

August 1, 2025

Focus on profitable growth across segment....

About the stock: Bajaj Finserv (Finserv) is a financial conglomerate with a holding in the financing business (Bajaj Finance), life insurance (Bajaj Life Insurance), general insurance (Bajaj General Insurance) and securities business.

- Consistent, faster business growth and profitability remain in focus

Q1FY26 performance: Bajaj Finserv reported a strong Q1FY26, with lending momentum sustaining and improvement in life insurance profitability, while general insurance remained subdued. Consolidated revenue grew 13% YoY to ₹35,451 crore, driven by the lending arm. AUM rose 25% YoY to ₹4,41,450 crore, with PAT from lending up 22% YoY to ₹4,765 crore, reflecting robust disbursements and stable asset quality (GNPA at 1.03%, NNPA at 0.5%). In General Insurance GWP grew 9% YoY to ₹5,202 crore, though higher expense kept combined ratio higher at 103.6%, though claim ratio witnessed improvement. Investment income, supported PAT at ₹660 crore (up 15% YoY). In Life Insurance RWRP moderated 3% YoY to ₹1,255 crore, but focus on protection business lifted VNB growth by 39% YoY to ₹145 crore, with NBM expanding 420 bps YoY to 11.1%. PAT surged 76% YoY to ₹171 crore, aided by higher investment gain.

Investment Rationale

- **Strategy focussing on selective business to aid GI:** BAGIC's performance was mixed, with improved claims ratio and healthy PAT driven by investment income, despite a high CoR of 103.6% due to higher distributor payouts. Strong distribution mix, selective product approach and focus on limiting opex under regulatory regime (EoM) remains moat for continued business growth and improvement in combined ratio ahead.
- **Product alignment with profitability in focus:** Revamp in product portfolio aligning with revised IRDAI regulations coupled with focus towards high margin retail protection segment led to ~13% decline in APE, but drove 43% growth in retail protection and improve VNB margin. While restructuring of legacy products, optimizing operating leverage is undertaken to establish a leaner cost model, higher proportion of riders, deliberate shift towards protection segment will drive VNB margin.
- **Beyond insurance, new businesses are scaling well:** AMC business crossed ₹25,011 crore in AUM (50%+ equity mix) with non-group share at 83%, Bajaj Markets expanded to 100 partners, and Bajaj Broking's customer base reached 10.5 lakh with 39% growth in AUM. These developments reinforce Bajaj Finserv's transition toward a more diversified, margin-accretive growth model.

Rating and Target Price

- Poised to deliver sustained performance with steady margins and credit cost, though selective approach, amid asset quality concerns in certain pockets, could limit growth momentum. Focus on profitability in life insurance and continued selective approach in general insurance is seen to aid sustained overall earnings.
- Valuing the business using SOTP valuation, we maintain our target price of ₹2100 per share. Recommend a Hold rating.

Key Financial Summary

Key financials (in ₹ crore)	FY23	FY24	FY25	2 Year CAGR (FY23-FY25)	FY26E	FY27E	2 year CAGR (FY25-27E)
Revenue	71,819.9	1,10,383.0	1,33,822.0	36.5%	1,51,157.5	1,82,601.8	16.8%
PAT	6,252.1	8,148.0	8,872.3	19.1%	11,045.8	13,599.5	23.8%
EPS (₹)	39.2	51.2	55.2		69.3	85.3	
BV (₹)	291.5	342.3	397.1		466.1	551.0	
P/E	50.1	38.4	35.6		28.3	23.0	
P/BV	6.7	5.7	4.9		4.2	3.6	
RoA	2.5	3.5	3.0		3.0	3.0	
RoE	14.4	16.1	14.9		16.1	16.8	

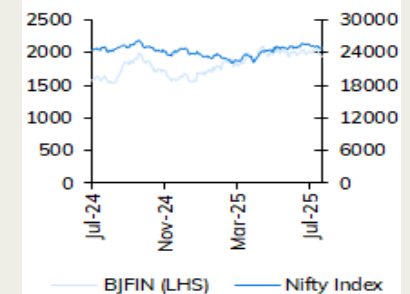
Source: Company, ICICI Direct Research

**Particulars**

Particulars	Amount
Market Capitalisation	₹ 3,16,623 crore
52 week H/L	2135/ 1523
Face Value	1.0
Net worth	₹ 75,250 Crore
DII Holding (%)	10.1
FII Holding (%)	8.4

Shareholding pattern

(in %)	Sep-24	Dec-24	Mar-25	Jun-25
Promoter	60.6	60.6	60.6	58.8
FII	8.2	7.4	7.5	8.4
DII	8.1	8.9	9.0	10.1
Public	22.8	22.9	22.7	22.6
Others	0.1	0.1	0.1	0.1

Price Chart**Key risks**

- Persistently high CoR in BAGIC
- Elevated level of delinquencies to impact earnings

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Concall highlights and outlook

BAGIC

- Combined ratio at 103.6% was elevated, driven by 1/n regulation change. Higher acquisition costs resulted in higher CoR on account of business in preferred segments. PAT grew 15%, attributable to better investment performance.
- The company remains committed to discipline and target combined ratio close to 100%. The management mentioned that despite market conditions, there has to be discipline in underwriting. Combined ratio stood at 103.6% (vs 103.7% YoY); underwriting loss of ₹116 crore, which was due to higher acquisition costs and focus on preferred segments.
- Tender prices in the crop segment were not favourable; hence, the company did not grow the crop segment during the quarter.
- Commissions have increased on account of business in the preferred segment. Further, the company has underwritten new business (compulsory 3Y/5Y business) in the Motor TP segment.

BALIC

- After implementation of the new surrender regulations, the company has focused on profitability-driven growth. VNB growth was substantial in the recent quarter.
- Agency saw a 5-year CAGR of 25%. The company took a pause in the agency channel during the quarter. The agency channel has done a lot of heavy lifting, which has shown great results. The significant shift in agency channel is owing to the focus on term plans. Management expects agency channel to witness slow growth in next quarter as well, after which it is expected to pick up.
- The product mix has seen increased contribution from protection. Thus, product construct changed significantly which resulted in improved margins. Further, the company has also worked on cost-optimization, which has resulted in higher margins.
- The rider attachment is healthy, and is currently 17% attachment across businesses.
- The company has increased average premium to ₹30,000-35,000, depending on the channels selling the term plan. Agency and institutional channels are selling term products. There is ~9% increase in the ticket size. The management stated that the company is looking toward establishing a channel specifically focused on term plans. 30% of agency customers are term plan customers. The management will maintain the pricing and quality of the protection book.
- The management expects APE growth to revive during H2FY26.
- The management expects all the lines of Group Protection to pick up, with the uptick in credit disbursements.

New business

- Bajaj Markets: Topline down to ₹92 crore (from ₹135 crore YoY) due to digital journey changes. Topline dip expected to recover from Q2
- AMC business AUM at ₹25,000 crore (up 107% YoY), 83% non-group share
- Bajaj Broking strong growth on AUM, PAT led by new customer addition. Customer franchise stood at 10.56 lakh and AUM at ₹ 6,098 Crore (39% growth)

Exhibit 1: Variance Analysis

	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Comments
General Insurance	5,201.5	4,760.8	9.3	4,325.5	20.3	Healthy GDPI growth led by growth in all core business lines such as Commercial (Fire, Marine, Engineering & Liability), Motor and Retail Health.
Life Insurance	5,478.3	5,018.5	9.2	9,237.1	-40.7	~13% APE decline, but drove 43% growth in retail protection and improve VNB margin.
Net premium earned	10,679.8	9,779.2	9.2	13,562.6	-21.3	
Investment and other income	5,470.1	5,471.4	0.0	4,187.3	30.6	
Reinsurance Ceded	142.2	251.5	-43.5	466.9	-69.6	
Reserve for unexpired risk	-7.5	-191.9	-96.1	-1,009.3	-99.3	
Total Insurance	16,015.3	15,191.1	5.4	18,292.3	-12.4	
Retail financing	19,527.7	16,102.3	21.3	18,468.7	5.7	Healthy AUM growth and steady asset quality
Windmill	7.6	5.9	28.7	2.8	167.8	
Investment and others	796.2	1,429.7	-44.3	450.3	76.8	
Total	35,451.3	31,480.1	12.6	36,596.4	-3.1	
Interest and Finance Charges	6,807.1	5,592.0	21.7	6,395.8	6.4	
Other Exp	21,440.6	19,919.7	7.6	24,198.3	-11.4	
Total Expenses	28,247.7	25,511.7	10.7	30,594.1	-7.7	
PBT	7,203.6	5,968.4	20.7	6,002.3	20.0	
PAT	2,789.1	2,137.7	30.5	2,416.7	15.4	Healthy topline, PAT growth driven by investment income

Source: Company, ICICI Direct Research

SOTP Valuation

Business	Basis	Stake (%)	Business Value	Value of stake (₹ crore)	Value/share after 15% discount (₹)
Bajaj Allianz Life Insurance	1.8x FY27E EV	74.0	53,635.2	39,631.0	211.3
Bajaj Allianz General Insur	30x FY27E PAT	74.0	50,809.8	37,599.2	200.5
Bajaj Finance	3.9x FY27E ABV	51.3	6,21,200.0	3,18,924.1	1,688.6
Total					2,100

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Revenue				
Life Insurance	23,043.0	27,160.0	30,907.0	36,124.0
General Insurance	20,630.0	21,582.9	23,741.3	26,590.3
Total	43,673.0	48,743.0	54,648.3	62,714.2
Less: Reinsurance ceded	1,956.0	1,573.0	2,844.6	3,035.2
Reserve for unexpired risk	2,562.7	614.0	1,187.1	1,329.5
Net Insurance Premium Earned	39,151.8	46,555.5	50,616.6	58,349.6
Investment and other income	15,820.0	17,617.6	17,855.2	23,005.3
Total Insurance Income	54,972.0	64,173.0	68,471.8	81,354.8
Investment and others	3,189.9	4,005.9	2,272.6	2,727.1
Retail financing	54,990.2	69,724.0	83,754.9	1,02,195.8
Windmill	24.1	22.3	29.1	32.1
Total	1,13,169.0	1,37,926.0	1,54,528.4	1,86,309.9
Less: Inter-segment revenue	2,785.9	4,104.0	3,371.0	3,708.1
Total revenue	1,10,383.0	1,33,822.0	1,51,157.5	1,82,601.8
Pre-tax profit				
Total Insurance	2,400.0	2,295.5	2,972.5	2,488.6
Retail financing	19,803.0	22,249.5	27,415.5	35,632.2
Investments & others	-840.7	-810.5	-909.0	-1,090.9
Windmill	12.9	13.8	7.3	8.0
Total PBIT	22,216.0	24,559.0	29,486.2	37,038.0
Less: Interest	-840.7	-810.5	-909.0	-1,090.9
Profit before tax	21,375.0	23,748.0	29,486.2	37,038.0
Tax	-5,779.7	-6,190.6	-7,827.7	-9,839.1
Net profit before minority	15,595.0	17,557.6	21,658.5	27,198.9
Minority and deferred tax adjustmen	7,447.6	8,685.3	10,612.7	13,599.5
Net profit	8,148.0	8,872.3	11,045.8	13,599.5

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet

₹ crore

(Year-end March)	FY24	FY25	FY26E	FY27E
Sources of Funds				
Shareholders' Funds	60,328.6	72,395.1	74,297.7	87,841.4
- Share capital	159.4	159.4	159.4	159.4
- Reserves & Surplus	60,169.2	72,235.7	74,138.3	87,682.0
Policy liabilities	1,18,280.0	1,34,678.7	1,56,109.7	2,03,451.8
Loan funds	2,87,598.8	3,54,349.8	3,89,784.8	4,28,763.3
Deferred tax liability (net)	514.5	712.5	726.8	741.3
Provisions	533.0	676.7	384.5	399.8
Current liabilities	70,674.7	89,418.8	-2,16,197.3	-2,35,070.2
Total liabilities	5,37,929.6	6,52,231.6	4,05,106.2	4,86,127.4
Applications of Funds				
Fixed assets	3,827.2	4,279.8	7,431.4	8,148.0
Goodwill on investments in associate	1,818.1	2,302.3	689.3	689.3
Investments	50,157.3	53,956.4	59,352.0	71,222.4
Policyholders' Investments	1,19,969.5	1,36,173.4	1,49,790.7	1,79,748.9
Deferred Tax Assets (net)	1,028.2	1,201.5	748.1	785.5
Loans	3,26,742.2	4,08,490.8	4,28,915.3	5,14,698.4
Current assets	34,387.2	45,827.4	-2,41,820.7	-2,89,165.2
Total Assets	5,37,929.6	6,52,231.6	4,05,106.2	4,86,127.4

Source: Company, ICICI Direct Research

Exhibit 3: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
CMP	1,964.0	1,964.0	1,964.0	1,964.0
No. of shares in mn	1,594.1	1,594.1	1,594.1	1,594.1
EPS	51.2	55.2	69.3	85.3
BV	342.3	397.1	466.1	551.0
RoA	3.5	3.0	3.0	3.0
RoE	16.1	14.9	16.1	16.8
P/BV	5.7	4.9	4.2	3.6
P/E	38.4	35.6	28.3	23.0

Source: Company, ICICI Direct Research

Exhibit 5: Growth

(%)

(Year-end March) - Growth ratios	FY24	FY25	FY26E	FY27E
Gross Written Premium				
- Life	18.4	13.9	17.8	16.9
- General	34.5	4.6	10.0	12.0
Loan book Bajaj Finance	34.8	25.2	23.6	24.3
Consol Network	17.4	16.0	17.4	18.2
Consol Revenues	35.1	25.6	24.0	20.8
Consol PAT	30.4	7.8	25.6	23.1
Consol Effective Tax rate	25.1	24.7	26.5	26.6

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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