

CMP: ₹ 2000

Target: ₹ 2200 (10%)

Target Period: 12 months

February 5, 2026

HOLD

Continued 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

Q3FY26 performance: Bajaj Finserv reported steady performance, with continued strength in lending and life insurance businesses, partly offset by one-offs. Consolidated revenue grew ~24% YoY to ₹39,708 crore. Consolidated PAT stood at ₹2,229 crore, impacted by accelerated ECL provisioning at Bajaj Finance and a one-time charge related to new labour code. Bajaj Finance's AUM rose ~22% YoY to ~₹4.86 lakh crore, while adjusted PAT grew ~23% YoY. In General Insurance, GWP grew 11.5% YoY, with combined ratio improving to 97.9% (101.1% YoY), reflecting better underwriting performance. In Life Insurance, GWP grew 23.5% YoY to ₹7,854 crore, while RWRP increased 19.9% YoY. VNB rose sharply by 59.4% YoY to ₹405 crore, with VNB margin at 19%, led by a higher protection mix. Reported PAT stood at ₹ -31 crore, impacted by a one-time labour code charge of ₹43 crore.

Investment Rationale

- **Underwriting discipline drives superior profitability:** Bajaj General delivered steady performance with GDPI growth of ~12% (18% ex-crop) and a sharp improvement in combined ratio to 97.9%. While underwriting losses were elevated due to one-off labour code impact and higher acquisition cost from motor market share gains, management remains focused on sustaining CoR close to 100% over the cycle, supported by prudent pricing, cost discipline, and a diversified portfolio mix.
- **BALIC 2.0 translating into structural margin reset:** Bajaj Life reported record VNB growth of 59% YoY with VNB margin expanding to ~19%, reflecting successful execution of 2.0 strategy through product repricing, favourable mix shift toward protection and annuities, and operating efficiencies. GST-related ITC headwinds are being progressively mitigated, with management indicating majority of the impact to normalize over next few quarters, supporting sustainability of high-teen margins.
- **Beyond insurance, new businesses are scaling well:** New businesses continued to scale, with AMC AUM crossing ₹30,000 crore, Health delivering strong transaction and revenue growth, and Markets witnessing recovery in disbursement. Additionally, management announced plans to enter alternative asset management (AIF/PMS) by FY27, reinforcing strategy to offer comprehensive product suite.

Rating and Target Price

- While near-term growth remains calibrated amid industry-wide pricing and loss ratio pressure, improving product mix, structural margin reset under BALIC 2.0 and disciplined underwriting across insurance businesses are expected to support sustained profitability and earnings stability.
- Valuing the business using SOTP valuation, we maintain our target price of ₹2200 per share. Maintain Hold rating.

Key Financial Summary

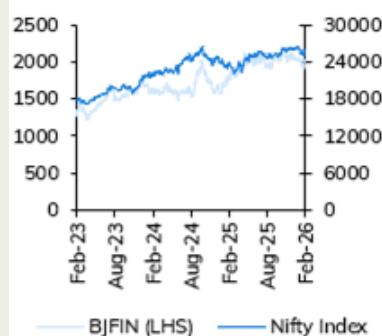
Key financials (in ₹ crore)	FY23	FY24	FY25	2 Year CAGR (FY23-FY25)	FY26E	FY27E	FY28E	3 year CAGR (FY25-28E)
Revenue	71,819.9	110,383.0	133,822.0	36.5%	153,537.4	180,533.6	214,996.2	17.1%
PAT	6,252.1	8,148.0	8,872.3	19.1%	9,849.2	11,471.5	13,374.0	14.7%
EPS (₹)	39.2	51.2	55.2		61.8	72.0	83.9	
BV (₹)	291.5	342.3	397.1		458.6	530.2	613.7	
P/E	51.0	39.1	36.3		32.4	27.8	23.8	
P/BV	6.9	5.8	5.0		4.4	3.8	3.3	
RoA	2.5	3.5	3.0		1.8	1.3	1.3	
RoE	14.4	16.1	14.9		14.4	14.6	14.7	

**Particulars**

Particular	Amount
Market Capitalization	₹ 3,20,362 crore
52 week H/L	2195/1727
Face value	1.0
Net worth	₹ 79,267 crore
DII Holding (%)	10.7
FII Holding (%)	8.1

Shareholding pattern

(in %)	Mar-25	Jun-25	Sep-25	Dec-25
Promoter	60.6	58.8	58.8	58.8
FII	7.5	8.4	8.1	8.1
DII	9.0	10.1	10.5	10.7
Public	22.7	22.6	22.5	22.4
Others	0.1	0.1	0.1	0.0

Price Chart**Key risks**

- Higher than expected growth in AUM
- Slower GST mitigation may weigh on margins

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Concall highlights and outlook

Bajaj General Insurance

- GWP grew 11.5% YoY to ₹7,389 crore (vs ₹6,626 crore). Excluding crop and government health businesses, growth was robust at 17.2%, supported by strong traction in motor and health segment.
- GDPI increased 17.7% YoY, broadly in-line with industry growth, despite deliberate pullback from low-margin crop insurance amid pricing pressure.
- Combined ratio improved sharply to 97.9% (vs 101.1% YoY), reflecting strong underwriting discipline and favourable claims experience.
- Underwriting loss widened to ₹137 crore (vs ₹43 crore YoY), impacted by one-time labour code cost of ₹42 crore and higher acquisition cost due to accelerated growth in new motor business.
- Motor business gained market share, particularly in two-wheelers, aided by strong new vehicle sales; however, motor OD loss ratios remained elevated due to higher repair and spare part inflation and lower IDVs.
- The company stated that correcting loss ratios involves increasing premiums, negotiating better on claim outgo, and strengthening underwriting. Commercial lines (fire, engineering, marine, liability) continued to deliver profitable growth, though pricing in fire insurance softened following benign loss experience across the industry.
- PAT (adjusted for labour code impact) rose 8% YoY to ₹430 crore (vs ₹400 crore). AUM increased ~12% YoY to ₹36,417 crore.
- Solvency remained strong at ~344%, providing ample buffer to absorb volatility and support growth.
- Management reiterated focus on sustainable, profitable growth, maintaining CoR close to 100% over the cycle, with pricing corrections expected to normalize motor loss ratios over time.

Bajaj Life Insurance

- Retail weighted received premium grew 19.9% YoY to ₹1,856 crore, supported by broad-based recovery across channels and healthy industry-aligned growth.
- VNB surged 59% YoY to ₹405 crore (vs ₹254 crore), marking the highest-ever quarterly VNB, driven by favourable product mix, pricing actions, and operating efficiencies.
- VNB margin expanded to 19% (vs 15.1% YoY), aided by continued traction in protection products and cost optimization under BALIC 2.0 strategy.
- Product mix remained balanced: Par 23%, Non-Par 14%, Term 9%, Annuities 11%, ULIPs 44%. Retail protection grew 47% YoY, while group protection rose 29% YoY.
- Protection penetration improved steadily, supported by rising term contribution and higher rider attachment.
- Persistency softness was observed across select cohorts, in-line with industry trends; management indicated corrective actions underway on retail received premium basis.
- PAT was impacted by one-time labour code cost of ₹43 crore and residual GST ITC impact; however, underlying profitability trajectory remained intact.
- AUM grew ~13% YoY to ₹1,38,000 crore. Solvency ratio stood strong at ~333%.
- Management remains confident of sustaining high-teen VNB margins over the medium term, with GST-related headwinds expected to normalize over the next few quarters. Future margin expansion to taper due to base effects, despite consistent 4-6.5% expansion over the last four quarters.
- Bajaj Life anticipates mitigating ~325 bps out of 450 bps GST impact by the end of Q4FY26, with the remaining 125 bps becoming part of the new base from April 1st.

New business

- Bajaj Finserv AMC continued strong scale-up, with AUM crossing ₹30,000 crore as of December-end, ranking 26th among AMCs; equity mix stood at ~56% with ~87% non-group share. Bajaj Finserv AMC is focused on

building its mutual fund product suite, with additional products planned for launch, and will explore SIS EMS and Gift City opportunities in FY27.

- Bajaj Finserv Direct recorded lending disbursements of ~₹1,800 crore (vs ₹1,549 crore in Q2), supported by 101 active partners. Reported revenue declined YoY to ₹94 crore due to SFDC system migration; management expects growth to resume from Q4FY26.
- Bajaj Finserv Health executed ~6.2 million healthcare transactions (vs ~2.1 million YoY), driven by government contracts and insurer-led OPD/IPD offerings. Network expanded to ~134,000 doctors, ~16,000 hospitals, and ~6,300 labs. Revenue grew 22% YoY.
- Bajaj Finserv announced plans to enter alternative asset management in FY27, subject to regulatory approvals, through a newly set-up platform (Bajaj Alternatives). The proposed alternatives business will initially focus on AIF and PMS offerings, targeting higher-ticket investors (₹1 crore+), and will operate separately from mutual fund platform to address a distinct investor segment.

Exhibit 1: Variance Analysis

	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Comments
General Insurance	7,389.4	6,625.7	11.5	6,413.1	15.2	Growth largely driven by Motor and health, partially offset by de-growth in crop insurance
Life Insurance	7,853.9	6,360.9	23.5	8,365.9	-6.1	Strong growth in VNB led by a higher protection mix
Net premium earned	15,243.3	12,986.6	17.4	14,779.0	3.1	
Investment and other income	5,337.8	2,693.3	98.2	4,106.8	30.0	
Reinsurance Ceded	484.7	436.7	11.0	989.1	-51.0	
Reserve for unexpired risk	1,605.1	1,141.7	40.6	601.7	166.8	
Total Insurance	18,491.3	14,101.5	31.1	17,294.9	6.9	
Retail financing	21,214.6	18,058.3	17.5	20,180.8	5.1	Healthy AUM growth and steady margins
Windmill	4.1	3.2	28.3	9.9	-58.7	
Investment and others	466.5	476.5	-2.1	1,860.4	-74.9	
Total	39,708.1	32,041.8	23.9	37,402.9	6.2	
Interest and Finance Charges	7,232.5	6,276.3	15.2	6,901.3	4.8	
Other Exp	26,549.3	19,954.0	33.1	23,676.5	12.1	
Total Expenses	33,781.8	26,230.3	28.8	30,577.8	10.5	
PBT	5,926.3	5,811.5	2.0	6,825.1	-13.2	
PAT	2,229.2	2,231.0	-0.1	2,244.1	-0.7	PAT grew ~31% YoY excluding accelerated ECL provision by BFL and one-time exceptional charge of ₹ 379 crore on account of new labour code

Source: Company, ICICI Direct Research

SOTP Valuation

Business	Basis	Stake (%)	Business Value	Value of stake (₹ crore)	Value/share after 15% discount (₹)
Bajaj Life Insurance	1.5x FY28E EV	75.0	53,938.7	40,459.4	215.7
Bajaj General Insurance	30x FY28E PAT	75.0	58,521.0	43,896.6	234.1
Bajaj Finance	3.8x FY28E ABV	51.3	714,380.0	366,619.8	1,750.2
Total				2,200	

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement				
(Year-end March)	FY25	FY26E	FY27E	₹ crore
Revenue				
Life Insurance	27,160.0	32,073.3	38,210.1	44,758.9
General Insurance	21,582.9	24,173.0	27,073.7	30,322.6
Total	48,743.0	56,246.3	65,283.8	75,081.4
Less: Reinsurance ceded	1,573.0	1,873.7	4,857.9	5,342.7
Reserve for unexpired risk	614.0	1,208.6	1,353.7	1,516.1
Net Insurance Premium Earned	46,555.5	53,163.9	59,072.2	68,222.6
Investment and other income	17,617.6	17,855.2	21,209.2	24,745.4
Total Insurance Income	64,173.0	71,019.2	80,281.3	92,968.0
Investment and others	4,005.9	3,787.7	4,545.2	5,454.3
Retail financing	69,724.0	82,076.9	99,388.1	120,623.1
Windmill	22.3	24.5	27.0	29.7
Total	137,926.0	156,908.3	184,241.6	219,075.1
Less: Inter-segment revenue	4,104.0	3,371.0	3,708.1	4,078.9
Total revenue	133,822.0	153,537.4	180,533.6	214,996.2
Pre-tax profit				
Total Insurance	2,295.5	2,879.6	2,609.2	2,957.6
Retail financing	22,249.5	25,116.8	32,893.5	39,994.2
Investments & others	-810.5	-1,515.1	-1,818.1	-2,181.7
Windmill	13.8	15.9	17.5	19.3
Total PBIT	24,559.0	26,497.3	33,702.1	40,789.4
Less: Interest	-810.5	-1,515.1	-1,818.1	-2,181.7
Profit before tax	23,748.0	26,497.3	33,702.1	40,789.4
Tax	-6,190.6	-7,185.2	-9,803.2	-11,715.5
Net profit before minority	17,557.6	19,312.1	23,898.9	29,073.9
Minority and deferred tax adjustmen	8,685.3	9,462.9	12,427.4	15,699.9
Net profit	8,872.3	9,849.2	11,471.5	13,374.0

Source: Company, ICICI Direct Research

Exhibit 3: Key ratios

(Year-end March)	FY25	FY26E	FY27E	FY28E
CMP	2,000.0	2,000.0	2,000.0	2,000.0
No. of shares in mn	1,594.1	1,594.1	1,594.1	1,594.1
EPS	55.2	61.8	72.0	83.9
BV	397.1	458.6	530.2	613.7
RoA	3.0	1.8	1.3	1.3
RoE	14.9	14.4	14.6	14.7
P/BV	5.0	4.4	3.8	3.3
P/E	36.3	32.4	27.8	23.8

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet				
(Year-end March)	FY25	FY26E	FY27E	₹ crore
Sources of Funds				
Shareholders' Funds	72,395.1	73,100.5	84,516.2	97,834.4
- Share capital	159.4	159.4	159.4	159.4
- Reserves & Surplus	72,235.7	72,941.1	84,356.8	97,675.0
Policy liabilities	134,678.7	157,159.5	206,478.7	266,377.1
Loan funds	354,349.8	444,335.8	546,533.1	672,235.7
Deferred tax liability (net)	712.5	726.8	741.3	756.1
Provisions	676.7	384.5	399.8	415.8
Current liabilities	89,418.8	101,150.7	93,560.3	81,056.1
Total liabilities	652,231.6	776,857.8	932,229.3	1,118,675.2
Applications of Funds				
Fixed assets	4,279.8	7,402.4	8,116.1	8,899.9
Goodwill on investments in associates	2,302.3	689.3	689.3	689.3
Investments	53,956.4	59,352.0	71,222.4	85,466.9
Policyholders' Investments	136,173.4	149,790.7	179,748.9	215,698.7
Deferred Tax Assets (net)	1,201.5	748.1	785.5	824.8
Loans	408,490.8	502,443.6	618,005.7	760,147.0
Current assets	45,827.4	56,431.5	53,661.4	46,948.6
Total Assets	652,231.6	776,857.8	932,229.3	1,118,675.2

Source: Company, ICICI Direct Research

Exhibit 5: Growth

(Year-end March) - Growth ratios	FY25	FY26E	FY27E	(%) FY28E
Gross Written Premium				
- Life	13.9	22.2	19.1	17.1
- General	4.6	12.0	12.0	12.0
Loan book Bajaj Finance	25.2	23.3	24.3	23.2
Consol Networth	16.0	15.5	15.6	15.8
Consol Revenues	25.6	26.0	17.6	19.1
Consol PAT	7.8	12.0	16.5	16.6
Consol Effective Tax rate	24.7	27.1	29.1	28.7

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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