

# BAJAJ FINANCE LIMITED

04 June 2021

THE MANAGER, BSE LIMITED DCS - CRD PHIROZE JEEJEEBHOY TOWERS DALAL STREET, MUMBAI - 400 001	THE MANAGER, LISTING DEPARTMENT NATIONAL STOCK EXCHANGE OF INDIA LTD. EXCHANGE PLAZA, C-1. BLOCK G, BANDRA - KURLA COMPLEX, BANDRA (EAST), MUMBAI - 400 051
SCRIP CODE: 500034	SCRIP CODE: BAJFINANCE – EQ

Dear Sir/Madam,

**Sub.: Information under Reg. 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 r/w Schedule A of Reg. 8 of SEBI (Prohibition of Insider Trading) Regulations, 2015**

In light of second wave of the Covid-19 pandemic, please find enclosed herewith a mid-quarter update on business and portfolio of the Company.

We request you to take this on record.

Thanking you,

Yours faithfully,  
For **BAJAJ FINANCE LIMITED**

  
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# **BAJAJ FINANCE LIMITED**

**Mid quarter update in light of second wave**

**04 June 2021**

Bajaj Finance had a good Q4 with most lead financial indicators normalising to pre-COVID levels. The Company ended FY2021 with GNPA of 1.8% and NNPA of 0.75%, close to pre-COVID levels. The Company remained prudent on provisioning and carried an additional provision of ₹840 crore as of 31 March 2021.

The Company had outlined that barring a national lockdown or 3-4 large GDP states going into simultaneous lockdown for 3-5 weeks or EMI moratorium, the company is confident of delivering its long term guidance.

Given the severe second wave, the country has naturally been in a state of lockdown in May 2021. Most states have actually indicated extension of lockdowns till 7<sup>th</sup> or 15<sup>th</sup> June.

In our assessment, the impact of second wave is milder on financials but severe on employee health and wellbeing. The Company has made several policy interventions to support its employees and their families amidst a more fatal second wave. The Company has initiated vaccination drive for its employees.

Given the severity of the second wave and the consequent lockdown across most of India for last 35 days, we would like to provide an update of its estimated impact on the Company's financials in FY2022.

## Business Update

1. The Company remains open for business across all categories aided by stable EMI bounce rates in Q1 FY22.
2. B2B and Auto Finance businesses were most affected due to strict lockdowns in majority of states. These businesses delivered 70% of their planned volumes in April 2021 as multiple states started imposing lockdowns from mid April. Their volumes dropped to 40% in May 2021. Most states have indicated continued lockdown till 7<sup>th</sup> or 15<sup>th</sup> June. With expected reopening, June should be much better.
3. Other lines of businesses were less impacted in April and delivered 85% of planned disbursements. The Company leveraged its digital capabilities to remain largely functional during May and delivered 60% of planned disbursements. With expected reopening, June should be much better.
4. The Company estimates an impact of ₹ 4,000-5,000 crore to its AUM growth plan for FY2022 on account of the disruption caused by the second wave. However, Q1 FY2022 will see higher impact on AUM due to lower volumes in B2B businesses.
5. The Company has taken several actions to reduce its operating expenses and cost of funds to partially mitigate the financial impact caused by lower AUM growth.

## Portfolio update

6. The Company entered FY2022 with a COVID overlay provision of ₹ 840 crore and a well invested collections infrastructure capable of catering to 25-30% higher collections volumes across portfolios.
7. The second wave has caused a marginal increase in EMI bounce rates in Q1 FY22 over Q4 FY21. Average EMI bounce rates in Q1 FY22 were approximately 1.08X of Q4 FY21.
8. Forward flows across overdue positions were higher due to constraints on collections amidst strict lockdowns across most parts of India. As a result, the Company estimates its GNPA and NNPA in Q1 and Q2 to be higher.
9. The Company estimates an incremental credit cost of ₹ 1,100-1,300 crore versus planned credit cost in FY2022 on account of disruption caused by the second wave.
10. The Company follows ECL methodology of provisioning and accordingly majority of incremental credit cost will get accounted in Q1 FY22.
11. This update is based on information available to date and with an expectation that economic activity will normalize by early July.

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Thank You

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