allocate higher capital for unsecured retail loans, which will improve their loss-absorbing buffers; and second, it will dampen growth exuberance among lenders and improve credit quality.

Based on Report on Trend and Progress of Banking in India 2022-23, Chart B depicts how credit as a percentage of nominal GDP of NBFCs and scheduled commercial banks has moved between FY2014 to FY2023.



This is a privileged track record despite the NBFCs being severely tested by four large external events in the last few years: (i) demonetisation, (ii) GST implementation, (iii) failure of a few large NBFCs, and (iv) the pandemic. The fact that several NBFCs have managed to overcome these stresses without a significant impact on their financial positions is a testament to their resilience and agility.

As NBFCs have become more significant, the RBI has enhanced its regulation of the sector in recent years to address the industry specific issues such as contagion risk in the financial system, oversimplified underwriting processes, concentration of credit risk, exposure towards technology related risks, etc. Accordingly, the RBI, over last few years, has issued various guidelines such as (i) vigil over asset-liability management practices, (ii) maintaining liquidity ratios, (iii) increased reporting requirements, and (iv) scale-based regulations. These have led to NBFCs adopting practices in line with banks. The regulatory vigil is based on four key cornerstones of: (i) responsible financial innovation, (ii) accountable conduct, (iii) responsible governance, and (iv) centrality of the customer.

The NBFC sector is an important stakeholder of the Indian financial sector. Strengthened regulation and enhanced oversight are in place to further strengthen the resilience of this key sector. Given this, we reiterate what we underscored in the previous year. We believe that NBFCs with superior capital adequacy, better margins, frugal cost and prudent risk management, and those incorporating above four key cornerstones in their business models will continue to deliver sustainable growth in the foreseeable future.

The Company

Bajaj Finance Ltd. ranks among the largest and most diversified NBFCs in India offering payments, partnership and services and lending solutions to customers. It has established a diversified business model which enables optimal balance of risk and profitability to deliver a sustainable business. The model is focused on acquisition of millions of customers and offering multiple loans and services on a cross-sell basis to meet their financial service needs. BFL's strategies and structure are closely aligned with the commercial banks in India. The Company is focused on continuous innovation to transform customer experience and create sustainable and profitable growth opportunities. Pursuant to scale-based regulation of the RBI, BFL and one of its subsidiaries, BHFL, are classified as upper layer NBFC since 30 September 2022 and, being upper layer NBFCs, are subject to an enhanced regulatory framework by the RBI.

BFL is present in 4,145 locations across the country, including 2,576 in rural/smaller towns and villages. Geographical expansion, large customer franchise and adoption of digital technology continue to be critical pillars of the Company's growth. It focuses on ten broad categories. These are:

- (i) Consumer Lending (Sales finance)
- (ii) Personal Loans
- (iii) SME Lending
- (iv) Auto Financing
- (v) Rural Lending
- (vi) Gold Loans
- (vii) Commercial Lending
- (viii) Loan against Securities
- (ix) Deposits; and
- (x) Partnerships and Services

On a consolidated basis, in FY2024, BFL delivered

- An AUM growth of 34% in FY2024 from ₹ 247,379 crore to ₹ 330,615 crore.
- Growth in profit after tax (PAT) of 26% in FY2024 from ₹11,508 crore to ₹ 14,451 crore.
- Return on average assets (RoA) of 5.08% in FY2024 and return on average equity (ROE) of 22.05%.

Despite a change in regulatory measures by the RBI where risk weights on consumer credit were increased from 100% to 125% during the year, BFL remains well capitalised with a capital-to-risk weighted asset ratio (CRAR) of 22.52% as on 31 March 2024, making it amongst the best capitalised large NBFCs in India.

On 2 November 2023, BFL allotted 1,550,000 warrants at a price of ₹ 7,670 per warrant, on a preferential basis, to Bajaj Finserv Ltd, the promoter and holding company, on receipt of application money aggregating ₹ 297.21 crore being 25% of the total consideration. The remaining 75% of the consideration will be paid at the time of conversion of warrants into equity shares anytime within eighteen months from the date of allotment. Also, on 9 November 2023, BFL raised equity capital of ₹ 8,800 crore through the qualified institutional placement (QIP) route.

On the liability side, Bajaj Finance continues to maintain conservative liquidity buffers. The consolidated liquidity buffer was ₹ 15,668 crore as on 31 March 2024.

As on 31 March 2024, BFL's consolidated borrowings stood at ₹ 293,346 crore. In FY2024, the Company raised USD 725 million of fully hedged External Commercial Borrowings (ECB) as term loans from multiple banks under the automatic route.

BFL's consolidated average cost of funds for FY2024 was 7.74% and exit cost of fund as on 31 March 2024 was 7.83%.

As on 31 March 2024, BFL's consolidated gross NPA at 0.85% and net NPA at 0.37% are amongst the lowest in the industry. This validates the Company's deeply embedded risk culture and robust risk management practices which have ensured that despite the volatile economic environment amidst inflationary trends and rising interest rates, BFL's NPA as on 31 March 2024 stood at the best levels in its history.

As on 31 March 2024, at a consolidated level, the Company holds a management and macro-economic overlay of ₹ 300 crore for unforeseen macroeconomic events.

The consolidated performance highlights for FY2024 are given below.

Consolidated Performance Highlights, FY2024

- Customer franchise grew by 21% to 83.64 million
- Number of new loans booked was 36.2 million
- Number of customers on Bajaj Finserv App was 52.41 million
- Assets under management (AUM) increased by 34% to ₹ 330,615 crore
- Net interest income (NII) increased by 29% to ₹ 29,582 crore
- Net total income (NTI) increased by 26% to ₹ 36,258 crore
- Total operating expenses (Opex) grew by 22% to ₹ 12,325 crore
- Opex to Net Total Income (NTI) stood at 34%
- Pre-impairment operating profit increased by 28% to ₹ 23,933 crore
- Impairment on financial instruments increased by 45% to ₹ 4,631 crore
- Profit before tax (PBT) increased by 24% to ₹ 19,310 crore
- Profit after tax (PAT) increased by 26% to ₹ 14,451 crore
- Capital adequacy ratio as on 31 March 2024 was 22.52%, Tier-I adequacy was 21.51% including CET1 ratio of 21.32% which are well above the RBI norms.

The Company is optimistic about its growth potential in the future years, with its strong financial position, low NPAs, growth momentum, well provisioned balance sheet, strong capital adequacy, omnichannel business approach and strong start into FY2025.

Long Range Strategy (LRS)

BFL has a highly disciplined approach to long range strategic planning which involves a rolling five-year LRS. The strategy is evolved after analysing macroeconomic factors, industry outlook as well as technology and business megatrends. The strategic plan is then converted to an execution strategy with a rollout plan of over a 15–24 month horizon.

BFL has clearly articulated its business construct across (i) ambition, (ii) strategy, (iii) approach, (iv) philosophy, (v) market share, (vi) profit share, (vii) customer share and (viii) technology and data-first. These are defined below:

Ambition	Strategy	Approach	Philosophy
<p>To be a leading payments and financial services company in India with a customer franchise of over 150 million, market share of 3% of payments Gross Merchandise Value (GMV), 3%-4% of total credit in India and 4%-5% of retail credit in India.</p>	<p>To be an omnipresent financial services company spanning across all consumer platforms – physical, app, web, social, rewards and virtual.</p>	<p>To acquire customers and cross-sell payments, assets, deposits, insurance, investments and broking products to efficiently meet their financial needs across all consumer platforms.</p>	<p>To build businesses with a long term view anchored on prudence and risk management to deliver ‘through the cycle’ return on equity of 21-23%.</p>
Market share	Profit share	Customer share	Technology and data-first
<p>To deliver sustainable growth and endeavour to be among the top five in respective product and sector.</p>	<p>To focus on profitable growth and endeavour to be among the top 20 profit-making companies in India and top five in financial services companies in India.</p>	<p>To grow BFL share of customer’s wallet by offering all products and services in a frictionless manner and deliver highest customer satisfaction (CSAT) score and products per customer (PPC).</p>	<p>To create technology and data-first as an organisation culture to solve all problems. Be an early adopter and invest in emerging technologies and data practices to deliver sustained growth, superior customer experience, improved productivity and robust controllership.</p>

Update on LRS FY2023 – FY2027

In January 2023, the Company unveiled its long range strategy for the period FY2023 to FY2027. In it, BFL envisaged launch of new products and new product variants, product innovations, geographical expansion, and continued enhancement of its operational capabilities to deliver robust growth. The Company also considered 15 relevant megatrends across the India Stack, Platform, Products and Technology to evaluate for implementation. The update on LRS 23-27 is as follows:

- Financing for purchase of new cars: Launched in Q1 FY2024 and now present in 108 locations.
- Micro finance: Launched in Q2 FY2024 and now present in 100 branches.
- Emerging corporate loans business: Launched in Q3 FY2024.
- Financing for purchase of tractor: Launched in Q3 FY2024 and now present in 197 locations.
- Addition of 100 locations in UP, Bihar and North-East India: Added 156 locations.
- Rewards as a platform: Scheduled to go live in Q1 FY2025
- Social platform: Scheduled to go live in Q2 FY2025
- B2B on QR and EDC: Deferred to FY2026
- Flexi on QR: Scheduled to go live in Q2 FY2025

Update on LRS FY2024 – FY2028

LRS 2024-28 envisages BFL to further expand its product stack with launch of new products, product variants and product innovations, expansion of product coverage in existing locations, increase customer footprint across all digital platforms and drive significant business volumes through digital platforms, continue to leverage megatrends to grow business, reduce friction, deliver scalability, and improve resilience. Some of the initiatives planned as part of the LRS are given below:

- On products, invest in new product lines to seize India opportunity and to grow in a sustained manner: Nine new product initiatives have been envisaged for expansion of BFL product suite. These are:
 - » Assured buyback on new car – launched in FY2024.
 - » Embedded Insurance – April 2024.
 - » Commercial Vehicle – Q2 FY2025.
 - » Bharat (affordable) Mortgages – Q2 FY2025.
 - » Auto leasing – Q2 FY2025.
 - » Financing for Industrial Equipment – Q3 FY2025.
 - » Postpaid – Q2 FY2025.
 - » Co-lending – Q2 FY2025.
 - » Bajaj+ for EV (electric vehicles) – Q2 FY2025.
- On geography, strive to get all products in all locations in a sustained manner. Build significant presence in UP, Bihar and the North-East states.
- On platforms, dominate all digital platforms and deliver 25% of business volumes. The strategy is to grow from 5 million monthly downloads on the Bajaj Finserv App to 10 million; originate 1 billion organic traffic on the web; and deeply invest in marketplaces, social and rewards platforms.
- On horizontal functions, focus on solving the hardest problems across all functions to reduce friction, scalability, and resilience.
- On subsidiaries, become significant players in respective sectors. Contribute 12%-15% of retail mortgages and 50%-60% of broking accounts

The Company has also identified 10 relevant megatrends across the India Stack, Products, Technology and other areas which are being evaluated for implementation.

Omnichannel strategy

BFL is one of the largest and most diversified NBFCs in India, with 83.64 million customers. It offers a diverse suite of over 70 financial products and services focused on Consumer Lending (Sales finance), Personal Loans, SME Lending, Auto Financing, Rural Lending, Gold Loans, Commercial Lending, Loan against Securities, Deposits and Partnerships and Services. The Company has expanded its physical presence to 4,145 locations and over 1.98 lakh points of sale. It has expanded its base of merchants in the Payments business with over 3.1 million merchants. It has also rapidly expanded its presence across the digital space through the Bajaj Finserv App, the web and three proprietary marketplaces – the 'Insurance Marketplace', the 'Investment Marketplace' and the 'Bajaj Mall'. BFL has an AUM of ₹ 330,615 crore as on 31 March 2024.

The Company's strategy remains to be an 'omnipresent' financial services company dominant across all vectors of consumer presence covering physical, app, web, social and virtual platforms. The Omnichannel model has delivered a paradigm shift for the organisation, transitioning from a traditional product and process-centric framework to a customer-first strategy. This evolution is redefining every aspect of the Company's operations, placing the customer at the heart of its business reinvention.

The omnichannel strategy has six domains viz. (i) Geographic expansion, (ii) Bajaj Finserv app, (iii) Bajaj Finserv website, (iv) Payments, (v) Productivity apps, and (vi) Customer data platform (CDP). During FY2024, the Company has significantly advanced on all these domains.

- **Geographic expansion.** BFL has significantly expanded its geographic footprint, adding 412 new locations in FY2024, bringing its total presence to 4,145 locations. The company employs a strategic geographical expansion program, using GDP contribution as a key criterion for selecting new locations. A central tenet of this expansion is the "All products in All locations" strategy, which aims to augment market share growth across all products. This approach has enabled BFL to increase the number of locations offering more than 18 products to over 150, a figure that is expected to continue rising and drive growth. Additionally, BFL has broadened its gold loan business by inaugurating standalone gold loan branches, now numbering over 650 across India.
- **Bajaj Finserv App.** The Bajaj Finserv App is a cornerstone in BFL's transformation into a digital-first organisation, boasting over 52 million installations. The Company meticulously tracks over 3,500 KPIs within the app. This year marked a significant milestone with BFL conducting its inaugural Customer Experience Annual Operating Plan (AOP) for digital platforms, a move necessitated by the growing scale and intricacy of the business. A key initiative under this AOP was the unification of the App and Web into a single Digital Stack, with the strategy to equate App functionality with Web, ensuring a uniform and frictionless customer experience. The completion of the App = Web strategy is anticipated with a release in September 2024. Throughout the year, the app has seen the addition of numerous features, now totalling 704.

In FY2024, the app played a pivotal role in BFL's growth, helping to onboard over 342,000 EMI card customers, disburse over ₹ 11,700 crore in personal loans, acquire upwards of 2.45 lakh credit cards, and facilitate over 8.2 million flexi-loan transactions. Additionally, the app attracted ₹ 293 crore in fixed deposits. It currently ranks as one of the top 8 financial services apps in Asia on the Google PlayStore.

- **Bajaj Finserv website** remains an extremely important driver of customer traffic, business volumes and service. More than 422 features are live on Web like the App. Customers can now initiate their journey on any one platform and complete the same on another without any disruptions. BFL has further strengthened its search ecosystem thereby laying a strong foundation for accommodating one billion web traffic over the medium term and its move towards 'Zero Paid' traffic. BFL's web platform played an important role with over 244 million customer visits and enabled disbursements of over ₹ 10,000 crore in FY2024. In FY2024, the web garnered over ₹ 1,200 crore of deposits.
- **Payments** is core to delivering the Omnichannel strategy. It is a tool for customers and merchants; and enables higher engagement and retention of customers on BFL's digital platforms. The Company has built a full-service payments business across all formats of issuance and acquiring with robust payments stack encompassing wallets, UPI, Bharat Bill pay service and single payment checkout gateway. In FY2024, BFL also went live with Bajaj Pay FastTag business.

As of 31 March 2024, i) 26.3 million customers have a wallet account with the Company; and ii) 24.78 million customers have a UPI handle. 27.54 million bill payment transactions were executed by the customers using BFL's bill pay service in FY2024.

As of 31 March 2024, GMV for UPI was ₹ 35,033 crore, Wallet Load at ₹ 1,962 crore and Wallet Spend at ₹ 1,920 crore.

BFL continues to enrich payments journey for customers as well as merchants and has been driving UPI payments. It has accelerated QR deployment at small and medium format merchants by mobilising its distribution channels. Bajaj Pay QR enables merchants to accept payments by way of UPI, PPI (Bajaj Pay Wallet) and Bajaj EMI (where eligible). The Company has deployed over 2.5 million merchant QRs in FY2024 with cumulative base crossing 3.1 million. BFL has also created merchant solutions and capabilities that enable merchant onboarding and single view for payments, business, marketing campaigns and rewards.

- **Productivity apps** help to improve productivity, engagement and collaboration within the BFL ecosystem. The Company has four productivity apps across its ecosystem (i) Sales One app, (ii) Debt Management Service One app, (iii) Merchant One app, and (iv) Partner One App. These help BFL leverage underlying platforms and bring a unified experience for all constituents from sales to debt management.
 - » **Sales One app** acts as a single application gateway for sales teams across businesses to cater sales activities, reports and dashboards, cross-sell leads, trainings, enabling customer service, debt management service, and engagements. Several new features were added to the app in FY2024 such as market share reports, dealer onboarding, personalised notification, code of conduct and cross sell - lead capture form.
 - » **DMS One app** enables the Company's debt management teams across products with a host of capabilities and features like mobile receipting, agency allocation, meeting calendars, call management and recording, repossession module, settlement workflow and letters, performance reports and others. It also enables imparting debt management and customer service related trainings and dissemination of important communication with the DMS employees and agencies resources. The app has 17,325 DMS employees and over 58,000 agents live as of 31 March 2024, and it processed 20.32 million receipts in FY2024. Apart from delivering high velocity and operating benefits, DMS One App significantly strengthens BFL's compliance and controllership.
 - » **Merchant One app** enables merchants with capabilities such as self-onboarding, QR issuance and business dashboards. The app went live with onboarding journey, lifecycle management of merchants and multi-QR linking. Over 2.5 million merchants were onboarded through the app in FY2024.
 - » **Partner One app** is a one stop productivity asset that enables 'Sourcing Business Partners' with end-to-end lifecycle capabilities such as onboarding, renewal, branch and associate management, case booking, transaction tracking, performance reports, query resolutions, training, payout and account management. The capability is now being used by over 50,000 users.
- **Customer data platform (CDP)**, a key to the omnichannel experience. In FY2024, the Company decided to upgrade its CDP on modern big data stack and enable real time data stream, integrated visualisation and faster processing with enhanced UI experience. The new CDP has gone live for SMS (short messaging service), Email, RCS (rich communication service) and Social channels. It is being used by 180 active users. We plan to implement call centre integration by July 2024. Marketing platform supporting omnichannel which will enable cross-channel orchestration, customer communication and governance with an integrated multi-dialler by September 2024, multi-lingual architecture which will enable multi-channel orchestration, customer communication, call governance with an integrated multi-dialler by September 2024.

Table 2: Some key outcomes of the omnipresent strategy

Particulars	Unit	FY2024	FY2023
(i) Geography			
New locations added	#	412	229
Locations as at 31 March	#	4,145	3,733
Standalone gold loan branches as at 31 March	#	650	181
(ii) App metrics			
Downloads	# in MM	63.04	51.87
Net Installs as at 31 March	# in MM	52.41	35.5
In-App programs as at 31 March	#	147	104
Service requests initiated on app	% of total SR	33.3%	22.0
(iii) App payments metrics			
UPI handles till 31 March	# in MM	24.78	12.98
Bill pay transactions	# in MM	27.54	15.92
QRs at merchant PoS as at 31 March	# in '000	3,140	627
Rewards issued	# in MM	93.7	44.7
(iv) App business metrics			
EMI cards acquired on App	# in '000	342	368
Personal loan disbursed on App	₹ in crore	11.7k	9.4k
Credit card acquisition on App	# in '000	245.4	209.0
Flexi loan transactions on App	# in MM	8.2	4.9
DMS receipts on App	# in MM	4.6	3.3
(v) Marketplace metrics			
Bajaj Mall visits	# in MM	181.0	156.7
Bajaj Mall loans	# in MM	2.2	2.4
Insurance Bazaar - insurance policies	# in '000	893.3	294.3
Investments Bazaar - mutual fund A/C	# in '000	190.3	73.9
(vi) Digital EMI card metrics			
EMI cards acquired digitally	# in MM	1.8	2.4
EMI cards acquired digitally - CIF as at 31 March	# in MM	3.6	3.6
B2B loans from digital EMI cards as at 31 March	# in MM	1.04	1.07

The Company plans to expand its footprint across another 300-350 locations to take geographical presence to 4,400 locations throughout India. On the app platform, the Company will focus on increasing the adoption of sales and service to increase online business and enhance self-service.

Business Update

In FY2024:

- BFL disbursed 36.2 million loans, representing a growth of 22% over FY2023.
- It was present in 4,145 locations across the country, including 2,576 locations in rural/smaller towns and villages.
- It operated through over 198,000 distribution points across India.
- It acquired a record 14.5 million new customers in FY2024 taking its existing customer franchise to 83.64 million as on 31 March 2024, a growth of 21% over 31 March 2023.

In FY2024, as part of its product strategy, the Company continued to expand its product offering for customers. Some of these new launches were: (i) New Car Financing; (ii) Large Corporate Lending; (iii) Emerging Corporate Lending; (iv) Micro Finance; and (v) Tractor Financing.

Consumer Lending: consumer electronics, furniture, digital products, e-commerce purchases, two-wheelers, three-wheelers and daily spends financing

BFL is the largest lender for financing of discretionary spends across consumer electronics, furniture, and digital products in India. Sales finance business consists of financing for consumer electronics, two-wheelers, digital products, lifestyle purchases, lifecare spends, retail spends and e-commerce purchases. This business is conducted under two verticals, viz. urban sales and rural sales.

Table 3: The volumes under the two verticals are tabulated below

Particulars	(In millions)		
	FY2024	FY2023	Growth
Urban sales finance	24.78	20.34	22%
Rural sales finance	7.68	5.84	32%
Total sales finance	32.46	26.18	24%

BFL's Existing Member Identification (EMI) card, with some 41 million cards-in-force, enables customers to avail instant finance after the first purchase across over 176,600 points of sale. In FY2024, EMI cards enabled BFL to finance over 13 million purchases across all sales finance categories: consumer electronics, digital products, lifestyle products, lifecare, e-commerce and other retail spends.

Bajaj Finance remained the largest financier of Bajaj Auto's two and three-wheelers in FY2024. During the year, it financed over 864,400 two-wheelers of Bajaj Auto which grew by 21% over previous year; and over 199,500 three-wheelers of Bajaj Auto which increased by 56% over the previous year. This constituted 41% and 49% of Bajaj Auto's two and three-wheelers domestic sales respectively. FY2024 was the first full financial year of operation for the non-Bajaj two-wheeler finance business. Under that business, BFL financed 242,976 two wheelers. Currently, the two-wheeler business is operational in 767 locations and servicing over 6,000 retailers and 14 OEMs.

BFL's Lifestyle Finance business provides financing facility for discretionary spends for high ticket size products and services across a wide network of over 10,600 stores in 281 locations across India. In FY2024, it financed over 7.9 lakh accounts, with a 24% Y-o-Y growth.

The Company offers financing to its existing EMI card customers for their purchases through e-commerce platforms. It financed over 2.36 million transactions in FY2024 till 15 November 2023, representing a growth of 27% versus same period previous year. On 15 November 2023, RBI directed Company to stop sanction and disbursal of 'eCom' and 'Insta EMI Card' with immediate effect.

The retail spends financing business offers easy instalment options to customers for small ticket purchases like fashion, eyewear, cycles, tyres, car accessories, vehicle servicing, power back-up and small appliances. The Company now focuses on relatively higher ticket spends which are economically more viable. This business is now operational in 126 locations with a footprint of over 50,100 urban partner stores across India. BFL financed nearly 8.88 lakh purchases in FY2024 compared to nearly 8.32 lakh in FY2023.

In FY2023, BFL launched 'Bajaj +', a novel variant in its mobile financing business to expand its reach to a larger customer segment. Initial outcomes of this variant are encouraging and should help BFL increase its customer

acquisition momentum and further its market presence in mobile financing. During FY2024, 2.72 million mobile phones purchase were financed under this variant as compared to 0.24 million in FY2023.

Personal Loans

Personal Loan Cross Sell (PLCS) business is a pre-approved loan origination programme to existing customers at BFL. It relies on risk analytics, dynamic campaign management and digital acquisition strategy. The revamped digital assets (app and web platforms) with a focus on 'Do it yourself' journey for existing customers and increased touch free acquisition has started delivering higher volume momentum. BFL has also made investments in enhancing its data analytics capabilities and identifying new opportunities in franchise.

In FY2024, BFL disbursed PLCS loans to over 1.42 million customers and delivered a 30% increase in Assets Under Management (AUM) to ₹ 37,648 crore.

BFL also offers salaried personal loans (SPL) to affluent salaried customers with average annual gross earnings of over ₹ 500,000. SPL business witnessed a commendable 29% growth in AUM to ₹ 26,251 crore. FY2024 also witnessed an overhaul of loan origination systems, underwriting processes, and loan booking mechanisms, aimed at bolstering efficiencies and augmenting customer satisfaction.

SME Lending: unsecured and secured loans to MSME and SME and loans to professionals

SME lending provides essential financial support to micro, small and medium enterprises (MSMEs), professionals and new and used car finance. BFL offers unsecured and secured loans in the form of working capital loans and term facilities to SMEs, MSMEs and professionals. Secured loans are offered against various property types including residential, commercial property and used four-wheeler. The SME lending book grew by 30% from ₹ 29,628 crore in FY2023 to ₹ 38,498 crore in FY2024.

As part of LRS strategy, BFL has started using the Account Aggregator facility for its SME business. This facility enables consent-based access to customer's banking transactions which helps better underwriting decisions, and enables the Company to hone its product offerings and credit monitoring.

For Businesses (SME and MSME)

BFL offers unsecured SME Loans to businesses across over 2,257 locations in India. Its AUM in FY2024 grew by 33% to ₹ 24,958 crore.

For Professionals

BFL offers secured and unsecured loans to doctors, chartered accountants, and other professionals consisting mainly of working capital loans and term loan facilities over 2,257 locations in India. AUM of unsecured loans to professionals grew by 22% over FY2023 to ₹ 13,031 crore.

In FY2024, medical equipment financing business gained strong traction enabled by field distribution, OEM network and dealer network. Currently the business has over 604 empanelled dealers and 35 OEMs for sourcing. This business is ancillary to the professional loans business and its AUM grew by 61% at ₹ 495 crore in FY2024.

For Tractor Financing

In FY2024, BFL commenced tractor financing business under SME lending. AUM of tractor financing stood at ₹ 26 crore.

Secured loans to SME and MSME customers

BFL offers secured loans to SME and MSME customers against residential property, commercial property and used four-wheeler. AUM of secured loans against residential or commercial property grew by 127% over FY2023 to ₹ 7,403 crore.

Auto financing: new car financing and financing for and against used car

In Q2 FY2024 BFL commenced New Cars Financing in 89 locations serving 1,733 dealer outlets and 23 automotive Manufacturers (OEM). This covers top 45 locations in the country. Aside of these locations, the Company has also deepened its distribution in two states – Tamil Nadu and Gujarat, covering more than 40 locations. With robust end-to-end digital journeys and frictionless processes, it financed 18,894 vehicles in FY2024.

BFL disbursed over 58,000 loans for/against used car in FY2024, a growth of 79%.

Rural Lending and Gold Loans

In FY2024, the Company expanded its rural lending footprint adding 235 new locations and deepening its rural geographical presence. At the end of FY2024, the rural business was present in 2,576 locations across 23 states and 3 union territories in India. During FY2024, the Company expanded its gold loans business presence by taking the total number of gold loan branches to 896, of which 650 were standalone gold loan branches. Overall, the Rural Lending and Gold Loans business closed FY2024 with AUM of ₹ 28,415 crore, registering a growth of 18% over the previous year.

Commercial Lending

Commercial lending consists of lending largely to mid-sized corporate companies engaged in sectors like auto component manufacturing, light engineering industry, specialty chemicals, pharma, packaging, financial institutions etc. Two new business verticals i.e. emerging corporate and large corporate lending were launched in FY2024.

BFL continues to have sharp focus on acquiring quality corporate clients, deepening relationships and ensuring a value add by offering products in the form of working and growth capital loans. Resilience shown by Indian economy in first half of FY2024 and expectation of continued buoyancy supported aggregate demand in FY2024. Commercial lending business closed FY2024 with AUM of ₹ 22,006 crore, recording a growth of 39% over the previous year.

Loan Against Securities

Loan against securities business offers medium-term and short-term financing against shares, bonds, mutual funds, insurance policies and deposits to customers across retail, high net-worth individuals (HNIs) and promoter categories. It is operational in 21 locations through physical branches and offers financing solution through a digital medium as well.

BFL, along with its 100% subsidiary viz. Bajaj Financial Securities Ltd., offers a full product suite to its retail and HNI customers. It offers loan against securities and Bajaj Financial Securities Ltd. offers various investment services like demat services, broking and margin trade financing. The LAS business grew strongly in FY2024 and closed the financial year with AUM of ₹ 18,221 crore, recording a growth of 30% over the previous year.

Deposits

BFL accepts deposits from retail and corporate clients. The consolidated deposits book as on 31 March 2024 stood at ₹ 60,151 crore, representing a growth of 35%. BFL's consolidated deposit book now contributes to 27% of its standalone borrowings and 21% of its consolidated borrowings as on 31 March 2024, as against 28% and 21%, respectively, as on 31 March 2023.

BFL continues to grow retail and corporate deposits as a part of its growth strategy and is simultaneously increasing its focus on digital origination of retail deposits. In January 2024, BFL launched a digital-only fixed deposit for 42 months tenure, available exclusively on Bajaj Finserv website and app. Deposits booked under the aforesaid scheme have a higher rate of interest compared to other deposit schemes benefitting both senior and non-senior citizens.

With more thrust on digital sourcing of deposits, approximately 57% of the deposits sourced during the year are paperless. Retail deposits now contribute to 63% of total deposits.

Partnerships and Services

In partnership with various financial service providers, BFL offers variety of products to its customers which includes life insurance, health insurance, extended warranty, comprehensive asset care, co-branded credit card and financial fitness reports.

BFL is registered with Insurance Regulatory and Development Authority of India (IRDAI) as a corporate agent and is permitted to distribute life, health, and general insurance products across 27 insurance partners. It has currently tied up with 15 insurers and will be adding more partners to offer increased product solutions and options to customers. During the year, BFL has also started distribution of the Micro Insurance Products to increase insurance penetration across rural and semi-urban geographies.

BFL in association with one of its partners, also offers comprehensive asset care products to its sales finance customers providing features such as extended warranty, theft cover, breakage cover, replacement cover etc. of their assets.

The number of cards-in-force for the RBL Bank Cobranded Card stood at over 3.63 million as on 31 March 2024, registering a growth of 12% over the previous year. The number of cards-in-force for the DBS Bank Cobranded Card stood at over 0.45 million as on 31 March 2024, registering a growth of 114% over the previous year.

These partnerships and products have enabled the Company to provide value added services to its customers and grow its fee-based income.

Assets Under Management (AUM): A Snapshot

In FY2024, BFL crossed a milestone of ₹ 300,000 crore of consolidated AUM and closed FY2024 with AUM of ₹ 330,615 crore as compared to ₹ 247,379 crore as at the end of FY2023, a growth of 34%.

Chart C depicts BFL's consolidated AUM over the last five years.

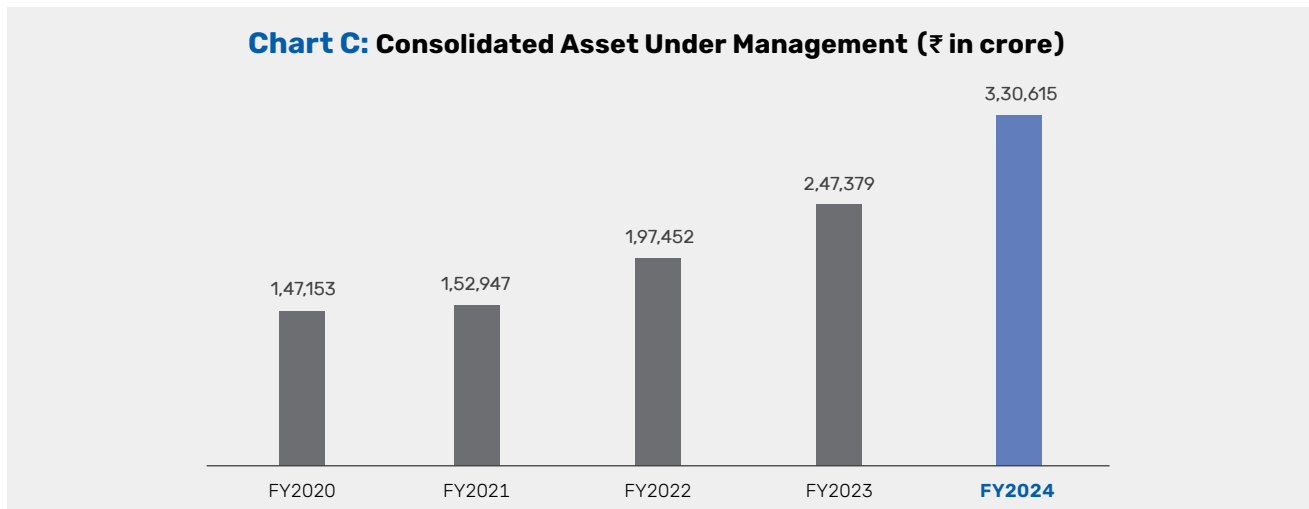


Table 4: Assets Under Management

(₹ in crore)

Particulars	Standalone			Consolidated		
	FY2024	FY2023	Change	FY2024	FY2023	Change
Two and three-wheeler finance	19,742	12,979	52%	19,742	12,979	52%
Urban sales finance	23,448	17,859	31%	23,448	17,859	31%
Urban B2C	64,471	49,707	30%	66,093	51,346	29%
Rural sales finance (excluding gold loans)	6,209	4,571	36%	6,209	4,571	36%
Rural B2C	17,607	16,657	6%	17,607	16,657	6%
SME lending (excluding car loans)	38,498	29,628	30%	38,470	29,764	29%
Loans against securities	18,221	14,028	30%	22,038	15,093	46%
Commercial lending	22,006	15,834	39%	22,006	15,834	39%
Mortgages	22,938	14,173	62%	103,316	77,713	33%
Gold Loans	4,599	2,800	64%	4,599	2,800	64%
Car Loans	7,087	2,763	156%	7,087	2,763	156%
Total	244,826	180,999	35%	330,615	247,379	34%

Financial Performance

Table 5: Standalone and Consolidated Financial Performance

(₹ in crore)

Particulars	Standalone			Consolidated		
	FY2024	FY2023	Change	FY2024	FY2023	Change
Interest Income	40,783	30,142	35%	48,307	35,549	36%
Interest and finance charges	13,843	9,285	49%	18,725	12,560	49%
Net interest income (NII)	26,940	20,857	29%	29,582	22,989	29%
Fees and commission income	5,007	4,207	19%	5,267	4,356	21%
Net gain on fair value changes	139	208	(33%)	308	334	(8%)
Sale of services and Income on de-recognised loans	24	29	(17%)	63	61	3%
Others	993	1,104	(10%)	1,038	1,118	(7%)
Net total income (NTI)	33,103	26,405	25%	36,258	28,858	26%
Employee benefit expenses	5,849	4,614	27%	6,396	5,100	25%
Depreciation and amortisation	629	444	42%	683	485	41%
Other expenses	5,000	4,399	14%	5,246	4,557	15%
Pre-impairment operating profit	21,625	16,948	28%	23,933	18,716	28%
Impairment on financial instruments	4,572	3,066	49%	4,631	3,190	45%
Share of profit from associates	-	-	-	8	2	300%
Profit before tax (PBT)	17,053	13,882	23%	19,310	15,528	24%
Profit after tax (PAT)	12,644	10,290	23%	14,451	11,508	26%
Other comprehensive income/ (expenses)	91	(27)	337%	90	(23)	391%
Total comprehensive income	12,735	10,263	24%	14,541	11,485	27%
Earnings per share (EPS) basic, in ₹	207.27	170.37	22%	236.89	190.53	24%
Earnings per share (EPS) diluted, in ₹	206.47	169.51	22%	235.98	189.57	24%
Book value per share, in ₹	1,168.31	852.61	37%	1,243.99	900.16	38%

Chart D depicts growth of BFL's consolidated PAT.

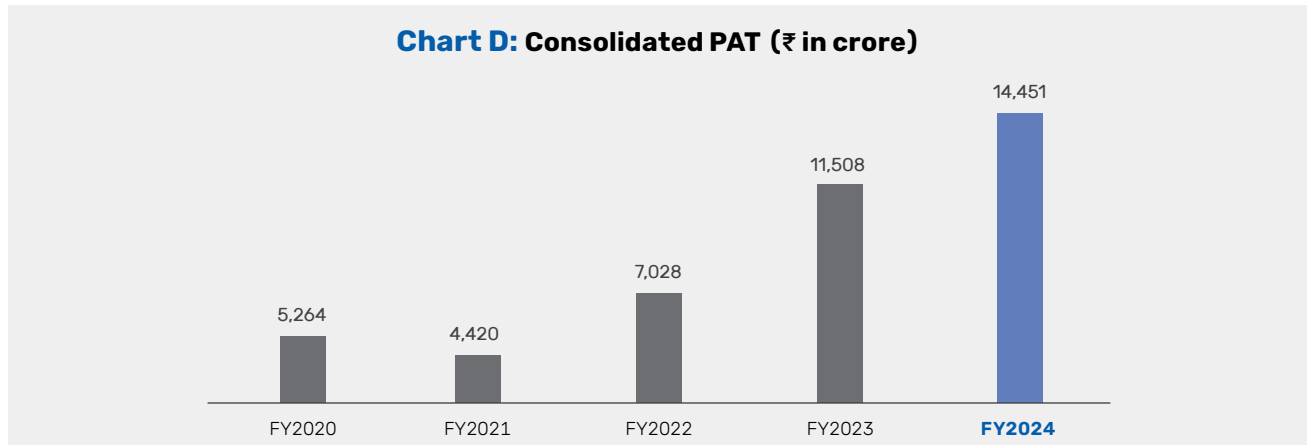


Chart E depicts consolidated return on average assets (ROA) and return on average equity (ROE) over the last 12 years.

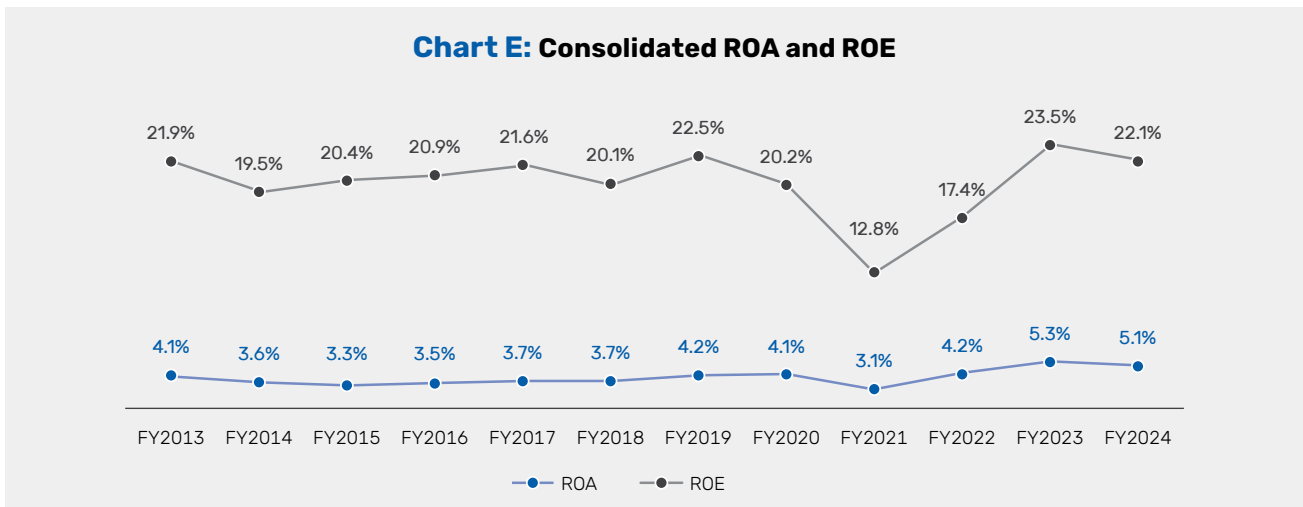


Table 6: Key Ratios on a Consolidated Basis

Ratios	FY2024	FY2023
Net interest income (NII) to average loans receivable	10.41%	10.60%
Total operating expenses to NTI	33.99%	35.15%
Return on average loans receivable (ROA)	5.08%	5.31%
Return on equity (ROE)	22.05%	23.46%
Capital to risk-weighted assets ratio (CRAR) *	22.52%	24.97%
Tier I *	21.51%	23.20%
Tier II *	1.01%	1.77%
Gross NPA	0.85%	0.94%
Net NPA	0.37%	0.34%
Provisioning coverage ratio (PCR)	57%	64%
EPS - Basic (₹)	236.89	190.53
Diluted (₹)	235.98	189.57

*These ratios are on standalone basis.

Risk Management, Debt Management and Portfolio Quality

Risk Management

As an NBFC, BFL is mainly exposed to credit, liquidity, operational, market and interest rate risk. It continues to invest in talent, processes and emerging technologies to build advanced risk management capabilities. The Company's sustained efforts to strengthen its risk framework have resulted in stable risk metrics.

Bajaj Finance promotes a strong risk culture that is embedded across the organisation. At the highest level, the Board of Directors has established a Risk Management Committee (RMC), which assists the Board in maintaining an oversight and review of the risk management principles and policies, strategies, risk appetite, processes and controls. This is enabled by a robust governance system and review mechanisms which include quarterly risk management review. The RMC met four times in FY2024.

The risks revolving around inflationary trends, elevated interest rates and tighter systemic liquidity emerged as challenges which needed to be addressed. BFL's risk framework has ensured that, despite these risks, its net interest income, NPAs and liquidity management were not impacted.

Moreover, BFL has a robust asset-liability management framework and maintains enough liquidity buffer to meet its repayment obligations and emerging credit demand. By virtue of effective focus on capital and liquidity management, reduction in operating expenses, focus on debt management, servicing capability and strengthening of underwriting norms combined with a very sharp view on risk metrics, the Company ought to continue to show higher level of efficiencies in all parameters.

As per the RBI's SBR framework, NBFCs classified in the middle and upper layers are required to undertake a thorough internal assessment of the needs for capital, commensurate with the risks in their business. Such internal assessment is required to be carried out using the Internal Capital Adequacy Assessment Process (ICAAP) prescribed for commercial banks under Pillar 2 of BASEL guidelines.

Accordingly, BFL has institutionalised a Board-approved ICAAP policy and document. The document encompasses the assessment of material risks to which the Company is exposed to and measures taken by the Company to mitigate those risks. BFL has completed its Internal Capital Adequacy Assessment for FY2023 in line with its Board approved ICAAP policy. Based on assessment of all the material risks applicable to the Company and reviewing the controls and risk mitigation techniques, BFL is not required to maintain any additional capital.

Credit risk

The Company has a strong governance framework which ensures that the Board of Directors and its committees approve risk strategies and delegate appropriate credit authorities. Robust underwriting practices and continuous risk monitoring ensure that portfolios stay within acceptable risk levels. BFL has a Board approved 'Sustainable Business Strategy Policy' which clearly lays down business and risk management principles of the Company.

BFL has deeply invested in its risk organisation structure that includes dedicated credit risk units for each business vertical; business specific units such as underwriting, risk containment and fraud control, payment risk; and horizontal risk analytics, business intelligence and operational risk management units. In addition, the Company continues to invest in debt management services capacity.

Through prevention and deterrence actions, the risk containment and fraud control unit is responsible for preventing frauds perpetrated by customers, sourcing channels and internal employees either alone or in connivance with others. It ensures that most fraud checks are performed well before any disbursement of loan through an inbuilt advanced fraud controls analytics in its loan origination system. The fraud check rules are periodically updated based on emerging learnings.

BFL has enabled all its employees and agencies to flag any suspicious activity or transaction on the core lending system which then go through extensive checks by the fraud control unit. This is further supported by a dedicated back-office unit and over 450 member field structure spread across over 260 locations for faster response to frauds.

BFL's robust underwriting process and vigilance on portfolio quality have ensured that risk at an overall level is within the defined corridor thresholds.

The Company's loan losses provisions for FY2024 were ₹ 4,631 crore versus ₹ 3,190 crore in FY2023. The increase is on account of increase in the AUM and delinquencies converging to pre-Covid levels post the clean-up that happened during Covid. Through FY2024, rural term loans business remained impacted on account of higher flows and necessary risk actions have been implemented. This led to a muted growth in rural term loan business of 6% in FY2024 versus 27% in FY2023.

BFL holds a management and macroeconomic overlay of ₹ 300 crore as on 31 March 2024 to counter any unforeseen risks – something that it keeps a close watch on.

The Company's balance sheet composition continues to diversify with a higher composition of low-risk businesses like mortgages and other secured businesses. BFL has also put in place a Board approved policy defining the exposure limits across Consumer Retail business with further separate exposure limits for Unsecured Retail.

It takes guarantee cover for its portfolios across B2C, MSME and three-wheeler financing business under Credit Guarantee Fund Scheme for NBFCs (CGS-II) from Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) governed by the SIDBI. As on 31 March 2024, the Company covered ₹ 14,093.89 crore of its loan assets under this scheme. This helped BFL to offset ₹ 307.02 crore worth of credit losses for FY2024 with further claims maturing over FY2025.

In FY2024, BFL has also registered itself with Credit Guarantee Fund for Micro Units (CGMFU) governed by National Credit Guarantee Trustee Company Limited (NCGTC) for seeking guarantee cover for its SME portfolio. As on 31 March 2024, the Company covered ₹ 243.81 crore of its loan assets under this scheme.

Thus, BFL's balanced approach to portfolio management coupled with rigorous portfolio review has enabled it to identify early warning signals and take corrective actions. With sophisticated analytics, the Company has maintained a healthy new business portfolio quality and taken risk mitigating policy actions with agility and precision. On the back of improved stage 2 assets, consolidated gross NPA at 0.85% and net NPA at 0.37%, plus a strong macroeconomic and management overlay provision of ₹ 300 crore, BFL has entered FY2025 with healthy risk metrics.

Liquidity risk

BFL manages its liquidity risk in accordance with its Board approved Liquidity Risk Management Framework and ALM Policy which incorporates stipulations laid down by the RBI. The policy framework and the operational parameters are regularly reviewed by the Asset and Liability Management Committee (ALCO) set-up in line with guidelines issued by the RBI, which ensures that there are no material imbalances or excessive concentrations on either side of the balance sheet. The Company follows a prudent approach for managing liquidity and ensures availability of adequate liquidity buffer to overcome mismatches in case of stressed market environment.

The Company regularly monitors the gap between maturing assets and liabilities across all time buckets. BFL's robust liquidity management framework ensured that it had enough liquidity throughout FY2024 to meet its debt service obligations and balance sheet growth. Indeed, there was no disruption amidst the tight liquidity environment prevailing during the year.

BFL exceeds the regulatory requirement of liquidity coverage ratio (LCR) introduced by the RBI in FY2020. Currently, the LCR requirement is at 85% for BFL. In comparison to these norms, BFL's LCR as on 31 March 2024 was 168.91%.

The Company's liquidity management is elaborated in detail in the section on 'Credit Rating and Asset Liability Management (ALM)'.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, systems, or human factors, or from external events. This is further elaborated in the section 'Operational Risk Management'.

Market risk

To effectively manage market risk on its investment portfolio, BFL follows a prudent investment policy which guides its investment decisions. The Company has invested its surplus funds mainly in government securities, liquid funds and deposits with banks and highly rated financial institutions. It calibrates the duration of investment portfolio to balance the twin objectives of maintaining liquidity for businesses and minimum impact of fair value changes on its investment portfolio.

Interest rate risk

BFL is exposed to interest rate risk on its investment portfolio and interest rate sensitivity on fixed and floating rate assets and liabilities with differing maturity profiles. The Company raises funds from diversified sources like deposits, money market borrowings, term loans and short-term borrowings from banks and financial institutions, foreign currency borrowings, among others. In view of the financial nature of assets and liabilities, changes in market interest rates can adversely affect its financial condition. Fluctuations in interest rates can occur due to both internal and external factors. Internal factors include composition of assets and liabilities, maturity profile, pricing of borrowings and fixed and floating nature of assets and liabilities. External factors include macroeconomic developments, competitive pressures, regulatory developments, and global factors.

BFL monitors fair value change impact on its investment book using Value at Risk (VaR), PV01, modified duration and these parameters are defined in its Board approved Investment policy. Interest rate sensitivity on fixed and floating rate assets and liabilities with differing maturity profiles is measured by using the duration gap analysis to measure the impact of such interest rate movements on its balance sheet. This is computed monthly and sensitivity of the market value of equity assuming varying changes in interest rates is presented and monitored by ALCO.

BFL's prudent interest rate risk management ensured that amidst a rising interest rate environment, the Company had no significant mark to market impact on its investment portfolio nor a significant impact on its net interest margin.

The Company's risk management framework is further detailed in note no. 47 of standalone financial statements and note no. 48 of consolidated financial statements.

Debt Management

Apart from risk management, BFL focuses on a robust debt management strategy to ensure that its delinquent debt portfolio is kept at minimal levels. It accords debt management an important place in its portfolio management strategy; and has a dedicated structure to follow a strict protocol for missed payments. The Company considers debt management as a service to customers to enable fair and ethical recovery of delinquent accounts and past-due payments.

BFL continues to invest in its debt management service structure, service organisation, processes, trainings of employees and agencies, strict adherence of compliance requirements and controllership by leveraging technology to follow a non-intrusive debt management mechanism. It follows a strong governance model for its debt management services practices and ensures strict adherence to the regulatory and internal policies, code of conduct and fair practice code. It offers a choice to customers to make overdue payments through digital channels, branch walk-in, at retailer points as well as door-step debt management services.

The debt management journey begins well before the customer's instalment falls due. As a matter of good customer service, BFL sends advance intimations to all its customers five to six days before the instalment falls due, to enable customers to maintain adequate funds in their bank account. This practice ensures that the credit history of a good customer is not impacted by any unintentional default.

The journey is expanded further to counselling of customers towards creating a good repayment behaviour by clearing subsequent EMIs directly from the given bank account. BFL has invested in service call centres to counsel customers after the payment of overdue EMI.

BFL follows a graded communication approach with delinquent customers across their repayment lifecycle. These clearly indicate: (i) the importance of timely payment, (ii) avoidance of penal charges, (iii) available payment channels and (iv) payment confirmation. These communications are also made in vernacular language via multiple channels like SMS, email, tele-calling and in-person visits.

The Company has a dedicated structure aligned with business verticals for servicing customers: (i) with current month outstanding; (ii) in early delinquency; and (iii) in NPA and write-off stage. It uses multiple modes such as employees, call centres, digital channels, field agencies and legal channels for debt management.

In an endeavour to follow a non-intrusive debt management practice, BFL collects an electronic clearing mandate from its customers. In case of dishonour of bank instrument, BFL provides customers with over 28 different digital payment options such as NEFT, RTGS, Bharat Bill Payment Service (BBPS), Unified Payment Interface (UPI), CC Avenue, Wallets, Google pay, payment banks etc. These digital channels, along with branch walk-ins, account for approximately 51% of debt management volume.

In November 2022, the Company got its DRA training accreditation from Indian Institute of Banking and Finance (IIBF). BFL has invested in online DRA training infrastructure for agents. After completion of online training, agents appear for a DRA certification test conducted by IIBF. The success rate of agents to clear the exam is around 80%. The Company has planned to cover all its DMS agents with DRA certification in coming two years.

Over years, BFL has taken various measures to strengthen its debt management process, some of which are enumerated below:

- It has set up a centralised call monitoring infrastructure for its outsourced debt management services agency network to improve controllership. All agencies are required to make collection calls only through this infrastructure. All calls are now being recorded and monitored periodically to ensure compliance of debt management code of conduct.
- It has opened dedicated debt management service desks across 38 branches (includes top locations and sensitive markets as well) to address debt related queries of walk-in customers. The Company is committed to expand coverage of this model across more cities in future.
- It has set up a centralised helpdesk for assisting and processing debt management services related requests.
- It has formed a dedicated in-house team and a centralised calling unit to enable speedier resolution of debt management related complaints of aggrieved customers.
- It has implemented a Debt Recovery Agent (DRA) certification process for its agents.
- It has formed a dedicated team of service advisors in service centres to address and resolve queries of delinquent customers raised over phone through a customer care number of the Company.

- It has expanded the scope of interaction experience score to seek the customers' rating on the debt management services agent interaction.
- It has significantly strengthened its compliance framework to ensure strict adherence by the debt management service agencies of its code of conduct policy and fair practice code. This framework lays down a penal staircase for non-compliance. BFL investigates every customer complaint pertaining to debt management services and takes appropriate corrective and penal action.
- It developed 127 situational videos in 8 vernacular languages which form part of the training module on its debt management services mobility app. These provide clear understanding to agents on the do's and don'ts while interacting with a customer.

Portfolio Quality

BFL has the experience of lending to and servicing of 83.64 million customers. Most businesses are focused on acquiring mass affluent customers – who represent bigger wallets, larger cross-sell opportunities and more acceptable risks. The Company has not only diversified risk across millions of customers and product categories but has also diversified its risk and portfolio in 4,145 urban and rural locations in India.

Product diversity has further strengthened over the past years with a build-up of used car financing, medical equipment finance etc. and the portfolio continues to shift the mix towards secured lending: for instance, mortgages now form 31% of our consolidated AUM. Simultaneously, high risk products like two and three-wheeler finance now contribute less to the consolidated AUM: now at 6%. The Company also continues to deepen its geographical presence and has added 412 locations to take our total presence to 4,145 locations. BFL's rural businesses now contribute 7% of the consolidated AUM and are growing at a faster pace than metros and larger geographies. BFL continues to re-pivot its mix towards lower risk assets like mortgages. It also continues its strategy of 'acquire and cross-sell' to manage cost and portfolio risk, based on its experience of an existing customer demonstrating significantly lower credit risk than a new customer and ensures acceptable risk across portfolios over the cycle.

As part of its long-range strategy, BFL is further expanding its product offering in newer business segments. During the year, BFL launched new car loans, micro finance and tractor financing and re-launched loan against property for MSME customers.

As mentioned earlier, BFL ended the year with improved stage 2 assets of 1.21%, gross NPA of 0.85% and net NPA of 0.37% on a consolidated basis. These metrics not only surpass the pre-pandemic levels but are also among the best in BFL's history. The Company's macroeconomic and management overlay provision was ₹ 300 crore as on 31 March 2024. The provision coverage on non-NPA assets, excluding the management overlay provision, stood at 95 bps and at 105 bps including the macro and management overlay provision. Consequently, BFL has entered FY2025 with among the best ever portfolio quality.

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, systems, or human factors, or from external events. Operational risk is inherent in BFL's business activities, as well as in the related support functions. The goal is to keep it at an appropriate level relative to the characteristics of BFL's businesses, the markets in which it operates and the regulatory environment.

BFL has in place an internal Operational Risk Management (ORM) Framework for systematic and proactive identification, assessment, measurement, monitoring, mitigation and reporting of the operational risks. The key objective is to enable the Company to ascertain an increased likelihood of an operational risk event occurring in a timely manner and to take steps to mitigate the same. It starts with identifying and defining key indicators (KRI's/KPIs) through process analysis and ending with formulation of action plans in response to the observed trends in the identified metrics. This is achieved through determining key process areas, converting these to measurable and quantifiable metrics, setting tolerance thresholds for the same and monitoring and reporting on breaches of the tolerance levels. Corrective actions are initiated to bring back the breached metrics within their acceptable thresholds by conducting the root cause analysis to identify the failure of underlying process, people, systems, or external events.

- BFL uses '3 lines of defence model' as a key component of its Risk Management Framework to manage its risks.
- The businesses, with support units, play a critical part in managing operational risk daily, in addition to implementing internal control related policies and procedures. Continuous monitoring of risk is carried out at multiple levels through key indicators (KRI/KPI) tracked as part of control charts.

- The Company has opted for a bottoms-up approach to risk identification, where internal compliance teams have been created in respective businesses and functions to drive ownership and culture of minimising operational risk by developing a strong control culture and, hence, making it the first line of defence.
- Dedicated compliance units have been formed across businesses and selected functions to monitor adherence to policies and processes laid down by the organisation.

In BFL, internal compliance consists of following units which cover the length and breadth of the customer life cycle.

- **Sales Compliance unit:** Embedded in business units with focus on controls in the sales units around onboarding of customers across areas like information security, process lapse, misinformation, and mis-selling.
- **DMS Compliance unit:** Embedded in debt management services ensuring strict adherence of code of conduct policy and fair practice code by the debt management services agencies. It also enforces penal staircase for non-compliance. BFL investigates every customer complaint pertaining to debt management services and takes appropriate corrective, preventive and penal action.
- **Process Compliance unit:** Embedded in operations to monitor processes focused on customer transaction, services and all customer interactions.
- **Technology Compliance unit:** Embedded in the information technology unit with focus on internal and external environment consisting of network, applications, quality, cloud services, data management, security and review of rules and regulations.
- **Risk unit:** Focus on product programme and related credit policy adherence in the loan book. The activity aims at making sure that loans which are disbursed adhere to the policies and procedures put in place by the organisation.

The Company has also defined internal control practices across all processes, units and functions for the management of its day-to-day activities. It has established a 'Customer Complaints Root Cause Analysis' team under the Customer Experience Officer to fix policy and process gaps that lead to customer complaints. In addition, it has established cross-functional teams to identify and implement process changes keeping customer expectations in mind. The operations unit has a dedicated process compliance team for concurrent audits to monitor adherence to laid down policies and processes. Controls on operations processes executed from branches and the Head Office are managed through defined processes to be adhered to by customer facing and operations staff. Frauds are investigated to identify the root cause and relevant corrective steps are recommended to prevent recurrence. The risk team deliberates with senior management on high value fraud events and advises preventive actions.

Technology

Technology is at the forefront of BFL's business transformation journey, and it has continuously leveraged existing and emerging technologies to launch new products, accelerate customer acquisition and improve customer experience along with simplifying the back-office processes.

This year we took a whole of new initiatives in areas of Digital Platforms, GenAI, CDP, Cyber Security, Compliance, EDW, People and more.

Business Applications

As Bajaj Finance continues to expand its product stack, this year we introduced new acquisition platforms for MFI, New Car Finance and Tractor Finance businesses. The initiation of our Tractor Finance marked the beginning of our journey to transition our asset-based portfolio from the existing legacy Core Lending Platform to a new age lending platform. Our goal is to fully transition to this new core lending platform by the end of fiscal year 2025.

We have a suite of applications for our Field Sales, DMS team and Partners, known as SalesOne App, DMS One App and PartnerOne App. We have enabled a few Key capabilities to this application suite.

- The SalesOne App now features a cross-selling interface, allowing our sales and service channels from different businesses to share leads real-time. This frame will now be translated as "Most efficient Sales Engine" in FY'25. Apart from this, EDC and QR sandbox onboarding is also introduced through App for payments business.

- For DMS tele calling team, we have designed DMS CRM platform (DMS One CRM) to enable centralised data and campaign management. This will result into improved process standardisation, consistent dispositions and uniform downstream actions across all DMS call centres.
- We have launched the PartnerOne App for DSAs, IFAs and IBAs of B2C and FD businesses. This application serves as a comprehensive solution for partners with capabilities such as partner onboarding, case sourcing and tracking, trainings, reporting and dashboarding, invoice payments and NOCs, a help centre and Agreement renewal workflow.

Couple of years ago, we introduced PODs (Product on Demand) to manage features used widely by all sourcing and servicing channels. As of now, we have implemented KYC POD, Mandate POD, Document POD and EMI POD. This year, we added a new member to this suite - the Account Aggregator (AA) POD. The AA POD serves as a platform used by many sourcing channels to obtain consent-based financial data of applicants, improving customer underwriting and offerings. It is capable of integrating with multiple transaction service providers and financial information types, enhancing our capacity to gather data on bank financials, fixed deposit details, recurring deposit details, insurance details, mutual fund details and GST.

DevOps, a fusion of culture, practices and tools, enables organisations to deliver applications and services swiftly and with improved quality. It yields better product results compared to traditional software development processes. With insourcing as strategy, we have also enhanced our DevOps process (DevOps2.0) through implementation of CI/CD pipeline and tools for source code quality and security. As a result, we've achieved controlled production access, better code quality, and secure code during the development phase.

Enterprise data platforms

Last year, we made remarkable strides in our data strategy by migrating 80% of Enterprise data warehouse users to the data lake, embracing a "Lake First" approach. This transition set the foundation for our upcoming data lakehouse, combining the flexibility of a data lake with the structure of a data warehouse. By the end of 2024, Company aim to sunset if Enterprise Data Warehouse entirely, consolidating our analytical and reporting needs into a unified data platform. Alongside this transformation, Company is introducing an Anonymised data lake to ensure robust data privacy and the enterprise streaming platform for real-time data processing. These advancements reflect Company's commitment to creating a dynamic and efficient data ecosystem, poised to meet evolving business and analytical demands.

Customer data platform (CDP)

As BFL pursue if strategic objective to create a consistent customer experience across all touchpoints, both online and offline, involves transitioning to new data cloud (CDP) platform. This innovative platform is built on modern cloud and big data infrastructure and facilitates real-time data streams, seamless integration with visualisation tools, and accelerated processing, all within an enhanced user interface tailored for campaign managers. As of March 2024, Company successfully launched key channels including SMS, Email, RCS, and Social and onboarded all our business users. In the next phase, would be implemented Call Centre and notification integration by 2025. This migration aligns with Company's vision of Omni-Channel Orchestration and integrated communication governance, promising to elevate customer experience, foster loyalty, and strengthen trust.

Infrastructure and security layer

BFL is committed to providing stable platforms with fortified infrastructure and user-friendly last-mile connectivity as Company expands both physically and digitally. In order to adhere to the zero trust principles, our infrastructure has been designed with multiple levels of protection. Moreover, to guarantee seamless business operations, Company has established and invested into robust Disaster Recovery (DR) and Business Continuity Plans (BCP) to adeptly manage any unforeseen events.

Cyber Security

At Bajaj Finance Ltd., ensuring the security of our data and systems is our top priority. Over the past year, we have enhanced our cybersecurity posture by reinforcing relevant processes and investing in advanced technologies. The implementation of SOAR (Security Orchestration, Automation, and Response) technology has accelerated the maintenance of system security by automating the resolution of security alerts and significantly reducing response times. Additionally, BFL has adopted a continuous Vulnerability Assessment and Penetration Testing (VAPT) strategy for our digital assets, allowing for the swift detection and rapid remediation of exploitable vulnerabilities. BFL intend to further enhance the security measures initiated on Network Access Control (NAC).

Compliance

BFL emphasise the significance of strong regulatory compliance systems. Company has made considerable progress in this area over the last year by putting important compliance efforts of major regulatory relevance into action. Robust compliance in cloud and data center environments is underscored by integrating Automated Asset Discovery with Software Asset Management (SAM) Tool. To ensure stringent endpoint compliance, BFL's Windows laptops and desktop computers are receiving automated OS updates and patches via automated tool. As part of Personal Data Protection and Privacy initiatives, BFL has implemented calendarised Data Discovery approach to identify and secure PII data. BFL has gone live with Consent Management framework on digital properties to record customer consent. This will continue to remain our focus area over next year too.

Generative AI

Generative AI is influencing the world in various ways. It has the potential to disrupt the existing models across industries and functions. The power of Generative AI capabilities is accessible to all and more so it can be used by anyone with no technical background. The Generative AI technology is constantly evolving at a very fast pace – for example, OpenAI's recent launch of SORA, creates videos from just text inputs. Some of these capabilities of Generative AI will completely change the way business is being done.

Post the launch of ChatGPT, the Company started seeding the technology as part of its Emerging Technology frame to identify potential use case which can be implemented. The Company socialised the technology by training 300+ employees. The Company continuously expanded its knowledge of Generative AI and implemented various use cases throughout the organisation like Sales Chat BOT, SEO content generation, test cases preparation, coding co-pilot for developers etc. These use cases helped us in understanding of the technology from practical standpoint. For FY25, BFL is developing use cases aimed at cost saving, productivity enhancement and business expansion. The Generative AI use cases for FY25 are planned across contact centre, operations processes, service processes, software developer productivity and underwriting productivity. These use cases span across text, voice and image domains.

Technology investments

One of the critical strategies for BFL is to invest in technology companies that work closely with it on building digital assets. In FY2023, BFL invested Rs. 92.74 crore to acquire 41.5% stake in SnapWork Technologies Private Ltd. (STPL) to strengthen its technology roadmap. STPL is engaged in the business of developing, consulting, providing, exporting, importing, marketing, dealing in and implementation of software technology and allied products for its clients and conducting research and development for the same. STPL has significant experience working with banking, financial services and insurance clients in providing development and technical manpower services. Going forward, BFL plans to invest in relevant technology companies and co-create products to further strengthen its technology roadmap.

Technology talent bench

BFL continues to grow its technology resource strength through internal company transfers, employee referrals, campus recruits, lateral hires. We doubled our strength since last year with an increased focus on insourcing (now at 45%) and organisational priority of Technology First. This year we plan to further increase insourcing, which enables faster customisations, improved security and innovation basis business and customer requirements.

Company has customised training for its employees basis their role and experience and BFL has used a mix of traditional and modern approaches to welcome, educate, and integrate new hires into the Company culture and empower efficient and engaging workflow from the start.

Analytics

Data, technology and analytics are core enabling pillars of BFL's transformational journey. The Company has been continuously investing in this space and has reached a stage where business application of data solutions is now a business-as-usual practice across all stages of the customer life cycle.

BFL uses business intelligence and analytics across all spheres of its operations. It builds and deploys analytical models across new customer acquisition, cross-sell, propensity management, risk management, debt management, operations and customer service. All functions and business verticals are equipped with advanced data science technology and highly productive data science teams, enabling faster digital platform adoption as part of the Company's omnipresence strategy.

The Company has been continuously investing and adopting various evolving technologies and analytical tools like Big Data, Cloud Computing and Open-Source software like Python and Graph database technology. This has enabled access to sophisticated statistical techniques to solve complex business and risk problems and, hence, taken analytics and portfolio insights to a level where solutions are much more nuanced and specific.

The Company continues to develop and implement multiple machine learning models. This along with capabilities like OCR, unstructured to structured data etc. are getting integrated with business processes.

These technologies enable decision engines with real time processing capabilities which, in turn, enable unique customer propositions like 'get it now' and 'straight through processing' to constantly push towards a smoother and frictionless customer experience. In doing so, BFL is conscious of the customer's privacy and ensures customer consent is obtained for any cross-sell offerings. These capabilities have given the confidence to commit significant investments to further the use of these new domains. Here are some examples:

- BFL's entire data ecosystem and analytic workloads are now hosted on the Microsoft Azure platform. This allows computational flexibility to develop and deploy Big Data workloads. Over 1,500 users are actively using the infrastructure.
- Extensive usage of Microsoft Power BI across BFL provides high frequency monitoring of KPIs and visual drill downs on thousands of combinations.
- As part of the digital transformation journey of the Company, capabilities have been developed to enable agile development and deployment of credit risk models. This involves developing and testing prototypes of credit risk models and allowing the Company to identify and address any issues early on.
- In addition to traditional credit bureau data, BFL is now deeply integrated with the Account Aggregator (AA) ecosystem for leveraging consent-based information and building real time underwriting capabilities to provide frictionless customer experience.
- BFL has also developed capabilities of multi-bureau framework using multiple bureaus as well as combination of Consumer, Commercial & MFI bureaus for a complete credit view of customers enabling effective credit decisions.
- BFL continues to expand its suite of statistical models for risk management across all stages of the credit lifecycle – acquisition, account management and debt management. Capabilities like OCR enabled structuring of unstructured data, providing new sets of variables for further refining risk models and making these more granular to capture specific nuances to enable going deeper in geographies.
- BFL's capability in risk analytics and scorecards helps adherence to the Expected Credit Loss (ECL) based provisioning requirement. This has also led the Company to re-define and strengthen its governance and processes around model monitoring and build controls around continuous validation of risk scorecards.
- With the help of advanced analytics, BFL is able to offer more personalised loan products and services on its digital platforms. Analytics solutions on product recommendation at point-of-sale, response propensity for targeted cross-sell, call volume forecasting for efficient capacity planning and the like are embedded in the Company's business processes. BFL remains committed to refine these solutions on an on-going basis to garner better efficiencies.
- The developments in data infrastructure have enabled the risk and process units to run real time controls across multiple decisioning and operational processes to further strengthen the credit and operations risk management framework. By democratising analytics, data science and centres of excellence across multiple businesses and functions, BFL is constantly fostering a culture of data orientation and analysis to address everyday issues. This is being done by providing multiple data science training and implementation of practitioner programs. BFL also have an active campus hiring framework with focus on technology and data science through the BFL BYTE program.

Customer Service

BFL strives to deliver exceptional customer experience by proactively addressing and reducing complaints over time. This involves consistent efforts to revamp processes, extend self-service options across multiple channels, and utilise technology-based solutions for a more profound customer engagement experience.

Moreover, BFL evaluates the performance of customer-facing channels based on key service parameters and collects valuable Voice of Customer (VOC) and feedback to enhance customer satisfaction. To keep customers notified and resolve their queries and requests effectively, the organisation is widening and diversifying its communication and service channels continuously.

Monitoring transactional customer satisfaction (CSAT) scores across all channels for multiple service interactions enables the Company to review the effectiveness of its customer engagement initiatives. As of April 2023, BFL has received over 58 lakh responses and achieved a CSAT score of 93%.

Digital self-service

BFL has progressed in its digital transformation initiative, which started in FY2021 with the launch of the new Bajaj Finserv App. Currently, the Company has implemented more than 25 service modules and more than 325 service processes on both the App and Website. These self-service digital platforms enable customers to perform a wide range of tasks in real-time, such as updating demographics, renewing fixed deposits, making payments, downloading statements of accounts (SOA), setting up e-Mandates, and more.

In FY2024, there were more than 24 million successful viewings, shares, or downloads of account statements. Starting from September 2023, over 5.5 lakh customers updated their demographic information through the App and website.

Bajaj Finance Ltd. adheres to FPC guidelines by providing transparent breakdowns of relevant loan information. This information is available on both the app and website. Moreover, starting from July 2023 and December 2023 respectively, welcome letters and key fact statements can be easily accessed on both platforms.

The adoption rates for self-service are at 70%, with contributions of 76% and 57% from the App and web respectively. Additionally, self-service through IVR has reached a rate of 84%.

FY2024 has seen a decline in branch walk-ins owing to the increasing digital presence. There has been a considerable rise in digital payment transactions from 14% in FY2023 to 81% in urban areas and from 10% in FY2023 to 73% in rural areas for FY2024.

Assisted services

The Company has introduced customer-friendly alternatives such as 'Dynamic Missed Call Service' and 'Bi-Directional SMS' for those who desire service assistance. Customers can now use these channels to view details of their most recent relationships with BFL, such as loan and EMI card information. To facilitate seamless customer engagement, BFL engages with its customers through various channels, including branches, social media, Bajaj Finserv App, email, and voice channels for raising queries and grievances.

Fair Practice Code (FPC)

FPC is at the core of dealing with customer; and BFL has established a dedicated FPC unit which works with all the businesses and functions across the organisation to ensure strict compliance with the guidelines. An approved Product Program and Audit Framework, underpinned by baseline FPC metrics, track levied charges and guarantees precision in every loan processed. In FY2024, the Company demonstrated its commitment to fair practice governance by ensuring compliance and transparency in all aspects.

The FPC audit framework has helped reduce error rates significantly. This coupled with establishment of Change Governance Board (CGB) to streamline change management and proactive corrective actions including customer refunds has led to significant enhancement of FPC practices within the Company.

BFL now offers Key Fact Statement (KFS) to all customers, both digital and non-digital, across retail and MSME products at pre-sanction stage. Every customer is required to review the KFS and provide explicit consent to the KFS through an 'I Agree' process for availing sanction from the Company. The Company has also introduced digital signatures on agreement and KFS in line with digital lending guidelines of the RBI. Further, to ensure accessibility and transparency, BFL has made collaterals and KFS available in 20 vernacular languages.

RBI Ombudsman

BFL has a dedicated team which deals with the concerns or complaints raised by the customers as well as escalations received from various offices, including Ombudsman, CEPD, DOS, etc. The team strives to provide timely responses to all customer escalations received from the RBI offices, adhering to prescribed timelines.

The 'Scheme for Internal Ombudsman' requires IO to be at the apex of the NBFC to independently review the resolution provided by the NBFC in the case of wholly or partially rejected complaints. BFL has implemented the grievance redressal mechanism, the RBI Ombudsman scheme, and the Internal Ombudsman (IO) scheme within the organisation to deal with unresolved or partly resolved concerns and complaints of its customers.

BFL has two IOs supported by a four-member team independently responsible for case screening, review, secretarial work and examination of the resolution provided in such cases as well as all escalations received from the regulator. All escalations are vetted and reviewed by the Internal Ombudsman before submitting the response to the RBI Ombudsman offices. The team is also responsible for organising customer awareness and education programs in coordination with and under the guidance of RBI Ombudsman offices. In FY2024, 10 awareness programs were organised, covering students from educational institutions, office help staff, general public, and others. The prime objective of the team is to reduce customer issues through a combination of data analysis, customer interactions and there by identifying root causes. Customer complaints received directly by the Company have reduced to 6,530 in FY2024 versus 7,426 in FY2023 (12% reduction y-o-y). The IO referral process is on our CRM; and in no case has the decision of the IO been over-ruled by the Company. The IOs are permanent invitees to the Customer Service Committee of the Board (CSCB). There is a bi-annual review on the IO process with the Managing Director and monthly meetings and discussions with internal teams.

To ensure quick response and resolution to customer complaints and escalation received from regulators, BFL has established localised presence at Chennai, Kolkata, Chandigarh, and Lucknow. In FY2024, the RBI added three new centers, namely Shimla, Chennai and Kolkata taking the overall centre count to 24. All the 24 RBI ombudsman centres are internally mapped to internal nodal officers, who ensure smooth and timely resolution of escalations with these offices.

In January 2024, BFL's IO was invited to give a session on the 'Effectiveness of the Internal Ombudsman Process' during a conference organised by RBI, chaired by the Deputy Governor. Moreover, BFL's national nodal officer and principal nodal officer have been invited to participate in various zonal and national conferences organised by the RBI Ombudsman offices.

The Reserve Bank of India had organised the Annual Conference of RBI Ombudsmen, on 15 March 2024 in Mumbai with the theme of "Protecting the Consumers – Building Robust Systems and Procedures". Following are some of the BFL's processes that meet the expectations set out by the central bank from the Regulated Entities.

- LHS approach of directives prescribed by RBI and Company's actionable towards customer fairness SBR, PPG committee.
- BFL now offers KFS to all customers, both digital and non-digital, across retail and MSME products at pre-sanction stage in 20 vernacular languages.
- Effective grievance redressal mechanism in place wherein multiple online and offline customer touchpoints are set up for easy and transparent grievance resolution with >98% resolution within 48 hours. Board approved complaint classification document is in place for the same and quarterly updates on the same are sent to the Board.
- Adoption of digitisation and technology for data analysis and improving quality of services.
- Customer awareness programs and campaigns to create customer awareness.

Complaint Root Cause Resolution (CRCR)

BFL has a dedicated team formed with the primary objective of reducing customer queries and complaints through a combination of data analysis, customer interactions and identification of root causes. CRCR team drives necessary changes at the Company level across process, policy, people, and technology to fix the identified root causes.

The CRCR Unit has seen remarkable progress over three years, slashing complaint counts from 21,761 in FY2020 to approximately 6,530 in FY2024 through meticulous complaint analysis. This is achieved through collaborative efforts with business, operations, service and technology units.

This dedicated team at BFL scrutinises complaints diligently and categorises them into areas such as system and process issues or operational errors. Through careful analysis, it recommends necessary process improvements such as building control charts, amending Standard Operating Procedures (SOPs) and providing additional staff training where necessary.

Customer Communication

The Company has a dedicated unit to manage communication content and governance across the customer life cycle with BFL. It operates continuously to review, improve, and drive customers communication through proactive and reactive engagements. Further, BFL has created hundreds of videos to promote self-service to customers who otherwise reach out through various touchpoints for their basic enquiries and servicing needs.

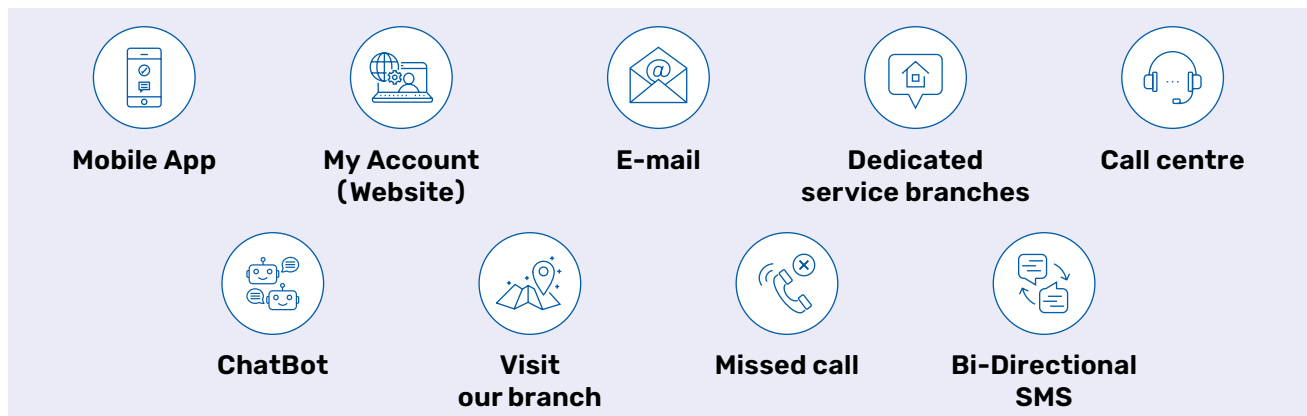
There is a strategic focus on enhancing communication management across the organisation. A dedicated team has been established to standardise communication content for various lifecycle events in alignment with governance standards. This centralised team collaborates with product, business, operations, service and debt management service units to manage communications for pre and post-acquisition lifecycle stages.

Online Educational Campaigns

BFL has conducted extensive awareness campaigns about app adoption, the benefits of paying EMI on time, and the self-service options on social media platforms, including Facebook, Twitter, Instagram, and YouTube. During FY2024, 12 such campaigns went live, with a total of 158 posts, including 92 static posts and 66 videos. These collective efforts generated an overall impression of 18.16 lakh views.

Customer Service Channels

The following are the channels through which customers can connect with BFL to engage in self-service, raise concerns, requests, and complaints related to their loans, products, services, etc.



Credit Rating and Asset Liability Management (ALM)

BFL enjoys the highest credit rating of AAA/stable from CRISIL, ICRA, CARE and India Rating for its long-term debt programme and A1+ from CRISIL, ICRA and India Ratings for its short-term debt programme. The Company’s deposits programme is also rated the highest with credit rating of CRISIL AAA/Stable and ICRA AAA/Stable. These ratings reaffirm the high reputation and trust that the Company has earned for its sound financial management and its ability to meet financial obligations.

During FY2024, S&P ratings have upgraded the entity level rating for BFL from BB+/Positive to BBB-/Stable as long term rating and upgraded short term ratings from B to A-3, as a reflection of strong financial metrics.

The Company’s consolidated total borrowing was ₹ 293,346 crore as on 31 March 2024. 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. BFL’s business model lends itself to having an inherent ALM advantage due to large EMI inflow emanating from short tenor businesses which puts it in an advantageous position for servicing of its near-term obligations.

BFL funds its liquidity requirements through use of appropriate funding avenues involving various market instruments, bank borrowings, external commercial borrowings and deposits. Further, the Company ensures a healthy asset-liability maturity profile and keeps abundant liquidity in addition to meeting various regulatory requirements viz. Statutory Liquidity Ratio (SLR) and Liquidity Coverage Ratio (LCR) as prescribed by the RBI. The liquidity management and resource mobilisation strategy achieved significant efficiency in the Company’s

sourcing of funds with an optimal mix of deposits and borrowings from banks and markets. It ensured that despite tight and deficit systemic liquidity conditions during FY2024, enough liquidity was available to meet its debt service obligations and business growth requirements.

At a consolidated level, BFL maintained an average liquidity buffer of ₹ 13,760 crore in FY2024, representing 5.4% of its average outstanding borrowings in FY2024. It had a consolidated liquidity buffer of ₹ 15,668 crore as on 31 March 2024, representing 5.34% of outstanding borrowings.

In FY2024, the Company raised US\$ 725 million of fully hedged External Commercial Borrowings as term loans from multiple banks under automatic route. This has helped the Company to further diversify its borrowing profile as part of the Asset Liability Management.

BFL exceeds the regulatory requirement of liquidity coverage ratio (LCR) introduced by the RBI in FY2020. This requirement stipulates that all deposit taking NBFCs are required to maintain sufficient liquidity surplus in the form of High-Quality Liquid Assets (HQLAs) on an ongoing basis to withstand any potential liquidity disruption event. Such HQLAs are to be maintained as a percentage of cash outflows in a stressed scenario. BFL maintains HQLAs primarily in the form of treasury bills and government securities.

The Company has received NOC from RBI to operate with Subsidiary General Ledger (SGL) account. The SGL shall help the Company to hold or transact in government securities directly rather than facilitating through Constituents Subsidiary General Ledger (CSGL). Overall, SGL facility is expected to provide operational efficiency in the treasury operations for the Company considering the significant amount of investments maintained in government securities for SLR and liquidity management.

At present, the LCR requirement for BFL is at 85%, which will move up to 100% from 01 December 2024. For BHFL, the current LCR requirement is at 70% and will move to 85% from 01 December 2024 and 100% from 01 December 2025.

As on 31 March 2024, BFL maintained an LCR of 168.91% and BHFL maintained an LCR of 192%. Both are well above the RBI's stipulated norms.

Table 7 gives the behavioural maturity pattern of BFL's asset and liabilities; and depicts its prudent approach towards ALM management. As can be seen, BFL has maintained significant positive ALM position in 1-7 days bucket against RBI permitted negative ALM mismatch of up to 10%. Similarly, in cumulative ALM buckets like 8-14 days and 15-30/31 days buckets, BFL has maintained significant cumulative positive ALM balances against RBI permitted cumulative negative ALM mismatch of up to 10% and up to 20% respectively.

Table 7: Behaviouralised ALM snapshot as on 31 March 2024

(₹ in crore)

Statement of Structural Liquidity as on: - Mar 31 2024	1 to 7 days (one month)	8 to 14 days (one month)	15 to 30/31 days (one month)	Over one month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to one year	Over one year to 3 years	Over 3 to 5 years	Over 5 years	Total
Capital and Reserves and Surplus	-	-	-	-	-	-	-	-	-	72,011	72,011
Deposits	718	765	1,739	3,262	2,565	7,247	13,192	22,822	7,656	-	59,967
Borrowings from Commercial Paper	-	-	4,979	2,859	6,554	1,837	2,192	-	-	-	18,421
Borrowings from Banks/FI	1,300	-	363	371	1,884	2,916	13,156	30,940	11,558	151	62,639
Borrowings from Debentures	1	1,775	386	4,634	446	2,209	5,187	20,195	12,749	26,221	73,803
CBLO	15,759	-	-	-	-	-	-	-	-	-	15,759
Other Outflows	4,600	481	2,042	1,735	224	448	839	1,452	2,073	1,122	15,019
Total Outflows (A)	22,378	3,021	9,510	12,863	11,673	14,658	34,566	75,409	34,036	99,505	317,618
Cumulative Total Outflows (B)	22,378	25,399	34,909	47,772	59,445	74,102	108,668	184,077	218,113	317,618	
Cash, Cash Equivalents & Investments	23,567	3	3,527	558	1,133	571	608	3,344	1,865	11,406	46,583
Advances (Receivables under financing activities)	9,445	3,063	5,900	12,038	12,136	27,653	43,964	93,126	25,803	18,935	252,062
Other inflows	9,580	202	297	745	476	129	324	726	265	6,228	18,973
Total Inflows (C)	42,592	3,269	9,724	13,340	13,745	28,353	44,897	97,196	27,934	36,570	317,618
Cumulative Total Inflows (D)	42,592	45,860	55,584	68,924	82,669	111,022	155,919	253,115	281,048	317,618	
E. Mismatch (C - A)	20,213	247	214	478	2,072	13,695	10,331	21,787	(6,103)	(62,935)	
F. Cumulative mismatch (D-B)	20,213	20,461	20,675	21,153	23,225	36,920	47,251	69,038	62,935	-	
G. F as percentage Of B	90%	81%	59%	44%	39%	50%	43%	38%	29%	0%	

The assigned portfolio outstanding as on 31 March 2024 stood at ₹ 1,492 crore on a standalone basis and of ₹ 4,322 crore on a consolidated basis. BFL's 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 has helped the Company to effectively manage its net interest margin throughout FY2024.

Human Resources

BFL is an equal opportunity employer. People are BFL's key assets and pillars of strength. BFL has adopted people practices that enables it to attract, retain and nurture talent in an increasingly competitive market. BFL's deeply embedded culture fosters an entrepreneurial mindset, humility to continuously learn and a strong performance driven work ethic. BFL's policies and practices are designed to provide its talent with the best opportunities to contribute, learn and grow. We have a robust and long-standing rewards policy that recognises exemplary contributions.

Attract, Retain and Nurture Talent

BFL is a diversified non-bank with presence across 4,145 locations. Risk and technology remain key enablers of its business. To serve the diversified nature of its businesses and function, and need of qualified talent to deliver technological solutions, a distinctive approach to identify, attract, and onboard talent is important and critical. BFL has built strong channels for experienced talent and a robust network of colleges and campuses from which it onboards young and fresh talent. At pre-selection stage, BFL's Human Resource function conducts detailed interviews to ensure that the person would be a good fit for the Company and the candidate is keen to join and build a long-term career with the Company.

Learning and Development

At BFL, the learning is holistic and continuous. The interventions are designed to address and meet specific needs of various employee segments, with targeted programs addressing these requirements effectively. Indicative segments are New Joiners, First Time Managers, Leaders moving to Senior Management Roles, Senior Leaders and Women Leaders.

New Joiners at BFL go through structured onboarding, with an aim to have a seamless integration into the Company's culture. The first 15 days are dedicated to make the new employees ready for their roles through an in-depth Functional Induction conducted by our in-house Certified Trainers. This phase not only helps them understand the Company culture but also provides a thorough overview of the Company's policies, practices, and tech platforms for fulfilling their KRAs, thus empowering them to succeed in their roles. There are programs planned for our existing employees based on their role, re-skilling requirements and new initiatives. To support training of our employees, 9 Regional Training Centres (RTCs) have been set up in different parts of India. In FY2024 over 13,000 employees benefited through training programs conducted at the RTCs.

As a commitment to enhance diversity in the Company, it has taken conscious decision to promote and support hiring and development of women employees. Several development programs have been introduced during the year aimed at elevating women leadership at middle and senior levels.

Leadership workshops focused on building deeper understanding of BFL's culture anchors are conducted every year for all senior management team members. These are led by internal leaders. Specific programs are designed and delivered as part of preparing new leaders stepping into senior management roles.

The Company has an internal framework of creating a pool of certified trainers to deliver training to the employees. In FY2024, there was a pool of over 700 certified trainers who delivered over 2,600 training programs during the year.

BFL's commitment to continuous learning and development is demonstrated through collaborations with prestigious platforms such as Coursera, Go1, Percipio and Harvard, offering a wide range of courses and resources to employees. Additionally, Distance Learning Program is furthering learning opportunities to employees for expanding their knowledge base by enrolling in MBA courses provided by prestigious educational institutions of the country.

With an investment of ₹ 45.18 crore in FY2024, training hours surged to 6.2 lakh from 2.60 lakh, incorporating both virtual and in-person sessions. Enhanced training helped the Company in retaining talent and in improving productivity of employees.

Diversity, Career and Growth

BFL emphasises career growth through initiatives such as Job Rotation, Internal Job Postings, and Auto Promotion. It has launched the 'Spectrum Program' to promote Diversity, Equity and Inclusion at the workplace. This covers multiple policies and initiatives designed to support a diverse workforce with benefits such as 1-to-1 counselling, extended paternity leave, day-care facilities, enhanced safety measures and health check-ups for female employees and extended work-from-home options and travel allowances for expecting females and new mothers. Alongside, as a pilot program, for the first time BFL has onboarded 15 people with special needs. We aim to expand this pool in coming years.

Reward and Recognition

BFL's Recognition and Rewards programs aim to encourage a culture of excellence by celebrating exceptional achievements across the organisation. The Excelsior League highlights the top 1% performers with a special event for them and their families, emphasising appreciation beyond traditional methods. Over 18,000 employees were recognised and rewarded in FY2024 for exemplary performance and for taking initiative.

Employee Benefits and Well-being

Our comprehensive approach to employee welfare extends beyond providing Medclaim and Group Term Life Insurance. Initiatives like iCare fund and Money-On-Call extend financial support to the employee during medical and other emergencies; 1-to-1 Counselling, PureLife Health & Wellbeing Initiatives support holistic emotional and mental wellbeing. Over 582 employees have taken a positive step towards their well-being by availing themselves of the opportunity for 1-to-1 counselling, with a total of 882 sessions conducted. A total of 238 employees have availed financial help through iCare.

BFL's employees are socially conscious citizens and keen to support the community they live in and have actively participated in a 'Joy of Giving' initiative called 'Daan Utsav' and donated over 40,700 items under four different categories; Nanhe Kadam, Anna Daan, Joy Club and Gifts Unlimited. They also participated in blood donation camps organised by the Company.

Culture Anchors

BFL's culture provides it a distinctive competitive advantage. Over the years BFL has identified 14 Culture Anchors which form 'The BFL Way'. These Culture Anchors cover 'The way we conduct ourselves', 'The way we work with others', 'The way we make decisions' and what provides us enduring value. These Anchors have an action bias and essentially define how employees and leaders conduct themselves on a daily basis.

The policies and practices of the Company helps to attract high quality talent which gets a strong culture and working ethos to perform and excel. It also makes people stay with the Company for long tenures. This comprehensive approach towards people practices has helped BFL achieve best in class attrition in the industry.

Awards and Recognitions

During the year, BFL received the following prestigious awards for its people practices:

- Recognised by Great Place to Work™ as India's Best Workplaces™ Building a Culture of Innovation by All (2023-2024).
- Recognised by Great Place Work™ as India's Best Workplaces™ in BFSI (2023-2024).
- Awarded as "Most Committed to ESG" company under "Bronze category" in India for 2024 by FinanceAsia

BFL remains an equal opportunity employer and follows non-discrimination in all practices.

As on 31 March 2024, BFL, along with its subsidiaries, had 53,782 full-time employees. It added 10,635 employees in FY2024. BFL's employee attrition for FY2024 was among the lowest in the last few years.

To achieve its long-term growth objectives, the Company's Board of Directors, at its meeting held on 29 January 2024, approved elevation of Anup Saha, Executive Director as Deputy Managing Director who apart from overseeing all businesses (except commercial lending and loan against securities) would have expanded functional responsibilities and appointed three Chief Operating Officers.

Internal Control Systems and their Adequacy

BFL has robust internal controls system in place, driven through various procedures and policies which are reviewed and tested periodically, across processes, units and functions. BFL's risk and credit teams have inbuilt processes to identify the existing and probable risks and to mitigate identified risks. Senior management also monitors the mitigating measures. The Company has various committees including Risk Management Committee and the Asset and Liability Committee, with participation from various functions, which are designed to review and oversee critical aspects of BFL's operations.

BFL has instituted the three lines of defence model, viz.

- First Line of defence - Internal Operations Management and Management Controls.
- Second Line of defence - Risk and Compliance function.
- Third Line of defence - Internal Audit function.

BFL has dedicated control functions for testing the design and efficiency of Internal Control Over Financial Reporting (ICOFR) on regular basis and timely remediation of control deficiencies identified, if any. Further, BFL monitors Information and Technology General Controls (ITGC) on a periodic basis. The Company has formed specialised units within IT and operations functions for carrying out regular checks to ensure that the processes set for these functions are complied with and gaps identified, if any, are set right on regular basis. The control functions implement, review and monitor the standards and lay down policies and procedures by which the functions manage risks including compliance with regulatory guidelines and applicable laws, adherence to operational controls and relevant standards of conduct.

Compliance is a fundamental aspect of our business operations. Compliance philosophy at BFL is strict adherence to laws, regulations, and ethical standards to maintain the trust of the stakeholders i.e., regulators, customers, investors and employees.

The Company's compliance philosophy revolves around the following principles:

- **Regulatory Compliance:** BFL is committed to comply with all applicable laws, regulations, and guidelines set by regulatory authorities.
- **Customer Protection:** BFL prioritises the protection of its customers' interests and data. Robust data protection measures are maintained and privacy laws and regulations are strictly adhered to. BFL strives to provide fair and transparent financial products and services, ensuring that its customers make informed decisions.
- **Ethical Conduct:** BFL expects all its employees to uphold the highest ethical standards in their dealings with customers, partners, and colleagues.
- **Risk Management:** BFL has implemented robust risk management frameworks and processes to identify, assess, and mitigate risks associated with Company's operations.
- **Employee Training and Awareness:** Comprehensive training programs have been rolled out to enhance the compliance knowledge and awareness of our employees.

To further strengthen the second line of defence, the Company has appointed a Chief Compliance Officer (CCO). Under CCO's supervision, the compliance function is, among others, responsible for identification and assessment of compliance risks, provide guidance on related matters and monitor and test compliances across the organisation.

The Company has implemented controls through systems and processes ensuring a robust control framework. The scope of risk based internal audit of the Company also includes system and process audits in respect of all critical processes. The Internal Audit department and the compliance function review the business unit's adherence to internal processes and procedures as well as to regulatory and legal requirements providing timely feedback to management for corrective action, including minimising the design risk, if any.

BFL's Risk Management, Operational Risk Management, Information Technology and Cyber Security practices have already been elaborated in earlier sections of this chapter.

Further, in line with the RBI's notification dated 3 February 2021, BFL and BHFL had implemented Risk-Based Internal Audit (RBIA) methodology from 1 April 2021. The RBIA is linked to the Company's overall risk management framework.

The Audit Committee of the Board reviews the performance of the audit and compliance functions and reviews the effectiveness of controls and compliance with regulatory guidelines. In the opinion of Board and the senior management, internal control systems are well placed and work in a satisfactory manner.

Fulfilment of the RBI's Norms and Standards

BFL fulfils and often exceeds the applicable norms and standards laid down by the RBI relating to the recognition and provisioning of Stage III (qualifying non-performing) assets, capital adequacy, statutory liquidity ratio, liquidity coverage ratio etc. Table 8 below demonstrates BFL and BHFL's prudent practices detailing its performance ratios compared to the minimum requirements of the RBI.

In FY2024, the RBI has issued following important circulars: -

- **Master Direction on Outsourcing of Information Technology Services:** These directions issued by the RBI on 10 April 2023 provide regulatory guidelines on Outsourcing of IT Services. The underlying principle of these Directions is to ensure that outsourcing arrangements neither diminish the Regulated Entities (REs) ability to fulfil its obligations to customers nor impede effective supervision by the RBI. These Directions came into effect from 1 October 2023. BFL has put in place processes and practices to fully comply with the said directions by June 2024.
- **Framework for Compromise Settlements and Technical Write-offs:** These directions issued by the RBI on 8 June 2023 provide a comprehensive regulatory framework governing compromising settlements and technical write-offs. As per the requirements of the directions, BFL has already put in place a Board approved policy for compromise settlements and technical write-offs.
- **Guidelines on Default Loss Guarantee (DLG) in Digital Lending:** These directions issued by RBI on 8 June 2023 provide guidelines to be followed for entering into an arrangement involving default loss guarantee in digital lending loans. BFL has already put in place a Board approved policy for the same in line with the requirements of these directions.
- **Reset of Floating Interest Rate on Equated Monthly Instalments (EMI) based Personal Loans:** These Directions issued by RBI on 18 August 2023 require the Regulated Entities (REs) to put in place an appropriate policy framework in line with the directions to govern the EMI based floating rate personal loans. BFL is already in compliance of the same.
- **Fair Lending Practice - Penal Charges in Loan Accounts:** These directions issued by RBI on 18 August 2023 provide for guidelines to be followed while charging penal charges for non-compliance of material terms and conditions of the loan contract. The Guidelines are effective from 1 April 2024 for loans booked on or after this date and 30 June 2024 for existing loans. BFL is currently working on implementing the same.
- **Responsible Lending Conduct-Release of Movable / Immovable Property Documents on Repayment/ Settlement of Personal Loans:** These directions issued by the RBI on 13 September 2023, state that regulated entities should release all the original documents and remove charges registered with any registry within a period of 30 days after full repayment/settlement of the loan account. Compensation to the borrower at the rate of ₹ 5,000/- for each day of delay has to be paid where the delay is attributable to the regulated entity.
- **Regulatory measures towards consumer credit and bank credit to NBFCs:** These directions issued by RBI on 16 November 2023 state that consumer credit exposure of NBFCs (outstanding as well as new) categorised as retail loans, excluding housing loans, educational loans, vehicle loans, loans against gold jewellery and microfinance/SHG loans, shall attract a risk weight of 125% instead of 100%. BFL has made the necessary changes in calculating its consumer credit exposure in the computation of CRAR.
- **Master Direction - Reserve Bank of India (Non-Banking Financial Company - Scale Based Regulation) Directions, 2023:** The RBI issued Master Directions for NBFCs in suppression of the Non-Banking Financial Company-Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016. These Directions are issued in line with the scale-based framework introduced by RBI. BFL is in compliance of the same.
- **Credit/Investment Concentration Norms - Credit Risk Transfer:** These directions issued by RBI on 15 January 2024 provide guidelines to ensure uniformity and consistency in computation of concentration norms among NBFCs.

On 15 November 2023, the RBI directed BFL to stop sanction and disbursal of 'eCom' and 'Insta EMI Card' with immediate effect due to non-issuance of Key Fact Statements (KFS) to the borrowers under these two lending products and some deficiencies in the KFS issued in respect of other digital loans sanctioned by the Company.

In continuation of announcement on 8 February 2024 in Statement on Developmental and Regulatory Policies, RBI vide its circular RBI/2024-25/18 DOR.STR.REC.13/13.03.00/2024-25 dated 15 April 2024, issued guidelines to extend requirement of Key Fact Statement (KFS) to all retail and MSME loans sanctioned on or after 1 October 2024, on the ground that it will lead to enhanced transparency in lending and enable customers to make informed decisions. BFL is well prepared to comply with the guidelines once it is released by the RBI.

Table 8: BFL and BHFL's regulatory ratios compared to the minimum requirements of the RBI

Particulars	Bajaj Finance Ltd.		Bajaj Housing Finance Ltd.	
	As of 31 March 2024	RBI stipulation	As of 31 March 2024	RBI stipulation
Capital to Risk-weighted Assets Ratio (CRAR)	22.52%	15.00%	21.28%	15.00%
Of which Tier-I	21.51%	10.00%	20.67%	10.00%
Statutory Liquidity Ratio	19.20%	15%	NA	NA
Liquidity Coverage Ratio	169%	85%	192%	70%
Asset liability mismatch				
1-7 days	90%	(10%)	168%	(10%)
8-14 days	81%	(10%)	83%	(10%)
15-30 days	59%	(20%)	55%	(20%)

Bajaj Housing Finance Ltd. (BHFL)

Bajaj Housing Finance Ltd. ("BHFL", "Bajaj Housing"), a wholly owned subsidiary of BFL, is registered as a non-deposit taking housing finance company with the National Housing Bank (NHB) since September 2015 to carry the business of housing finance. BHFL started its lending operations from July 2017. Under the Scale Based Regulation (SBR) issued by the Reserve Bank of India (RBI) on 22 October 2021, BHFL has been categorised as an upper layer NBFCs (NBFC-UL) since 30 September 2022. Accordingly, pursuant to the applicable regulatory framework, the Company is required to be mandatorily listed on or before 30 September 2025.

BHFL offers a complete product suite of mortgages: (i) home loans; (ii) loans against property; (iii) lease rental discounting and (iv) developer financing.

It has the highest credit rating of AAA/stable from CRISIL and India Ratings for its long-term debt programme and A1+ from CRISIL and India Ratings for its short-term debt programme which reflects its strong financial position and repayment ability of financial obligations.

BHFL is ranked among the largest housing finance companies in India and is focused on expanding its retail as well as commercial businesses within its acceptable portfolio quality guidance. It is focused on building low-risk medium-return portfolio, where home loans contribute 58% of portfolio. Of this, 92% of home loans pertains to lower risk segments of salaried and self-employed professional customers.

BHFL aims to scale its retail home loan portfolio through: (i) leveraging developer ecosystem to acquire higher mix of home loans from developer finance funded projects, (ii) expand distribution reach through structured framework with intermediaries for activation and higher penetration, (iii) deepen relationship in existing developer projects, (iv) leverage data analytics to reach mass affluent customers for refinance proposition and (v) geographical expansion to increase BHFL's footprints from present 174 locations to 250+ locations.

BHFL's developer finance portfolio has held well and delivered superlative portfolio metrics driven by the Company's underwriting practices and monitoring mechanism. It will expand its market share through: (i) deepening relationship with existing customers, (ii) onboarding new customers, (iii) expanding operating locations to build granular portfolio while stabilising existing locations to reduce concentration risk.

Commercial real estate portfolio has demonstrated impeccable portfolio performance since inception amid high growth phase and onboarding marquee customers. This business also offers construction finance for commercial portfolio to expand customer funnel for lease rental discounting product and lease rental discounting for build to suit warehousing properties to leverage growing opportunity in organised warehousing space.

BHFL aims to enhance customer experience at each touchpoint and strives to deliver faster turnaround time with seamless processes, centralised hub-based underwriting and operations and adoption of digital tools and capabilities including AI and ML. In line with the Company's aim of digitising the customer journey, BHFL introduced customer onboarding platform for 'Do it yourself' (DIY) onboarding where customer/partner can login their loan application digitally from anywhere, upload required documents which directly flows to the centralised underwriting team. Our industry first digital initiatives implemented in the last year like Aadhar OTP based e-sanction letter and e-agreement got further traction during the year providing hassle-free experience to customers and reducing manual intervention.

BHFL operates its retail underwriting function under centralised hub structure to enhance controllership and reduce approval time. In order to further streamline this process, Account Aggregator functionality was implemented during the year to pull various data points host to host directly and provide customised reports for data analysis which helps to further reduce the approval time.

BHFL Business Update

FY2024 witnessed nil policy rate action by the RBI unlike six repo rate increments in the previous year. However, this year saw enhanced competitive intensity in home loan space reflecting from finer pricing, thrust of securing higher secured portfolio mix by scheduled commercial banks while the private banks continued to remain aggressive. BHFL continues to expand its market share on disbursal front against previous year despite fierce competition.

FY2023 witnessed policy rate transmission in interest rates on assets side however lagged impact of transmission on liabilities side was visible in current year's financial performance. This impact coupled with intense competitive intensity in acquisition pricing reflected into NIM compression.

Residential real estate sector witnessed upward trajectory in current year as well where both launches as well as absorption grew as compared to the previous year. For BHFL, both retail as well as commercial businesses grew their portfolio during the year which helped BHFL to deliver 32% YoY growth in terms of Assets Under Management (AUM). On retail front, BHFL started pool purchase business in current year to partner with various HFCs, NBFC's and small finance banks thereby supporting the housing finance mix required under Principal Business Criteria (PBC) norms.

BHFL holds its portfolio performance with lower GNPA in the industry – which stood at 0.27% as on 31 March 2024 driven by stringent underwriting standards and portfolio monitoring. To augment digital initiatives in collateral monitoring, BHFL implemented system-based title search initiation functionality during the year with automated updates to strengthen portfolio monitoring. During the year, BHFL got registered as a corporate agency with the Insurance Regulatory and Development Authority of India (IRDAI).

BHFL continues to maintain its diversification strategy in borrowing mix through active management and higher mix of new funding sources like NHB refinance. BHFL's capital position remained comfortable with capital adequacy ratio at 21.28% as on 31 March 2024, which was well above the regulatory requirement of 15%.

Home Loans

BHFL offers home loans for ready to move in and under construction properties to mass affluent salaried, self-employed and professional customers through new purchase, resale and balance transfer propositions across 174 locations. Home loans business AUM grew by 24% and stood at ₹ 52,819 crore as on 31 March 2024.

Loan Against Property (LAP)

BHFL serves loan against property (LAP) product to SMEs, MSMEs, self-employed individuals and professionals and salaried customers against their residential and commercial properties. LAP business operates across 74 locations. The LAP business AUM stood at ₹ 9,568 crore as on 31 March 2024 and grew by 23% against FY23.

Lease Rental Discounting (LRD)

BHFL caters to the lease rental discounting needs of high net-worth individual (HNI), corporates and developers through this business. LRD financing is backed by lease rental cashflows being received from prominent lessees occupying the mortgaged commercial properties. Further, these rentals are backed by escrow mechanisms which are continuously monitored by dedicated risk team. This business is present in 14 locations. It registered 57% Y-o-Y growth and the AUM was ₹ 17,637 crore as on 31 March 2024.

Developer Loans

BHFL offers construction finance facility to developers for their residential constructions who have demonstrated track record of project delivery and timely repayments. Financing is linked with stage of completion of project to minimise execution risk. This business operates in 13 locations. AUM under this business stood at ₹ 9,599 crore as on 31 March 2024, growing by 69%.

Partnerships and Services

In partnership with various financial service providers, BHFL offers life insurance, general insurance, health insurance, online primary healthcare assistance services and other financial services products to its customers. It has received a Corporate Agency licence from the IRDAI during the year thereby enhancing the fee income pool for the Company.

Table 9: BHFL's Assets Under Management

Particulars	(₹ in crore)		
	FY2024	FY2023	Change
Housing loans (including top ups)	52,819	42,707	24%
Loan against property	9,568	7,817	22%
Lease rental discounting	17,637	11,260	57%
Developer finance	9,599	5,669	69%
Other loans	1,747	1,775	(2%)
Total	91,370	69,228	32%

Table 10: BHFL's Financial Performance

Particulars	(₹ in crore)		
	FY2024	FY2023	Change
Interest Income	7,202	5,269	37%
Interest and finance charges	4,692	3,211	46%
Net interest income	2,510	2,058	22%
Fees and commission income	138	86	60%
Net gain on fair value changes	133	112	19%
Sale of services and Income on de-recognised loans	106	185	(43%)
Others*	38	13	192%
Net total income	2,925	2,454	19%
Operating expenses	703	630	12%
Pre-provisioning operating profit	2,222	1,824	22%
Loan losses and provisions	61	124	(51%)
Profit before tax (PBT)	2,161	1,700	27%
Profit after tax (PAT)	1,731	1,258	38%
Other comprehensive income/ (expenses)	(1)	4	(125%)
Total comprehensive income	1,730	1,262	37%
Earnings per share (EPS) basic, in ₹	2.58	1.88	37%

* Others include other operating income and other income

Bajaj Financial Securities Ltd.

Bajaj Financial Securities Ltd. ('BFSL', 'BFinsec', 'Bajaj Broking') functions as a wholly-owned subsidiary of Bajaj Finance Ltd.. It is duly registered with the SEBI, both as a stockbroker and a depository participant.

In FY2024, Bajaj Broking significantly broadened its reach to 37 locations and 41 branches, providing a comprehensive suite of services to over 699,000 clients in retail and HNI, encompassing DP services, Broking, Margin Trading Facility, and Financing for Offers For Sale. BFSL strategically aims to enhance its offerings to customers who utilise Loans Against Securities (LAS) from BFL. The objective is to provide a comprehensive range of investment products and services.

HNI Demat and Broking: BFSL offers specialised DP and broking services to High Net Worth Individual (HNI) clients. These affluent individuals benefit from a call-in-trade service managed by dedicated dealers, providing them with flexibility in their trading activities. Additionally, BFSL caters to the unique preferences of HNI clients by providing customised brokerage plans based on their specific trading needs. For clients with significant trading volumes, a trading terminal option is available to enhance their overall trading experience. As of 31 March 2024, Bajaj Broking has served over 43,000 HNI clients, with an AUM of ₹ 3,472 crore with 41 operating branches.

Retail Demat and Broking: Bajaj Broking provides extensive Demat and broking services tailored for retail clients, offering multifaceted range of discount broking plans to suit various trading needs. Clients can select from these customised plans, providing versatility and economic viability. The trading facilities are easily accessible through both a web portal and a mobile app, ensuring convenience for retail clients. Furthermore, retail clients have the option to benefit from value-added services, including call-n-trade functionality. In FY2024, Bajaj Broking successfully added over 113,400 new customers, taking its total clientele to 656,000.

Margin Trading Facility (MTF): Bajaj Broking provides Margin Trading Facility (MTF) to HNIs and retail clients, enabling them to purchase approved securities with the required margin, while Bajaj Broking covers the remaining amount. Margin Trading Facility AUM grew by 259% to ₹ 3,817 crore as of 31 March 2024 versus ₹ 1,064 crore as of 31 March 2023 – highlighting the widespread adoption and popularity of this financing option among clients.

In FY2024, BFSL reported total income of ₹ 486 crore and a profit after tax of ₹ 56 crore, showcasing its strong financial performance.

Bajaj Broking enhanced its online presence by upgrading both its website and mobile trading app, incorporating significant features and capabilities such as:

- **Product Feature Enhancement:**

- » Discovery: Developed www.bajajbroking.in an AEM platform-based website to cater to organic traffic.
- » GTT: Good Till Triggered feature enables orders to remain active until the specified trigger condition is fulfilled, with the trigger validity extending for one year.
- » Basket orders: This feature empowers traders to execute multiple orders for different security in a single action, by specifying parameters like quantity and price for each security within the basket.
- » One click transfer from ICICI bank accounts to Bajaj Broking Demat account.
- » Stock SIP: Investors can now purchase a fixed number of shares per transaction, resulting in varying deductions from their bank account or opt for a fixed investment amount, where the number of shares acquired varies depending on the current market price.
- » Stock pledge/unpledged journey: Clients can pledge/unpledge stocks *via* online journey.

- **Tool Enhancement:**

- » F&O dashboard: Introduced Futures & Options dashboard, providing users with comprehensive insights and tools for managing their investments.
- » Vernacular setting: Introduced this feature which allows users to switch to their preferred language seamlessly within both the app and web interfaces.
- » Shortcut keys: Implemented shortcut keys functionality to streamline buy and sell order placement processes.
- » UI/UX Improvements:
 1. Adaptive dark mode introduced that automatically switches between light and dark colour schemes based on mobile settings.
 2. Fund page revamped to enhance customer engagement.
 3. Modernised order pad component to enhance and streamline its interface for modern usability.
 4. Android widgets are implemented to enable users to conveniently monitor the profit and loss of their Demat account on home screen.

- **Service Enhancement:**

- » A unified platform 'COSMOS' for our partners enabling them to easily access and review their business information in one place.
- » A risk disclosure pop up is implemented to provide users with important information regarding potential risks before trading.
- » Stock surveillance pop up is implemented to alert users to monitor stock activities closely, providing timely updates.
- » Improved account unblock process by OTP authentication.
- » Dormant account re-activation online journey.

Table 11: BFSL's Financial Performance

Particulars	(₹ in crore)	
	FY2024	FY2023
AUM	3,817	1,064
Total Revenue	486	214
Profit Before Tax	71	11
Profit After Tax	56	8

Concluding Comments

After carefully prevailing over the COVID-19 years (FY2021 and FY2022), Bajaj Finance has come back to its usual status of posting excellent operational and financial results in FY2024. Although there are some storm clouds on the horizon, there are reasons to believe that BFL is well placed to continue posting good results in FY2025, with the Company's Omnichannel strategy becoming even more apparent across all relevant points of customer interface. We, therefore, expect to generate greater customer acquisition, higher customer loyalty, more profitable cross-selling and better margins for each of our businesses. Simply put, FY2025 should be at least as good as FY2024.

Table 12: Key Finance Indicators: Last 17 years

Financials snapshot																	CAGR (17 yrs.)	
	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	
AUM	2,478	2,539	4,032	7,573	13,107	17,517	24,061	32,410	44,229	60,196	82,422	1,15,888	1,47,153	152,947	1,97,452	2,47,379	3,30,615	36%
Total income	503	599	916	1,406	2,172	3,110	4,073	5,418	7,333	9,989	12,757	18,500	26,386	26,683	31,648	41,418	54,983	34%
Interest expenses	170	164	201	371	746	1,206	1,573	2,248	2,927	3,803	4,614	6,623	9,473	9,414	9,754	12,560	18,725	34%
Net total income	332	435	715	1,035	1,426	1,904	2,500	3,170	4,406	6,186	8,143	11,877	16,913	17,269	21,894	28,858	36,258	34%
Operating expenses	193	220	320	460	670	850	1,151	1,428	1,898	2,564	3,270	4,197	5,662	5,308	7,587	10,142	12,325	30%
Loan losses & provision	109	164	261	205	154	182	258	385	543	804	1,030	1,501	3,929	5,969	4,803	3,190	4,631	26%
Profit before tax	30	51	134	370	602	872	1,091	1,357	1,965	2,818	3,843	6,179	7,322	5,992	9,504	15,528	19,310	50%
Profit after tax	21	34	89	247	406	591	719	898	1,279	1,837	2,496	3,995	5,264	4,420	7,028	11,508	14,451	50%

Ratios																	
	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Opex to Net total income	58.1%	50.6%	44.8%	44.4%	47.0%	44.6%	46.0%	45.0%	43.1%	41.4%	40.2%	35.3%	33.5%	30.7%	34.7%	35.1%	34.0%
Loan loss to avg. AUF	3.6%	4.9%	7.1%	3.6%	1.6%	1.3%	1.3%	1.4%	1.5%	1.6%	1.5%	1.6%	3.1%	4.1%	2.8%	1.5%	1.6%
Return on assets	0.7%	1.4%	2.8%	4.4%	4.2%	4.1%	3.6%	3.3%	3.5%	3.7%	3.7%	4.2%	4.1%	3.1%	4.2%	5.3%	5.1%
Return on equity	2.0%	3.2%	8.0%	19.7%	24.0%	21.9%	19.5%	20.4%	20.9%	21.6%	20.1%	22.5%	20.2%	12.8%	17.4%	23.5%	22.1%
Net NPA *	7.00%	5.50%	2.20%	0.80%	0.12%	0.19%	0.28%	0.45%	0.28%	0.44%	0.43%	0.63%	0.65%	0.75%	0.68%	0.34%	0.37%
Provision coverage ratio	30%	32%	55%	79%	89%	83%	76%	71%	77%	74%	70%	60%	60%	58%	58%	64%	57%
CRAR (standalone)	40.7%	38.4%	25.9%	20.0%	17.5%	21.9%	19.1%	18.0%	19.5%	20.3%	24.7%	20.7%	25.0%	28.3%	27.2%	25.0%	22.5%
Leverage ratio	2.6	2.5	3.8	5.9	6.4	5.3	6.2	6.8	6.3	6.6	5.4	6.3	5.1	4.7	4.9	5.1	4.9

Note 1: As per the RBI regulations, NNPA percentages upto FY2015 are at 6 months overdue, FY2016 is at 5 months overdue, FY2017 are at 4 months overdue and FY2018 are at 3 months overdue. Hence NPA across periods are not comparable.

Note 2: All figures till FY2017 are as per previous GAAP on standalone basis.

Note 3: All figures from FY2018 onwards are as per Ind AS and on consolidated basis.

Cautionary Statement

Some 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.