

Bajaj FinServ | BUY

Good quarter, strong outlook for non-lending businesses

Bajaj Finserv's insurance subs reported strong results. Bajaj Life reported a strong 50% VNB growth led by margin expansion of a staggering 630bps YoY. This was despite APE contraction and GST 2.0 impact, as Bajaj Life 2.0 (focused on margins) entered its 4th quarter. Meanwhile, Bajaj General reported an 18% like-to-like growth, excluding tender-driven businesses, and a steady Combined Ratio of 102.3%, flattish YoY (excluding 1/n impact). We raise FY26e VNB margin estimate for life sub to 17.5% (up 100bps from earlier estimate, +300bps YoY) and raise the general insurance sub's PAT by 3-4% over FY26-FY28e. We continue to prefer BJFIN over BAF to play the Bajaj growth story. We maintain BUY with a revised SOTP-based target price of INR 2,412 (up from INR 2,300). The coverage stands transferred to Raghvesh.

- **Bajaj Life Insurance reported a 630bps margin expansion YoY:** IRNB/total APE contracted 2%/5% YoY, however, a 630bps margin expansion led to a strong 50% YoY VNB growth, to INR 3.7bn. This is the result of management's focus on margin expansion – led by product mix shift (accounting for 400bps of the expansion) and cost rationalisation (100-125bps). We expect the company to return to growth in 2H after a weak 1H (focus on margins over growth – as a part of Bajaj Life 2.0). We raise our FY26/FY27e VNB margin estimates by 100/50bps to 17.5%/18.0%, translating to a strong 22% VNB CAGR over FY25-FY28e. We value the business at 1.7x FY27e EV of INR 312bn to get a value of INR 239 per share for BJFIN.
- **Bajaj General Insurance is steadily growing its retail business, RoEs strong:** While like-to-like GDP growth, ex-crop and tender driven health, was up 18% YoY, NEP declined 10% YoY (+8% QoQ) to INR 24bn. Claims Ratio was seasonally weak at 75.8% but improved 390bps YoY. Opex ratio deteriorated 480bps YoY as the company expanded its motor business market share, especially in TP (Third Party) for 2 Wheelers. PAT grew 5% YoY but declined 22% QoQ on the back of strong investment gains in 1Q. The company reported an RoE of 16%. Further, it added that, adjusting its solvency to 200%, the RoE would stand at 24%. The strong solvency allows the company to underwrite tender-driven businesses, which peers refrain from. We expect the insurer to grow its PAT by 16%/13% over FY26e/FY27e, value it at 28x FY27e PAT of INR 23.9bn (+3% from our previous estimate) to get a value of INR 305 per share.
- **New businesses growing steadily:** Bajaj Finserv AMC scaled its AUM to INR 289bn, we value it at 10% of trailing AUM to get a value of INR 13 per share. We value the platform businesses at 5x trailing (FY25) revenues to get a value of INR 41 per share. As these businesses scale up, we see substantial scope for rerating.
- **Valuations and view – we raise target price by 5%, maintain BUY:** Bajaj Finserv's insurance subs reported strong results while new initiatives continue to scale. 70%+ of the valuation comes from BAF, which has cut its growth guidance yesterday resulting in stock correction. Further, holdco discount over BAF is trending at 21% against 5 year average of 19%. In our SOTP, we consider the value of the consolidated lending business at a 20% discount to our target price of INR 1,140. We see this as a good buying opportunity. In the medium term, scaling up the new initiatives and listing of insurance subs will add value to the combined entity. We maintain our positive stance on the company, raise FY26-FY28e VNB margins estimate for the life sub and PAT for the general insurance subsidiary. We raise our target price to INR 2,412 (up from INR 2,300 earlier). We maintain BUY.



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	2,412
Upside/(Downside)	21.3%
Previous Price Target	2,300
Change	4.9%

Key Data – BJFIN IN

Current Market Price	INR1,989
Market cap (bn)	INR3,178.7/US\$35.9
Free Float	34%
Shares in issue (mn)	1,592.8
Diluted share (mn)	1592.8
3-mon avg daily val (mn)	INR2,079.3/US\$23.5
52-week range	2,195/1,552
Sensex/Nifty	83,871/25,695
INR/US\$	88.6

Price Performance

%	1M	6M	12M
Absolute	-0.7	1.0	15.8
Relative*	-2.4	-4.3	9.8

* To the BSE Sensex

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

SOTP

Entity	Holding (%)	Valuation	Value/share	Contribution to TP (%)
Bajaj Life	74.0%	1.7x FY27E EV	239	9.9%
Bajaj General	74.0%	28x FY27E EPS	305	12.6%
Bajaj Finance	51.3%	Target Price -20% holdco disc.	1,814	75.2%
New initiatives	-	10% AUM for AMC, 5x rev for dig. businesses	54	2.2%
Total			2,412	100%

Source: Company data, JM Financial. Note: Valuations as of 11 Nov 2025

Key concall takeaways:

■ GST Impact on Bajaj Life Insurance

- Against 14.8% margins for 1H, ex-GST VNB margins would have been 16.2%,
- Out of the 140 bps impact of GST 2.0 on 1H margins, 50bps came from Apr to Sep business (impact on renewals) and 90 bps on the new business from 22nd to 30th September;
- 450 bps impact on annual VNB margins- if ITC impact is not passed onto distributors;
- The company is in discussion with distributors to pass ITC burden, expect to stabilize in another 2 quarters;
- Impact on EV was limited to 44 bps.

■ GST impact on Bajaj General Insurance

- In general insurance, GST 2.0 impact is limited to the Health and PA business only;
- Demand for motor and health policy increased, due to GST reduction- pharmacy facing GST reduction and OEMs.

■ Update on Allianz's exit from the insurance JVs

- Approvals for the acquisition of 26% stake in each of BAGIC and BALIC by BFS and the Promoter Group companies have been received from both the Competition Commission of India and the IRDAI;
- Name change effected to Bajaj General Insurance and Bajaj Life Insurance post CCI and IRDAI approvals;
- Allianz will maintain stake in the company for a few more months;
- Dividends stalled since it was not part of the stake sale agreement;
- Expect an IPO only after 2-3 years because, first, the company is focused on business as usual (BAU) post-Allianz exit, then expects improved financial reporting once IFRS comes into the picture, especially for companies with higher solvency.

■ Bajaj General insurance

- Profit growth 8% with MTM loss, otherwise growth would be 12%
- The company has focused on **motor TP business**, especially in new 2Ws, where its market share was low at 3-4% 4 years back. It had a market share of 13%+ in 2Q – the business requires higher commissions since TP is paid for 5 years. As a result, motor TP growth is strong and opex to NWP is higher YoY.
- On TP price hike, the company expects a hike soon from the govt.
- The company remained focused on maintaining market share in all segments,
- COR has risen above 100% due to industry dynamics –
 - The company remains 15pps below industry on COR,
 - ROE- 27% (if solvency considered 200%) compared 3% for the industry.
 - Target is to reach back to 100% COR.

■ Bajaj Life insurance

- VNB margin guidance – the company was looking for a full year margin expansion of 4-6pps, however, with the GST impact, the company refrained from a guidance,
- Focus on profitability (margin improvement) for Bajaj Life 2.0 for strong improvement in margins in middle of 3QFY25,
- The company remains focused on protection
 - 33% customers are on boarded as term customers and 17% see rider attachments;
 - The company targets 10% share from term insurance in the medium term.
 - **Group protection** is picking up, led by small banks;
 - Margins can expand further if competition reduces in the credit protect business and underlying industry growth recovers.
- Yields are weak, not attracting demands for non-par products.
- On a weak base of 2HFY25 and GST tailwinds, the company expects strong growth.

■ New initiatives - Bajaj AMC

- 25th position among other AMCs with an AUM of around INR 300bn,
- Fastest to crossed 250bn AUM within 2 years.

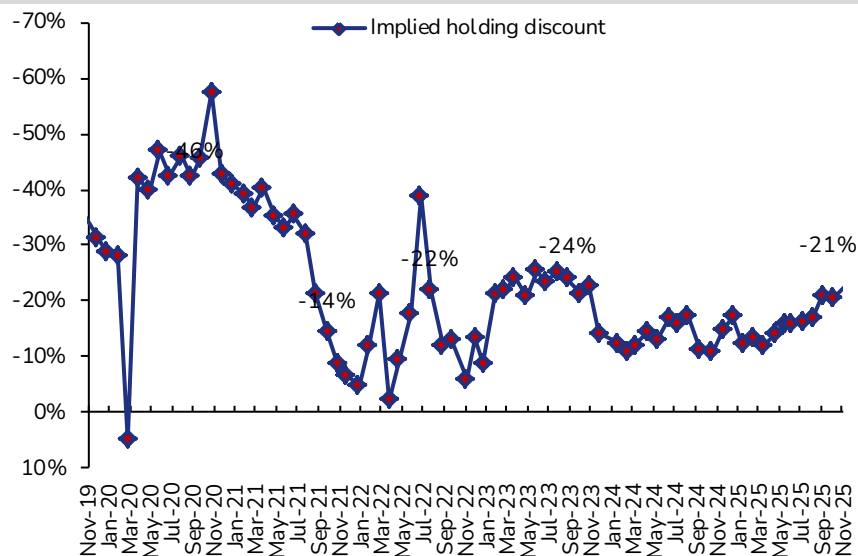
Bajaj Finserv- Quarterly Highlights

Exhibit 1. Bajaj Finserv 2QFY26: Performance of insurance subsidiaries

Bajaj General (INR mn)	2Q25	1Q26	2Q26	YoY (%)	QoQ (%)
GWP	58,710	52,020	64,130	9%	23%
GWP, ex-crop (like-to-like)	41,570	51,070	49,010	18%	-4%
NEP	26,600	22,290	24,040	-10%	8%
Underwriting Profits	(480)	(1,160)	(920)	92%	-21%
Claims Ratio (%)	79.7%	71.1%	75.8%	-3.9%	4.7%
EOM to NWP (%)	21.7%	32.5%	26.5%	4.8%	-6.0%
Combined Ratio (%)	101.4%	103.6%	102.3%	0.9%	-1.3%
Combined Ratio (%) (like-to-like)	101.4%	102.5%	101.4%	0.0%	-1.1%
PAT	4,940	6,600	5,170	5%	-22%
Bajaj Life (INR mn)	2Q25	1Q26	2Q26	YoY (%)	QoQ (%)
RWRP	18,950	12,550	18,500	-2%	47%
Total APE	22,680	13,100	21,462	-5%	64%
VNB	2,450	1,450	3,670	50%	153%
VNB margins (%)	10.8%	11.1%	17.1%	6.3%	6.0%

Source: Company, JM Financial

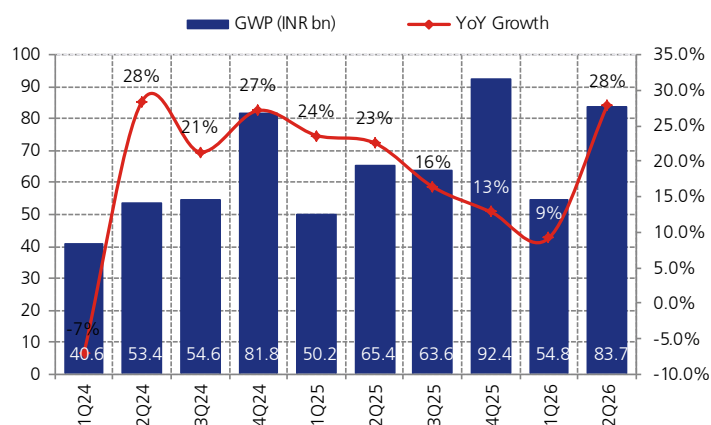
Exhibit 2. Implied holdco discount has crept up to 21% over last quarter



Source: JM Financial, Bloomberg

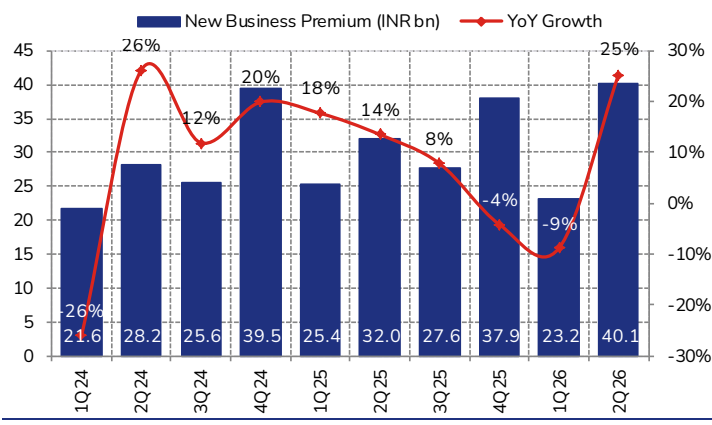
Life Insurance- Key Quarterly Trends

Exhibit 3. Bajaj Life – GWP growth has been strong



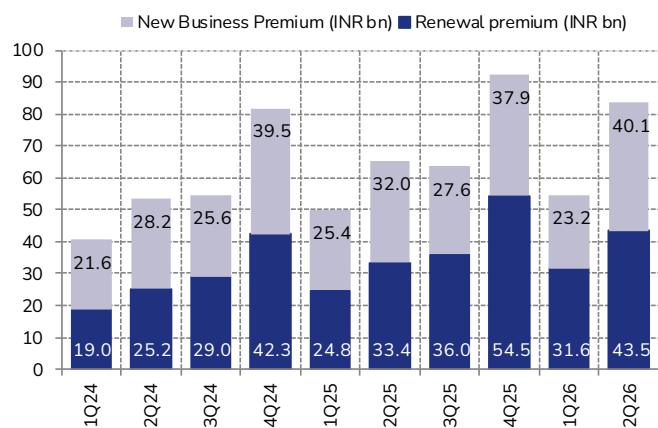
Source: Company, JM Financial

Exhibit 4. Bajaj Life – NBP growth has been steady at 25%



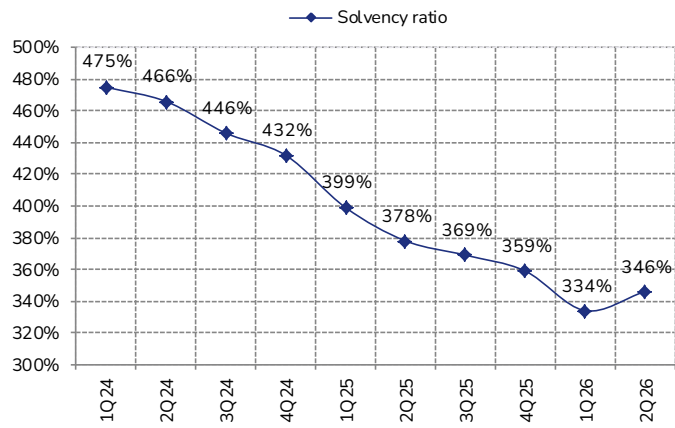
Source: Company, JM Financial

Exhibit 5. Bajaj Life – Renewal to new business trending at 50:50



Source: Company, JM Financial

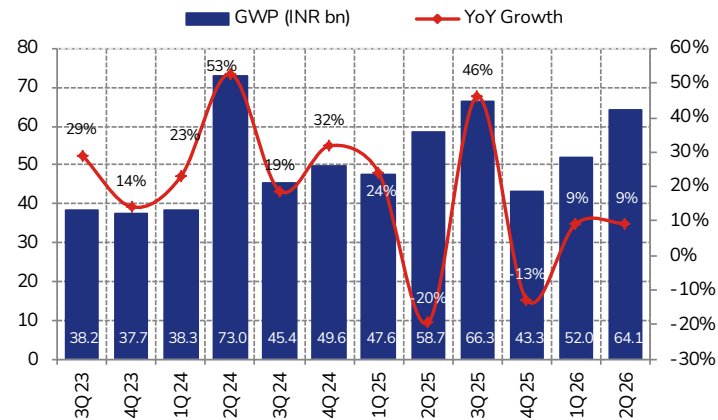
Exhibit 6. BALIC – Solvency Ratio has inched up, remains healthy



Source: Company, JM Financial

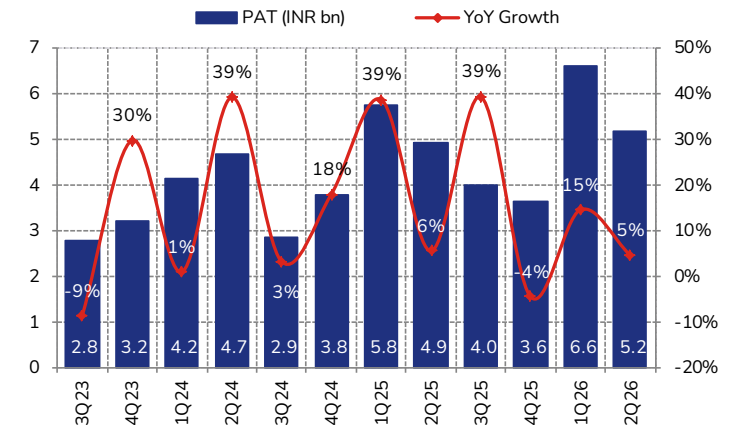
General Insurance- Key Quarterly Trends

Exhibit 7. Bajaj General – steady growth, ex-crop, govt. health



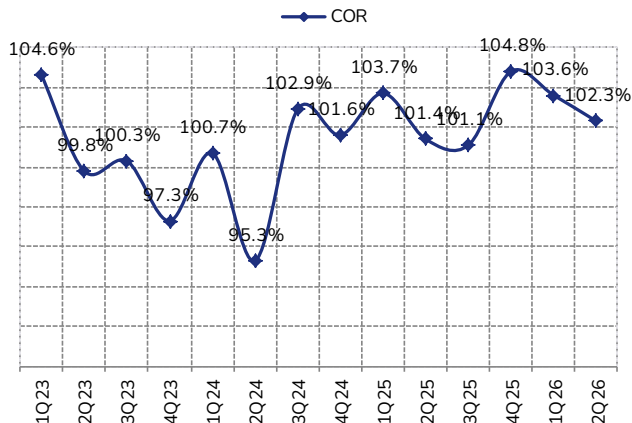
Source: Company, JM Financial

Exhibit 8. Bajaj General – PAT has grown 5% on a strong base



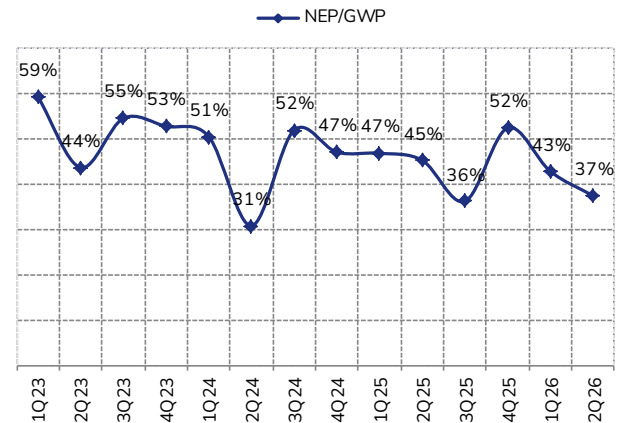
Source: Company, JM Financial

Exhibit 9. Bajaj General – COR has only inched up with 1/n, else flat



Source: Company, JM Financial

Exhibit 10. Bajaj General – NEP/GWP reduces in 2Q, with crop

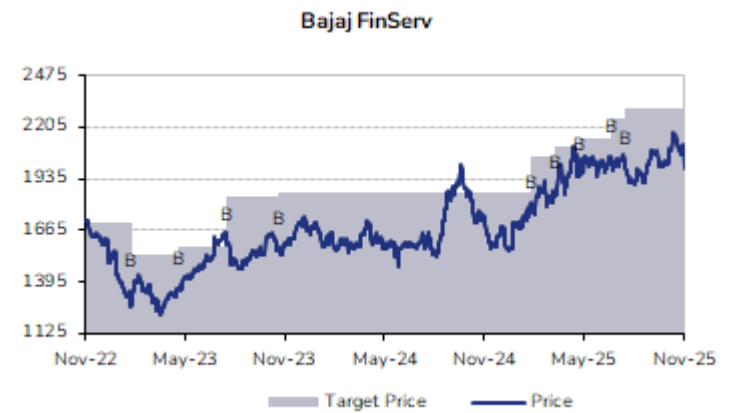


Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
29-Jan-20	Buy	1,100	
22-May-20	Buy	587	-46.6
22-Jul-20	Buy	870	48.2
22-Sep-20	Buy	870	0.0
22-Oct-20	Buy	867	-0.3
21-Jan-21	Buy	1,185	36.7
28-Apr-21	Buy	1,233	4.1
22-Jul-21	Buy	1,415	14.8
29-Oct-21	Buy	1,800	27.2
21-Jan-22	Buy	1,835	1.9
4-May-22	Buy	1,700	-7.4
31-Jan-23	Buy	1,535	-9.7
28-Apr-23	Buy	1,575	2.6
28-Jul-23	Buy	1,840	16.8
30-Oct-23	Buy	1,860	1.1
2-Feb-25	Buy	2,050	10.2
20-Mar-25	Buy	2,100	2.4
1-May-25	Buy	2,150	2.4
29-Jun-25	Buy	2,250	4.7
27-Jul-25	Buy	2,300	2.2

Recommendation History



APPENDIX I

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New Rating System: Definition of ratings	
Rating	Meaning
BUY	Expected return $\geq$ 15% over the next twelve months.
ADD	Expected return $\geq$ 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return $\geq$ -10% and $<$ 5% over the next twelve months.
SELL	Expected return $<$ -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	Meaning
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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