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Insurance business outlook remains optimistic....

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

Q2FY26 performance: Bajaj Finserv reported a steady Q2FY26, with lending momentum sustaining and improvement in life insurance profitability, while general insurance remained subdued. Consolidated revenue grew 11% YoY to ₹37,403 crore. NBFC AUM rose 24% YoY to ₹4,62,261 crore, with PAT from lending up 22% YoY to ₹4,876 crore, reflecting robust disbursement and broadly stable asset quality (GNPA at 1.24%, NNPA at 0.6%). In GI premium grew 9% YoY to ₹6,413 crore, though elevated combined ratio at 102.3%, resulted in underwriting loss of ₹92 crore. Investment income, however, supported PAT at ₹517 crore (up 5% YoY). In LI, RWRP moderated 2% YoY to ₹1,850 crore, but focus on protection business lifted VNB 50% YoY to ₹367 crore, with NBM expanding 630 bps YoY to 17.1%. PAT stood at ₹13 crore, after accounting for GST impact of ₹ 112 Crore. Consolidated PAT rose 8% YoY to ₹2,244 crore.

Investment Rationale

- Continued selective approach to aid BAGIC:** BAGIC sustained a steady performance with a better claims ratio and healthy PAT driven by investment income. Though competitive to industry, combined ratio remained elevated at 102.3%, due to higher acquisition cost. Impact of ITC on BAGIC is limited, mainly affecting health and PA segment, which can be offset by other business lines. Strong distribution mix, selective product approach and focus on limiting opex continue to remain business moats.
- Product alignment to offset GST impact in 2-3 quarters:** Focus towards high margin retail protection and non-par segment led to ~5% decline in APE, but led to 630 bps surge in VNB margin to 17.1%. While GST related ITC led impact is estimated at ~450 bps on gross VNB margin, management aims to mitigate the same through alteration in product mix and negotiation with distributors.
- Scaling new businesses with profitability in focus:** AMC business crossed ₹28,815 crore in AUM (52% equity mix) with non-group share at 86%, Bajaj Markets expanded to 101 partners, Bajaj Finserv Health delivered 22% YoY revenue growth supported by government contracts and partnerships and Bajaj Broking's customer base reached 12 lakh with 40% growth in AUM. These developments reinforce Bajaj Finserv's transition toward a more diversified, margin-accretive growth model.

Rating and Target Price

- While near-term growth moderation in select segments and transient GST-related margin impact may weigh on earnings, margin-accretive mix, disciplined underwriting, and cost efficiency initiatives continue to underpin steady profitability.
- Valuing the business using SOTP valuation, we revise our target price to ₹2200 (earlier ₹2,100). 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	110,383.0	133,822.0	36.5%	148,596.1	176,237.0	14.8%
PAT	6,252.1	8,148.0	8,872.3	19.1%	10,930.3	12,146.1	17.0%
EPS (₹)	39.2	51.2	55.2		68.6	76.2	
BV (₹)	291.5	342.3	397.1		465.4	541.2	
P/E	51.8	39.7	36.8		29.6	26.7	
P/BV	7.0	5.9	5.1		4.4	3.8	
RoA	2.5	3.5	3.0		2.0	1.4	
RoE	14.4	16.1	14.9		15.9	15.1	

Source: Company, ICICI Direct Research



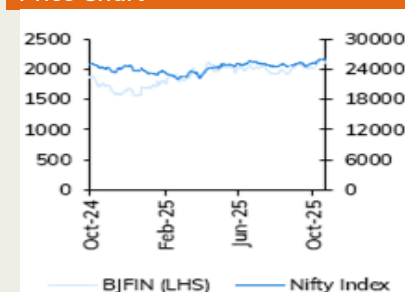
Particulars

Particulars	Amount
Market Capitalisation	₹ 3,25,235 crore
52 week H/L	2195/ 1552
Face Value	1.0
Net worth	₹ 76,490 Crore
DII Holding (%)	10.5
FII Holding (%)	8.1

Shareholding pattern

(in %)	Dec-24	Mar-25	Jun-25	Sep-25
Promoter	60.6	60.6	58.8	58.8
FII	7.4	7.5	8.4	8.1
DII	8.9	9.0	10.1	10.5
Public	22.9	22.7	22.6	22.5
Others	0.1	0.1	0.1	0.1

Price Chart



Key risks

- Slower accretion in high margin segment to impact VNB margin trajectory
- Higher than expected growth in AUM

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Concall highlights and outlook

BAGIC

- GWP grew 9% YoY to ₹6,413 crore, with underlying growth of 13.6% excluding the 1/n accounting impact. Excluding crop and government health businesses, GDPI growth was healthy at 18%, about 4.5–5% ahead of market growth.
- Combined ratio stood at 102.3% (vs 101.4% YoY). Excluding the 1/n accounting impact, CoR was flat at 101.4%, reflecting prudent underwriting.
- Underwriting loss rose to ₹92 crore (vs ₹48 crore YoY) due to higher acquisition cost with five years of commission paid and accounted for in TP.
- Growth driven by profitable commercial lines (fire, marine, engineering, liability) and healthy performance in motor and miscellaneous segments.
- Two-wheeler market share rose to 8–9% with quarterly levels at 13.5–14% (from 3% last year), meanwhile four-wheeler market share stands at ~9%.
- Motor OD loss ratio rose to 71% (vs 65% YoY), led by higher OEM labor and spare parts cost; management expects ratios to normalize by year-end as corrective measures take effect.
- PAT up 5% YoY to ₹517 crore, impacted by higher acquisition costs. AUM increased to ₹35,000 crore (vs ₹32,000 crore).
- Focus remains on profitable growth and underwriting discipline. Despite elevated CoR, BALIC's combined ratio remains among the lowest in the multi-line industry, delivering RoE above 20% (27% for Q2). The company continues to avoid unprofitable crop and group health tenders and maintains pricing discipline in health and PA portfolios.
- Management expects sustained market outperformance, aided by diversified portfolio, strong distribution, and prudent pricing. The company anticipates a return to sub-100% CoR over the medium term as long-term business strain normalizes.
- Management indicated GST impact on BAGIC is limited, mainly affecting health and PA segments due to partial ITC. Since most other business lines continue under GST, the company can offset the impact. The change is expected to be short-term, with retail health and PV demand benefiting from lower pricing.

BALIC

- VNB at record levels despite flattish top-line, VNB surged 50% YoY to ₹367 crore, while VNB margin (NBM) expanded sharply to 17.1% (vs 10.8% YoY), driven by product mix change, repricing, and cost optimization. Margin expansion of ~500 bps attributed to ~100–125 bps from cost actions and ~400 bps from product mix shift. The GST ITC loss led to ~140 bps hit on VNB margin, split between 50 bps back book and 90 bps new business impact, which management expects to offset within next two quarters.
- The quarter's profitability was temporarily impacted by GST regulation changes and loss of input tax credit, with an impact of ₹112 crore (₹73 crore back book, ₹39 crore new business). Management expects full year impact of ~450 bps owing to ITC, which is expected to mitigate in the next two quarters through product and cost actions.
- Product mix remained balanced: Par 21%, Non-Par 20%, Term 8%, Annuities 9%, ULIPs 43%. Term protection grew 71% YoY, contributing 8% to overall retail weighted premium, while group protection grew 23% YoY aided by stronger credit disbursements. Management targets to increase proportion of term protection to 10% over next 2–3 years.
- Protection penetration strong with 33% customers onboarded via term products and 17% rider attachment, implying ~50% protection presence across customer base.
- Persistency dips have been observed across some cohorts in line with the industry which is being worked upon by BALIC on overall retail weighted received premium.
- PAT impacted by one-time GST charge at ₹13 crore (vs ₹148 crore YoY); AUM at ₹1,32,060 crore.
- BALIC 2.0 focus on profitable, sustainable growth remains on track; strategy delivering as planned. GST impact seen as transient, with margin recovery expected in H2FY26.

- Management confident of maintaining high-teen margins, supported by protection-led growth and agency revival. Growth expected to pick up from H2FY26, aided by favorable base and revival in proprietary and banca channels.

New business

- Bajaj Finserv AMC continued rapid scale-up with AUM at ₹28,815 crore (up 15% QoQ and 77% YoY), moving to 25th position among 47 AMCs. AUM has already crossed ₹30,000 crore post-quarter, with 86% non-group share and 52% equity mix. Fastest AMC to cross ₹25,000–30,000 crore milestone within two years of launch.
- Bajaj Markets planned top-line declined to ₹90 crore (vs ₹164 crore YoY) due to CRM system migration (SFDC rollout). Lending disbursements stood at ₹1,549 crore (vs ₹1,210 crore in Q1). Partner network expanded to 101 partners. No new capital infusion since March 2022, demonstrating capital efficiency.
- Bajaj Finserv Health reported 62 lakh health transactions (vs 24 lakh YoY), driven by new government contracts and OPD business for insurers. Provider network expanded to 133,000 doctors, 5,700 labs, and 16,000 hospitals. Revenue grew 22% YoY; management targets break-even by FY28E.
- Emerging businesses (Health, AMC, Markets) to focus on scalability, digital expansion, and operational efficiency over the next two years.

Exhibit 1: Variance Analysis

	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)	Comments
General Insurance	6,413.1	5,870.9	9.2	5,201.5	23.3	Change in accounting regulation and tender driven crop and government health business impacted growth excluding the same, growth remained steady at 18%
Life Insurance	8,365.9	6,543.6	27.8	5,478.3	52.7	Strong growth in VNB led by product restructuring, favourable product mix and cost rationalisation
Net premium earned	14,779.0	12,414.5	19.0	10,679.8	38.4	
Investment and other income	4,106.8	5,265.7	-22.0	5,470.1	-24.9	
Reinsurance Ceded	989.1	418.1	136.6	142.2	595.8	
Reserve for unexpired risk	601.7	673.7	-10.7	-7.5	-8,101.6	
Total Insurance	17,294.9	16,588.4	4.3	16,015.3	8.0	
Retail financing	20,180.8	17,095.4	18.0	19,527.7	3.3	Healthy AUM growth and steady margins
Windmill	9.9	10.4	-4.8	7.6	30.3	
Investment and others	1,860.4	1,649.4	12.8	796.2	133.7	
Total	37,402.9	33,703.7	11.0	35,451.3	5.5	
Interest and Finance Charges	6,901.3	6,045.6	14.2	6,807.1	1.4	
Other Exp	23,676.5	21,692.1	9.1	21,440.6	10.4	
Total Expenses	30,577.8	27,737.8	10.2	28,247.7	8.2	
PBT	6,825.1	5,966.0	14.4	7,203.6	-5.3	
PAT	2,244.1	2,087.0	7.5	2,789.1	-19.5	Elevated provision and lower profit in GI business offset improvement in LI business

Source: Company, ICICI Direct Research

SOTP Valuation

Business	Basis	Stake (%)	Business Value	Value of stake (₹ crore)	Value/share after 15% discount (₹)
Bajaj Life Insurance	1.8x FY27E EV	74.0	53,941.0	39,857.0	212.5
Bajaj General Insurance	34x FY27E PAT	74.0	58,600.6	43,364.5	231.2
Bajaj Finance	4x FY27E ABV	51.3	646,048.0	331,681.0	1,756.1
Total					2,200

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	31,258.0	36,552.2
General Insurance	20,630.0	21,582.9	23,741.3	26,590.3
Total	43,673.0	48,743.0	54,999.3	63,142.5
Less: Reinsurance ceded	1,956.0	1,573.0	1,871.8	4,820.0
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	51,940.4	56,993.0
Investment and other income	15,820.0	17,617.6	14,879.4	19,235.9
Total Insurance Income	54,972.0	64,173.0	66,819.8	76,228.9
Investment and others	3,189.9	4,005.9	2,272.6	2,727.1
Retail financing	54,990.2	69,724.0	82,845.5	100,956.9
Windmill	24.1	22.3	29.1	32.1
Total	113,169.0	137,926.0	151,967.1	179,945.0
Less: Inter-segment revenue	2,785.9	4,104.0	3,371.0	3,708.1
Total revenue	110,383.0	133,822.0	148,596.1	176,237.0
Pre-tax profit				
Total Insurance	2,400.0	2,295.5	2,972.3	2,452.8
Retail financing	19,803.0	22,249.5	27,109.6	35,390.4
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	29,180.2	36,760.4
Less: Interest	-840.7	-810.5	-909.0	-1,090.9
Profit before tax	21,375.0	23,748.0	29,180.2	36,760.4
Tax	-5,779.7	-6,190.6	-7,748.2	-9,769.1
Net profit before minority	15,595.0	17,557.6	21,432.0	26,991.4
Minority and deferred tax adjustmen	7,447.6	8,685.3	10,501.7	14,845.2
Net profit	8,148.0	8,872.3	10,930.3	12,146.1

Source: Company, ICICI Direct Research

Exhibit 3: Key ratios

(Year-end March)	FY24	FY25	FY26E	FY27E
CMP	2,032.0	2,032.0	2,032.0	2,032.0
No. of shares in mn	1,594.1	1,594.1	1,594.1	1,594.1
EPS	51.2	55.2	68.6	76.2
BV	342.3	397.1	465.4	541.2
RoA	3.5	3.0	2.0	1.4
RoE	16.1	14.9	15.9	15.1
P/BV	5.9	5.1	4.4	3.8
P/E	39.7	36.8	29.6	26.7

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	74,182.2	86,272.5
- Share capital	159.4	159.4	159.4	159.4
- Reserves & Surplus	60,169.2	72,235.7	74,022.8	86,113.1
Policy liabilities	118,280.0	134,678.7	156,425.7	204,183.1
Loan funds	287,598.8	354,349.8	444,335.8	546,533.1
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	102,108.5	95,666.3
Total liabilities	537,929.6	652,231.6	778,163.4	933,796.1

Applications of Funds

Fixed assets	3,827.2	4,279.8	7,402.4	8,116.1
Goodwill on investments in associat	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	119,969.5	136,173.4	149,790.7	179,748.9
Deferred Tax Assets (net)	1,028.2	1,201.5	748.1	785.5
Loans	326,742.2	408,490.8	502,443.6	618,005.7
Current assets	34,387.2	45,827.4	57,737.2	55,228.2
Total Assets	537,929.6	652,231.6	778,163.4	933,796.1

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	19.1	16.9
- General	34.5	4.6	10.0	12.0
Loan book Bajaj Finance	34.8	25.2	23.3	24.3
Consol Network	17.4	16.0	17.2	16.3
Consol Revenues	35.1	25.6	21.9	18.6
Consol PAT	30.4	7.8	24.3	11.1
Consol Effective Tax rate	25.1	24.7	26.6	26.6

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

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Sell: <-15%



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