

May 2, 2026

Headline numbers muted; core strength remains intact....

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

Q4FY26 performance: Bajaj Finserv reported a steady Q4FY26 performance, with consolidated revenue growing 5.7% YoY to ₹38,508 crore, impacted by mark-to-market (MTM) losses in insurance investment portfolios amid geopolitical volatility; adjusted revenue growth stood higher at ~14%. Consolidated PAT grew 5% YoY to ₹2,539 crore, while adjusted PAT (excluding MTM impact) rose ~24% YoY, reflecting strong underlying performance. The lending business remained robust, with Bajaj Finance delivering strong AUM growth of 22% YoY to ₹5,09,975 crore and healthy profitability. In General Insurance, GWP remained flat at ₹4,322 crore, due to a calibrated pullback in crop & motor segment, with combined ratio elevated at 113.6% due to timing impact in government health business. Life Insurance delivered healthy traction with GWP growth of ~21% YoY to ₹11,199 crore, VNB growth of ~29% to ₹709 crore and margin expansion to 24.5%.

Investment Rationale

- **Disciplined underwriting with calibrated growth sustains profitability across cycles:** GWP remained flat at ₹4,322 crore due to tactical pullback in crop and motor, while ex-crop/health growth stayed healthy at ~8%, indicating underlying momentum. Combined ratio rose to 113.6% due to a one-off retro treaty impact, but ex-bulky segment, combined ratio witnessed improvement, supporting management's guidance of ~100% CoR over the cycle through pricing discipline and diversified mix.
- **BALIC 2.0 driving structural margin reset with improving visibility:** VNB grew 29% YoY to ₹709 crore with margins expanding to 24.5% (+240 bps YoY), achieved despite ~500 bps GST headwind, of which ~90% is now mitigated. Improved product mix (protection growth at +67% YoY) and operating leverage supports sustainability of ~24–25% margins, with growth visibility aided by new banca tie-ups and steady RWRP growth.
- **Diversified platform with scaling adjacencies and RoE tailwinds:** Lending franchises remain strong with Bajaj Finance AUM crossing ₹5 lakh crore (+22% YoY) and stable asset quality, while emerging businesses continue to scale (AMC avg AUM +52% YoY; Health revenue +41% YoY). Despite temporary MTM-led volatility in reported earnings, completion of Allianz stake buyback enhances capital efficiency and is RoE accretive, supporting improving medium-term earnings visibility.

Rating and Target Price

- While headline numbers seem to be impacted owing to recent heightened geopolitical volatility, 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 business using SOTP valuation, we revise our target price to ₹2150 (earlier ₹2200). Upgrade rating from Hold to Buy.

Key Financial Summary

Key financials (in ₹ crore)	FY24	FY25	FY26	3 Year CAG (FY23-FY26)	FY27E	FY28E	2 year CAGR (FY26-28E)
Revenue	110,383.0	133,822.0	150,530.4	28.0%	179,750.9	214,179.4	17.0%
PAT	8,148.0	8,872.3	9,801.0	16.2%	11,150.7	12,629.9	12.5%
EPS (₹)	51.2	55.2	61.6		69.7	79.0	
BV (₹)	342.3	397.1	457.3		526.7	605.3	
P/E	34.1	31.7	28.4		25.0	22.1	
P/BV	5.1	4.4	3.8		3.3	2.9	
RoA	3.5	3.0	1.8		1.3	1.2	
RoE	16.1	14.9	14.4		14.2	14.0	

Source: Company, ICICI Direct Research



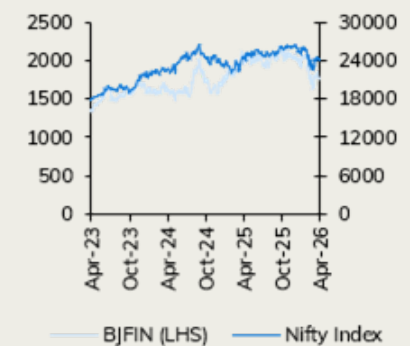
Particulars

Particular	Amount
Market Capitalization	₹ 2,76,648 crore
52 week H/L	2195/1597
Face value	1.0
Net worth	₹ 77,915 crore
DII Holding (%)	11.8
FII Holding (%)	7.2

Shareholding pattern

(in %)	Jun-25	Sep-25	Dec-25	Mar-26
Promoter	58.8	58.8	58.8	58.7
FII	8.4	8.1	8.1	7.2
DII	10.1	10.5	10.7	11.8
Public	22.6	22.5	22.4	22.2
Others	0.1	0.1	0.0	0.1

Price Chart



Key risks

- Growth margin trade-off in lending business
- Volatility in combined ratio

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Concall highlights and outlook

Bajaj General Insurance

- GWP remained flat YoY at ₹4,322 crore, reflecting a calibrated pullback in crop and motor segments amid adverse pricing; ex-crop and government health, growth was at 8.3%, indicating underlying momentum remains intact.
- Combined ratio rose to 113.6% (vs 104.8% YoY), entirely driven by a retroactive government health reinsurance treaty, which depressed NWP for the quarter; ex-bulky segments, combined ratio remained steady suggesting core underwriting profitability is stable.
- Underwriting loss widened to ₹96 crore (vs ~₹3 crore YoY), largely timing-led due to higher initial claims in government health contracts; management expects normalisation as loss ratios taper over contract life.
- On a full-year basis, combined ratio stood at ~101.9% (non-1/N basis), amongst best-in-class, even as industry combined ratio deteriorated sharply to ~121%, highlighting superior underwriting discipline.
- RoE (ex-surplus capital) remained strong at ~19%, despite quarterly volatility; high solvency (~302%) continues to suppress reported RoE but provides growth headroom.
- Retail health grew 30% YoY (vs industry ~18%), indicating continued market share gains; management reiterated a pricing-led growth strategy, expanding only in adequately priced segments.
- AUM grew 7.3% YoY to ₹35,529 crore, impacted by ~₹1,590 crore Allianz stake buyback; solvency remains robust at ~300%.
- Completion of Allianz 3% stake buyback in March 2026 makes the business fully owned by Bajaj group, and is expected to be RoE accretive over time.

Bajaj Life Insurance

- RWRP grew 9.7% YoY to ₹2,553 crore, broadly in line with industry; retail protection mix improved to 8.4% (+67% YoY), supporting margin-accretive business shift.
- VNB grew strongly by 29% YoY to ₹709 crore, with margins expanding ~240 bps YoY to 24.5%, driven by favourable product mix, cost optimisation, and strategy recalibration (Life 2.0).
- Margin expansion was achieved despite a ~500 bps GST headwind, which has now been ~90% mitigated on exit basis; residual impact (~30–40 bps) is structural and embedded.
- Product mix remains well balanced (ULIP 42%, Par 25%, Non-par/Annuity 24%, Term 8%). ULIP growth is now margin-neutral to positive, alleviating earlier concerns on profitability dilution.
- PAT grew 78% YoY to ₹73 crore, supported by strong renewal growth (+18%) and operating leverage.
- Persistency saw moderation in select cohorts due to industry-wide impact from low-duration products launched earlier, though management indicated no impact on profitability assumptions.
- EV assumption changes (~₹51 crore) were largely driven by persistency; no structural impact on VNB trajectory.
- New banca tie-ups (Federal Bank, AU SFB, Yes Bank) are expected to drive incremental growth in FY27, with management guiding for improved growth vs H2FY26 run-rate.
- AUM grew ~8% YoY to ₹1,33,563 crore; solvency at 266%, impacted by ~₹1,200 crore buyback

New business

- Bajaj Finance continued to deliver strong, broad-based growth, with AUM crossing ₹5 lakh crore (+22% YoY) and stable asset quality (GNPA/NNPA: 1.01%/0.4%); improving Stage 2/3 trends indicate easing credit cost pressures.
- Bajaj Housing Finance reported steady growth (AUM +23% YoY), with well-diversified segment traction and pristine asset quality; underlying PAT growth remains healthy (~20% adj.).
- Bajaj Finserv AMC saw strong average AUM growth (+52% YoY) at ₹30,627 crore, though closing AUM was impacted by market volatility;

operating leverage remains contingent on scale (~₹1 lakh crore breakeven).

- Bajaj Finserv Health continues to scale rapidly (transactions up +41% YoY), with clear visibility on operating breakeven over next ~24 months.
- Bajaj Finserv Direct (Bajaj Markets) saw temporary revenue decline due to platform migration and regulatory alignment (RBI digital lending norms); transition largely complete with recovery expected from FY27, aided by shift to trail-based revenue model (improves predictability).

Consolidated Business

- Consolidated total income grew 6% YoY to ₹38,508 crore, while PAT grew 5% YoY to ₹2,539 crore; however, performance was impacted by temporary MTM losses in insurance investment portfolios due to geopolitical volatility.
- Excluding MTM impact, revenue and PAT growth were significantly stronger at ~14% and ~24%, respectively, reflecting robust underlying operating performance across segments.
- Management characterised MTM impact as transient, with core businesses demonstrating resilient growth, stable margins, and strong capital position

Exhibit 1: Variance Analysis

	Q4FY26	Q4FY25	YoY (%)	Q4FY26	QoQ (%)	Comments
General Insurance	4,321.8	4,325.5	-0.1	7,389.4	-41.5	Muted growth driven by tactical reduction in crop and motor insurance
Life Insurance	11,198.9	9,237.1	21.2	7,853.9	42.6	Strong growth in VNB led by product restructuring, higher term mix and yield curve benefit
Net premium earned	15,520.7	13,562.6	14.4	15,243.3	1.8	
Investment and other income	1,133.6	4,187.3	-72.9	5,337.8	-78.8	
Reinsurance Ceded	513.0	466.9	9.9	484.7	5.9	
Reserve for unexpired risk	-1,917.2	-1,009.3	90.0	1,605.1	-219.4	
Total Insurance	18,058.5	18,292.3	-1.3	18,491.3	-2.3	
Retail financing	21,606.5	18,306.3	18.0	21,014.2	2.8	Healthy AUM growth and steady margins
Windmill	2.4	2.8	-14.1	4.1	-40.4	
Investment and others	496.3	450.3	10.2	466.5	6.4	
Total	39,508.1	36,434.1	8.4	39,507.7	0.0	
Interest and Finance Charges	7,290.9	6,395.8	14.0	7,232.5	0.8	
Other Exp	25,289.1	24,036.0	5.2	26,348.9	-4.0	
Total Expenses	32,580.0	30,431.7	7.1	33,581.4	-3.0	
PBT	6,928.1	6,002.3	15.4	5,926.3	16.9	
PAT	2,538.7	2,416.7	5.0	2,229.2	13.9	PAT grew ~24% YoY adjusted for MTM Gain/Loss

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	77.3	51,561.7	39,872.7	212.0
Bajaj General Insurance	28x FY28E PAT	77.3	53,113.2	41,072.4	218.4
Bajaj Finance	3.8x FY28E ABV	51.3	714,380.0	366,619.8	1,719.9
Total					2,150

Source: Company, ICICI Direct Research

Financial Summary

Exhibit 2: Profit and loss statement

₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Revenue				
Life Insurance	27,160.0	32,896.9	38,716.2	45,462.0
General Insurance	21,582.9	23,325.8	26,590.3	29,781.1
Total	48,743.0	56,222.8	65,306.5	75,243.1
Less: Reinsurance ceded	1,573.0	2,128.9	4,711.8	5,172.2
Reserve for unexpired risk	614.0	1,282.1	1,329.5	1,489.1
Net Insurance Premium Earned	46,555.5	52,811.7	59,265.2	68,581.9
Investment and other income	17,617.6	16,048.2	21,209.2	24,771.5
Total Insurance Income	64,173.0	68,860.0	80,474.4	93,353.4
Investment and others	4,005.9	3,619.5	4,545.2	5,454.3
Retail financing	68,847.0	81,989.5	98,412.4	119,420.9
Windmill	22.3	24.0	27.0	29.7
Total	137,048.2	154,492.9	183,459.0	218,258.2
Less: Inter-segment revenue	4,104.0	3,962.5	3,708.1	4,078.9
Total revenue	133,822.0	150,530.4	179,750.9	214,179.4
Pre-tax profit				
Total Insurance	2,295.5	2,171.7	2,586.7	2,917.9
Retail financing	22,249.5	25,601.5	31,560.0	37,587.0
Investments & others	-810.5	-902.6	-1,136.3	-1,363.6
Windmill	13.8	12.5	17.5	19.3
Total PBIT	24,559.0	27,785.7	33,027.9	39,160.6
Less: Interest	-810.5	-902.6	-1,136.3	-1,363.6
Profit before tax	23,748.0	26,883.2	33,027.9	39,160.6
Tax	-6,190.6	-7,213.7	-9,797.2	-11,704.4
Net profit before minority	17,557.6	19,669.5	23,230.7	27,456.2
Minority and deferred tax adjustmen	8,685.3	9,868.5	12,080.0	14,826.4
Net profit	8,872.3	9,801.0	11,150.7	12,629.9

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet

₹ crore

(Year-end March)	FY25	FY26	FY27E	FY28E
Sources of Funds				
Shareholders' Funds	72,395.1	77,914.5	84,195.8	96,769.7
- Share capital	159.4	159.9	159.9	159.9
- Reserves & Surplus	72,235.7	77,754.7	84,035.9	96,609.8
Policy liabilities	134,678.7	147,817.9	195,437.9	252,647.2
Loan funds	354,349.8	444,335.8	546,533.1	672,235.7
Deferred tax liability (net)	712.5	2.8	741.3	756.1
Provisions	676.7	1,018.3	399.8	415.8
Current liabilities	89,418.8	87,408.1	82,889.2	69,412.0
Total liabilities	652,231.6	758,497.5	910,197.0	1,092,236.5
Applications of Funds				
Fixed assets	4,279.8	4,613.9	5,075.3	5,582.9
Goodwill on investments in associates	2,302.3	2,408.0	689.3	689.3
Investments	53,956.4	48,299.9	57,959.9	69,551.9
Policyholders' Investments	136,173.4	146,113.6	175,336.4	210,403.6
Deferred Tax Assets (net)	1,201.5	2,051.1	785.5	824.8
Loans	408,490.8	500,016.0	610,019.5	750,324.0
Current assets	45,827.4	54,995.0	60,331.1	54,860.0
Total Assets	652,231.6	758,497.5	910,197.0	1,092,236.5

Source: Company, ICICI Direct Research

Exhibit 3: Key ratios

(Year-end March)	FY25	FY26	FY27E	FY28E
CMP	1,747.0	1,747.0	1,747.0	1,747.0
No. of shares in mn	1,594.1	1,598.7	1,598.7	1,598.7
EPS	55.2	61.6	69.7	79.0
BV	397.1	457.3	526.7	605.3
RoA	3.0	1.8	1.3	1.2
RoE	14.9	14.4	14.2	14.0
P/BV	4.4	3.8	3.3	2.9
P/E	31.7	28.4	25.0	22.1

Source: Company, ICICI Direct Research

Exhibit 5: Growth

(%)

(Year-end March) - Growth ratios	FY25	FY26	FY27E	FY28E
Gross Written Premium				
- Life	13.9	22.2	20.7	17.4
- General	4.6	12.0	10.0	12.0
Loan book Bajaj Finance	25.2	23.3	24.3	23.2
Consol Network	16.0	15.5	15.2	14.9
Consol Revenues	25.6	26.0	17.1	19.2
Consol PAT	7.8	12.0	13.2	13.3
Consol Effective Tax rate	24.7	27.1	29.7	29.9

Source: Company, ICICI Direct Research

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