



CHAIRMAN'S LETTER

Dear Shareholder,

Let me begin on a personal note. It has been a difficult year for me. I know of no son or daughter who hasn't suffered from the death of the mother or father. But when your father was Rahul Bajaj, it becomes something else altogether.

For long the Chairman and more recently the Chairman Emeritus of your Company, my father, was a unique and very special person. Everyone who worked with him knew of his pinpointed focus on details. People across the country lauded him for being fearless and outspoken. His courage in honestly speaking his convictions was second to none. As was his generous ability to accept his mistakes. He was a supremely confident human being. But within that enormous confidence of his, he was truly compassionate and caring – not just to his family but to all those whose lives he touched. More than being my father, he was my mentor, counsellor and friend.

I could go on, but he would have emphatically disallowed any more of this emotional content. I can see him chiding me by saying, "This is the Chairman's Letter. Not a public obituary." So, in deference to him, let me move on to the consolidated performance of your Company.

For the financial year 2021-22 (or FY2022):

- Number of new loans booked was 24.7 million.
- Customer franchise grew by 19% to 57.6 million.
- Assets under management (AUM) increased by 29% to ₹ 197,452 crore.
- Total income grew by 19% to ₹ 31,640 crore.
- Net interest income (NII) rose by 27% to ₹ 21,892 crore.
- Impairment on financial instruments decreased by 20% to ₹ 4,803 crore.
- Profit before tax (PBT) increased by 59% to ₹ 9,504 crore.
- Profit after tax (PAT) grew by 59% to ₹ 7,028 crore.
- Capital adequacy ratio as of 31 March 2022 was 27.22%, Tier I adequacy was 24.75%, which is well above the RBI norms.

Your Company is now a thirty-five-year old enterprise. It has become a leading player in the NBFC sector in India. Given your Company's strong and sustainable growth trajectory, I thought, I will briefly delve into elements of the core culture that defines it. In my assessment, they are:

Resilience

Your Company displayed significant resilience in dealing with various external shocks in recent years – be it the three successive COVID-19 waves, macroeconomic slowdown that pre-dated COVID-19 or the fundamental changes in the industry that we belong to. Through these shocks, your Company demonstrated tremendous grit and financial strength and took all necessary actions without damaging any aspect of its business model or its financial position.

Agility

Your Company prides itself in being agile. The focus on agility and speed were key to aligning rapidly to the pandemic and then to the post-pandemic shifts in customer preferences and expectations. Pandemic has made your Company even more nimble and responsive than ever before.

Embracing Positivity

Culturally, your Company embraces positivity in everything it does and takes actions to make the best of the situation. This positive attitude helped your Company navigate one of the biggest crisis of the last century (COVID-19) successfully. This attitude enabled your Company to rapidly revert to pre-covid metrics across growth, debt management efficiencies, portfolio quality and profitability while maintaining a very strong capital position.

Long term focus

Finally, we are committed to building businesses for the long term. To us, building businesses for the long term are anchored on four key principles namely—customer obsession, innovation and sustainable growth, responsible business conduct and highest standards of governance.

Ultimately, it is the employees who practise these cultural traits on everyday basis. We remain committed to creating an environment that fosters these cultural traits and creates a dynamic workplace for our employees. As we grow larger as a company, we remain deeply committed to preserve our key cultural traits of resilience, agility, positivity and long term focus. It will ensure that we continue to deliver strong and sustainable growth for years to come.

Let me now focus on four key areas:

- (i) digitalisation to create what we call integrated 'omnichannel' strategy across your Company;
- (ii) our risk management and portfolio quality;
- (iii) the impressive performance of your Company's wholly owned subsidiary Bajaj Housing Finance Ltd. (BHFL); and
- (iv) the growth and potential of Bajaj Financial Securities Ltd. (BFinsec), which is also a wholly owned subsidiary of your Company.

Bajaj Finance is an extensively digitalised enterprise. In the financial services industry, your Company was an early mover to transit to digital processes – from 'Physical' to 'Phygital' and then to 'Digital'. We believe that each customer is our critical asset and they can be best served by a fully digitalised omnichannel strategy. This omnichannel model integrates your Company's entire slew of products and service offerings for the customer. It will deliver superior business velocity, eliminate friction, reduce operational costs and enable BFL to become a single-point interface for its customers. You will get to know more details of the 'nuts and bolts' of this omnichannel strategy in the chapter on 'Management Discussion and Analysis'.

The keys to success of a financial services enterprise are risk management and superior portfolio quality. It is not an exaggeration on my part to say that your Company has a best-in-class risk management system that encompasses credit risks, liquidity risks, operational risks, market risks including interest rate risks. These have been buttressed by a significantly improved debt management system –more so after the advent of COVID-19. In addition, having the rich experience of lending to more than 57 million customers, your Company continuously diversifies risk across its borrowers, its product categories and its geographies – and does so regularly in a granular data-driven way.

I am particularly proud of the performance of BHFL. For an enterprise that formally started its lending operations from July 2017, it already has assets under management of ₹ 53,322 crore. Through its home loans, loans against property, lease rental discounting, developer financing and a dedicated vertical servicing rural and MSME customers, FY2022 saw BHFL earning a total income of ₹ 3,767 crore; net interest income of ₹ 1,612 crore; profit before tax of ₹ 960 crore; and profit after tax of ₹ 710 crore. It is an extremely creditable performance for this relatively young enterprise. I see it growing to become a truly significant presence in the housing finance market.

And now to the another wholly owned subsidiary of your Company, BFinsec. Registered with the SEBI as a stock broker and depository participant, BFinsec started its business operations from August 2019. With a strong digital platform and seven branches, BFinsec offers demat, broking, margin trade financing, financing for offer for sale to retail and HNI clients, and enables funding for new equity listing (IPO finance) and ESOP financing. In FY2022, BFinsec earned a net interest income of ₹ 95 crore; profit before tax of ₹ 23 crore; and profit after tax of ₹ 17 crore. I look forward to Finsec growing impressively in the years to come.

COVID-19 created an unprecedented crisis, especially during the second wave (Delta). We took multiple initiatives to ensure safety and well-being of employees and their families and extended financial and logistical support towards diagnosis and treatment. Further, the Bajaj group of companies supported mega vaccination drives which administered over 1 million doses of the COVID-19 vaccine to beneficiaries in the districts of Pune and Aurangabad. In addition, the Bajaj group contributed ₹ 170 crore to support the nation wide fight against COVID-19, alleviate the immediate on-ground challenges, and enhance capabilities and resources. This included the installation of 12 oxygen plants to provide more than 5,000 LPM of oxygen supply to rural and urban hospitals plus respiratory support equipment like oxygen concentrators, ventilators and BiPaps to help augment their capacity in treating COVID-19 patients.

The pandemic took a toll in FY2022, with your Company losing 25 employees to COVID-19. Support was extended to the families of the deceased employees under the 'Family Assistance Program', which covered financial support to these families for 48 months and educational assistance to children till the age of 21.

As of today, none of us know when the next strain of the COVID-19 virus will arrive and how infectious it may be. However, with the success of our nation-wide vaccination programme, sufficient stocks of oxygen and adequate hospital beds, plus the fact that all Indians of 18 years and above can now get their booster shots, I think we have reasons to believe that the next round may not lead to the kind of personal and economic devastation brought about by the Delta variant. As a nation, we seem to have learnt how to cope with this pandemic. And your Company is certainly organisationally and digitally well prepared to ensure that it will continue growing its businesses as expected.

Therefore, I am optimistic of your Company's growth, and of its ability to deliver superior performance and greater shareholder value.

May we as a nation do better than before.

Yours sincerely,



Sanjiv Bajaj
Chairman