



## 3R MATRIX

	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)	✓		
Right Valuation (RV)		✓	

+ Positive = Neutral - Negative

## What has changed in 3R MATRIX

	Old		New
RS	✓	↔	✓
RQ	✓	↔	✓
RV		↔	

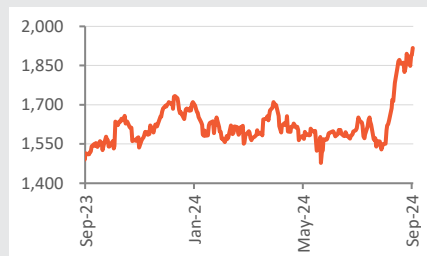
## Company details

Market cap:	Rs. 3,08,954 cr
52-week high/low:	Rs. 1,934 / 1,419
NSE volume: (No of shares)	18.6 lakh
BSE code:	532978
NSE code:	BAJAJFINSV
Free float: (No of shares)	54.3 cr

## Shareholding (%)

Promoters	60.6
FII	8.4
DII	7.6
Others	23.4

## Price chart



## Price performance

(%)	1m	3m	6m	12m
Absolute	18.9	20.1	20.2	22.7
Relative to Sensex	13.8	10.5	2.4	-6.0

Sharekhan Research, Bloomberg

## Bajaj Finserv Ltd

## Healthy outlook across subsidiaries to drive performance

NBFC	Sharekhan code: BAJAJFINSV		
Reco/View: Buy	↔	CMP: Rs. 1,935	Price Target: Rs. 2,350
↑ Upgrade	↔ Maintain	↓ Downgrade	

## Summary

- We maintain a Buy rating on Bajaj Finserv, with a revised SOTP-based PT of Rs. 2,350 factoring the upside in valuations of its key subsidiaries.
- The lending business (BAF) is consistently outpacing industry growth, while maintaining impressive profitability metrics.
- The general insurance business (BAGIC) is also demonstrating healthy profitable growth amid intense competition, while the life Insurance business (BALIC) is navigating through current regulatory changes with some near-term impact on profitability.
- We believe the group is well positioned to capture the structural growth story across the financial landscape (lending, investing, and protecting) in India over the medium to long term.

Bajaj Finserv has three key subsidiaries, namely Bajaj Finance Limited (BFL), Bajaj Allianz General Insurance Co. (BAGIC), and Bajaj Allianz Life Insurance Co. (BALIC). Newer businesses - Bajaj Finserv AMC, Bajaj Securities, Bajaj Finserv Health are currently at a nascent stage but provides a huge opportunity in long term. Bajaj Finserv aims to become a complete financial services lifecycle partner by leveraging advanced technology and data analytics. Additionally, a highly skilled management team is known for strong execution. The lending business (BAF) is consistently outpacing industry growth while maintaining impressive profitability metrics. The general insurance business (BAGIC) is also demonstrating healthy profitable growth amid intense competition, while the life Insurance business (BALIC) is navigating current regulatory changes with some near-term impact on profitability but at the same time it is building a balanced product mix and multi-channel distribution networks, which would help Bajaj Finserv gain market share on a sustainable basis.

- Lending business:** Strong AUM growth is likely to sustain, led by diverse product offerings, customer acquisition and the ability to cross-sell. The management has guided for 26-28% AUM growth for FY2025. BAF's earnings growth in Q1FY25 was soft due to lower margins and a rise in credit costs. These trends may continue in the near term, but they should improve in H2FY25 with improvement in collections and stable margins. These will likely bridge the gap between asset growth and profits.
- Insurance business:** The general Insurance business is successfully executing a profitable growth strategy despite stiff competition. It has gained the ability to pick profitable pools of business by steering its product mix in the right direction led by targeting profitable demographics and strategically, timing market adjustments has resulted in strong combined ratios and consistent profitability growth, while the life Insurance business (BALIC) is navigating through current regulatory changes with some near-term impact on profitability. Both the insurance subsidiaries are building well-diversified product portfolios and multi-channel distribution networks, which would help to gain market share on a sustainable basis.
- Scaling up of new business to support growth:** Currently the lending & Insurance business is ultimately driving the valuations. Business outlook remains healthy for both the businesses. Newer businesses - Bajaj Finserv AMC, Bajaj Securities, Bajaj Finserv Health are currently at nascent stage but provides a huge opportunity in long term. Bajaj Finserv endeavours to become a complete financial services lifecycle partner by leveraging advanced technology and data analytics.

## Our Call

**Valuation – Maintain Buy with a revised SOTP-based PT of Rs. 2,350:** We believe strong growth visibility in the lending business and a healthy medium to long-term outlook for both insurance businesses will likely act as a positive trigger for strong consolidated earnings going forward. Additionally, scaling up of the new business would further support future performance, which has not been factored in our estimates. We maintain BUY on Bajaj Finserv, with a revised SOTP-based PT of Rs. 2,350 factoring the upside in valuations of its key subsidiaries.

## Key Risks

Deterioration in performance of its subsidiaries may pose a risk to earnings growth and profitability.

## SOTP Valuation

Particulars	Holding	Parameter	Value per share (Rs.)
BALIC	74%	EV	247
BAGIC	74%	PAT	409
Bajaj Finance	51%	Networth	1,954
Less: Holding Co Discount	10%		260
Total			2,350

Source: Company; Sharekhan Research

## Outlook and Valuation

### ■ Sector View – Long runway for growth

Retail credit growth continues to remain healthy. We believe retail segments have a long structural growth runway, as India's credit delivery diversifies and penetration increases. In the insurance space, the opportunity is very large. There is a strong demand for protection, health, and savings products. We believe tailwinds such as a large protection gap and expanding per capita income are key long-term growth drivers for the sector. India has a high protection gap, and credit protection products are still at an early stage and have the potential to grow multi-fold. Hence, we believe the insurance sector has a huge growth potential in India, but regulatory risk / higher competition could impact profitability.

### ■ Company Outlook – Subsidiaries to emerge stronger

We believe all of Bajaj Finserv's subsidiaries are well-placed to capture long-term growth opportunities. BFL stands out as it has a strong balance sheet, comfortable liquidity position, is well-capitalized, and is poised to deliver sector-leading ROA/ROE. The company has exhibited its strong ability to navigate through the economic downcycle, led by a prudent and agile management team, robust risk management framework and a diverse product offering strategy. The company's insurance subsidiaries are building well-diversified product portfolios and multi-channel distribution networks, which would help to gain market share on sustainable basis.

### ■ Valuation – Maintain Buy with a revised SOTP-based PT of Rs. 2,350

We believe strong growth visibility in the lending business and a healthy medium to long-term outlook for both insurance businesses will likely act as a positive trigger for strong consolidated earnings going forward. Additionally, scaling up of the new business would further support future performance, which has not been factored in our estimates. We maintain BUY on Bajaj Finserv, with a revised SOTP-based PT of Rs. 2,350 factoring the upside in valuations of its key subsidiaries.

## About company

Bajaj Finserv is a diversified financial services group with a pan-India presence in life insurance, general insurance, and lending. It is the holding company for BFL. Bajaj Finserv's shareholding in BFL is 51.34%. It also holds 74% each in BAGIC and BALIC. Its vision is to provide financial solutions for retail and SME customers through their life cycle. These involve: (i) asset acquisition and lifestyle enhancement through financing, (ii) asset protection through general insurance, (iii) family protection through life and health insurance, (iv) providing healthcare needs for the family, (v) offering savings products, (vi) wealth management, and (vii) retirement planning and annuities. Apart from these, Bajaj Finserv also has three other fully owned subsidiaries – BFS Asset Management Company (Bajaj AMC), BFS Direct Limited, BFS Health limited.

## Investment theme

Bajaj Finserv is a financial conglomerate present in the financing business (vehicle finance, consumer finance, and distribution) via BFL and in the insurance space via its life insurance arm (BALIC) and non-life subsidiary (BAGIC). We believe all of Bajaj Finserv's subsidiaries are well-placed to capture long-term growth opportunities.

## Key Risks

Deterioration in the performance of its subsidiaries may pose a risk to earnings growth and profitability.

## Additional Data

### Key management personnel

Sanjiv Bajaj	Chairman and Managing Director
Rajeev Jain	MD and CEO – Bajaj Finance Limited
Tarun Chugh	MD and CEO – BALIC
Tapan Singhel	MD and CEO – BAGIC

Source: Company Website

### Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Bajaj Holdings & Investment Ltd	39.03
2	Jamnalal Sons Pvt Ltd	9.70
3	Jaya Hind Industries Pvt Ltd	3.88
4	Maharashtra Scooters Ltd	2.38
5	LIC MONEY PLUS GROWTH FUND	2.00
6	Bajaj Sevashram Pvt Ltd	1.67
7	ICICI Prudential Asset Management	1.52
8	Capital Group Cos Inc/The	1.50
9	Bachhraj & Co Pvt Ltd	1.38
10	Bajaj Niraj	1.33

Source: Bloomberg

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## Understanding the Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Sharekhan Research

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