

Bajaj FinServ | BUY

Bajaj goes solo

Bajaj Finserv has announced the acquisition of Allianz SE's 26% equity stake in its two insurance joint ventures – Bajaj Allianz General Insurance Company (BAGIC) and Bajaj Allianz Life Insurance Company (BALIC). The total transaction is valued at INR 241.8bn, with the implied valuations of BAGIC and BALIC standing at INR 530bn and INR 400bn, respectively. This transaction marks the conclusion of the 24-year strategic partnership between Bajaj Group and the global insurer Allianz. Upon completion of the acquisition, the ownership structure of both insurance companies will stand as follows: a) Bajaj Finserv will increase its holding to 75.01% in both BAGIC and BALIC, consolidating control with an additional 1.01% stake acquisition, b) Bajaj Holdings and Investment Ltd. will acquire 19.95% stake, and c) Jamnalal Sons Pvt. Ltd. will hold 5.04% stake. As a result, the Bajaj Group will collectively own 100% of the equity in both BAGIC and BALIC post-acquisition. Additionally, Bajaj Finserv will acquire Allianz's entire equity interest in Bajaj Allianz Financial Distributors Ltd., a 50:50 joint venture, for a consideration of up to INR 125mn. The transaction is subject to approvals from the IRDAI and the CCI, which will drive the timeline for completion. With this note, we transfer coverage to Ajit Kumar.

- Deal contours:** The Bajaj Group will collectively own 100% of the equity in both BAGIC and BALIC post-acquisition. The total investment is INR 241.8bn, of which **Bajaj Finserv will invest INR 9.4bn**, while BHIL (Bajaj Holdings and Investment Ltd.) will invest INR 185.5bn and Jamnalal Sons Pvt Ltd will invest INR 46.9bn. With this, Bajaj Finserv's stake rises to 75.01% in each of the two entities. Of INR 241.8bn, INR 137.8bn consideration for BAGIC values the entity at INR 530bn, implying 20.9x JMFe FY27e PAT, while the INR 104bn consideration for BALIC values it at INR 400bn, implying 1.3x FY27e embedded value of INR 308.9bn.
- Even as Allianz exits, no disruption in business seen:** The acquisition of Allianz's 26% stake in BAGIC and BALIC enables Bajaj Finserv to increase its stake from 74% to 75.01%, thereby consolidating full control over the operations of both companies. This move eliminates the joint venture structure, offering the Bajaj group enhanced flexibility in strategic decision-making and operational direction. Bajaj Finserv is expected to recalibrate growth targets, with strong solvency position (300%+ against IRDAI floor of 150%) of both insurers. Following the acquisition, Bajaj Finserv's management has clarified that both BAGIC and BALIC will continue to be operated under the leadership of their respective boards of directors, without material changes in the board and top management. No immediate leadership changes are expected, and business operations will proceed as usual. Meanwhile, Allianz, in its statement, indicated plans to reinvest the proceeds from the sale into strategic opportunities in India.
- Key takeaways from concall:** The management highlighted that the deal will be self-funded, in line with regulatory requirements. While IRDAI has asked the larger insurers to propose a glide path to listing, post this transaction, BALIC and BAGIC will first rebrand themselves, before considering an IPO. The management will also take a call on a



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	2,100
Upside/(Downside)	14.0%
Previous Price Target	2,050
Change	2.5%

Key Data – BJFIN IN

Current Market Price	INR1,842
Market cap (bn)	INR2,941.5/US\$34.0
Free Float	32%
Shares in issue (mn)	1,592.8
3-mon avg daily val (mn)	INR3,475.1/US\$40.2
52-week range	2,030/1,419
Sensex/Nifty	75,449/22,908
INR/US\$	86.4

Price Performance

%	1M	6M	12M
Absolute	-1.8	-2.5	16.5
Relative*	-1.4	9.2	11.3

* To the BSE Sensex

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

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

SOTP				(INR)
	Holding (%)	Valuation	Value/share	Contribution to TP
BALIC	74.0%	1.6x FY27E P/EV (-) 20% holdco disc.	184	8.7%
BAGIC	74.0%	30x FY27E P/E (-) 20% holdco disc.	282	13.4%
BAF	51.3%	TP (-) 20% holdco disc.	1,461	69.6%
New initiatives	100%	Using relevant comps	173	8.3%
Total			2,100	100%

Source: Company data, JM Financial. Note: Valuations as of 19/Mar/2025

comprehensive licence for the two companies, once the insurance amendment legislation is passed. The company clarified that Allianz RE is not a significant reinsurer for the two insurers and reinsurance agreements continue in a business-as-usual manner. The transaction is subject to approvals from the IRDAI and the CCI, which will determine the timeline for completion. Given no new shareholder is coming in, the management is hopeful of the transaction getting completed within 15 months. Once 6.1% of Allianz's stake is transferred and it is no longer classified as a promoter, Allianz will be free to make its strategic decisions in India.

- **Valuation and target price:** We value Bajaj Finserv using SOTP. We assign INR 184 per share for the life insurance subsidiary, INR 282 per share for the general subsidiary, INR 1,461 per share for Bajaj Finserv's c.51.3% stake in BAF (at our target price, with a 20% holdco discount) and INR 173 for the new initiatives within the Bajaj Finserv umbrella. Using SOTP, we arrive at a target price of INR 2,100 for BJFIN. Implied holdco discount has expanded recently to 28.7%, against an average of 19.9% since Apr'19, which indicates under-valuation and a good opportunity to enter the Bajaj Finserv growth story.

Exhibit 1. Consideration paid and the implied market cap

(INR mn)	Consideration	Implied market cap
BALIC	104,000	400,000
BAGIC	137,800	530,000

Source: Company, JM Financial

Exhibit 2. Cash payment and stake acquired

	Cash outgo (INR mn)	Stake acquired (%)
Bajaj Finserv	9,393	1.01%
Bajaj Holdings and Investments Ltd.	185,535	19.95%
Jamnalal Sons Pvt. Ltd.	46,872	5.04%

Source: Company, JM Financial

Exhibit 3. BALIC valuation, per this deal

BALIC	FY24	FY25e	FY26e	FY27e
EV	217,260	245,268	274,553	308,913
VNB	10,610	10,627	13,663	16,396
core EVOP	25,840	28,008	33,285	38,360
P/EV	1.8	1.6	1.5	1.3
(P-VIF)/VNB	29.3	28.1	21.0	16.5

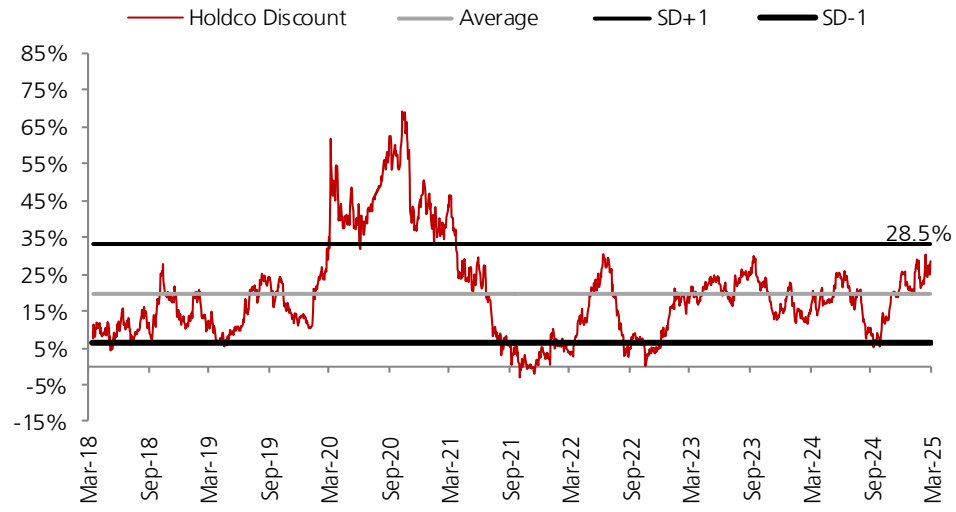
Source: Company, JM Financial

Exhibit 4. BAGIC valuation, per this deal

BAGIC	FY24	FY25e	FY26e	FY27e
GWP	206,300	226,930	263,239	305,357
PAT	15,503	19,749	22,346	25,354
P/GWP	2.6	2.3	2.0	1.7
P/E	34.2	26.8	23.7	20.9

Source: Company, JM Financial

Exhibit 5. Holdco discount in the range of 25-30%

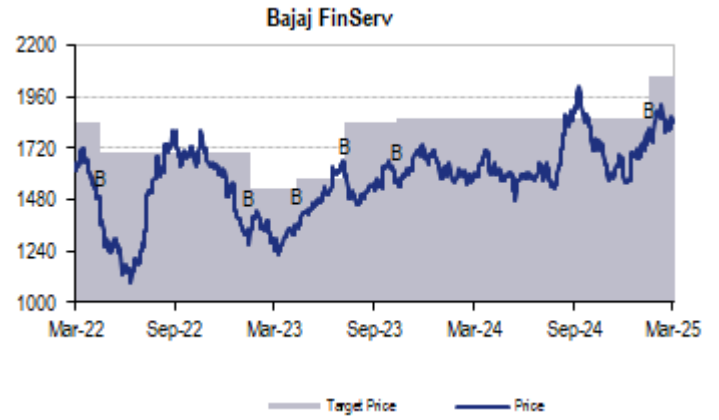


Source: Company, JM Financial

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

Recommendation History



APPENDIX I

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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.
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* REITs refers to Real Estate Investment Trusts.

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