



Q3FY25 Bajaj Finserv Limited



Bajaj Finserv Limited.

Insurance businesses undergoing changes to adapt to new regulations and market conditions

CMP*	Target	Potential Upside	Market Cap (INR Mn)	Recommendation	Sector
INR 1,736	INR 2,075	19.5%	2,772,552	BUY	NBFC

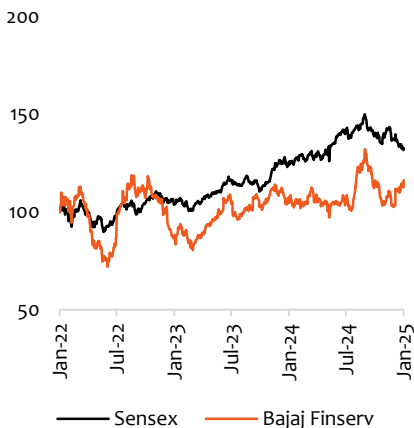
Result Highlights:

- Consolidated revenues for Q3FY25 stood at INR 320,418 Mn, up 10.3% YoY but down 4.9% QoQ, missing our estimates due to slower growth in insurance income. The company reported a consolidated profit of INR 22,310 Mn, marking a 3.4% YoY increase (+6.9% QoQ). The cost-to-income ratio improved to 69.6% from 71.6% in Q2FY25. Earnings missed our estimates by 3.4%, primarily due to lower-than-expected operating profits.
- PAT was impacted by an unrealized Mark-to-Market (MTM) loss of INR 2,750 Mn on equity investments measured at fair value through profit and loss for BALIC and BAGIC in Q3FY25, compared to an MTM gain of INR 1,070 Mn in Q3FY24. Additionally, a realized MTM loss of INR 370 Mn was booked in OCI during the quarter, versus a loss of INR 190 Mn in Q3FY24.
- We raise our target price to INR 2,075 per share (from INR 1,995) as we roll over our valuation to FY27E. While we expect a gradual scale-up in new businesses over the coming quarters, breakeven may take time. We maintain our “BUY” rating, with the revised target price implying an upside of 19.5%.**

MARKET DATA

Shares outs (Mn)	1,597
Mkt Cap (INR Mn)	2,772,552
52 Wk H/L (INR)	2,030/1,419
Volume Avg (3m K)	1,460
Face Value (INR)	1.0
Bloomberg Code	BJFIN IN

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	76,760
NIFTY	23,250

KEY FINANCIALS

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Nil	698,698	919,824	1,086,746	1,231,994	1,392,029
Operating Profit	200,409	260,005	323,079	377,879	443,940
PAT (Post Minority Interest)	64,173	81,478	88,815	108,123	132,988
EPS (INR/share)	40.3	51.1	55.6	67.7	83.3
BVPS (INR/share)	291.4	378.8	432.5	499.2	581.5

Source: Company, DevChoksey Research

Bajaj Finance (BAF) – AUM driven by healthy growth in customer addition and improving contribution from new business segments; Marginal pressure of asset quality:

- Assets Under Management (AUM) as of December 31, 2024, were INR 3,980,430 Mn, an increase of 28.0% YoY/ 6.5% QoQ. This included AUM of INR 1,083,140 Mn of Bajaj Housing Finance Ltd, which recorded a growth of 26.0% over the AUM as of December 31, 2023.
- In Q3FY25, the company added 5.03 Mn new customers to the franchise. Customer franchise stood at 97.12 Mn (vs 92.09 Mn as of September 30, 2024), while the cross-sell franchise was at 61.56 Mn (vs 57.70 Mn as of September 30, 2024).
- NIMs remained stable at 9.6% for the quarter. Despite competitive pressures and fluctuations in the cost of funds, NIMs are expected to hold steady in FY26E. The cost of funds saw a marginal decline in Q3FY25, remaining largely unchanged at 7.96% (-1 bps over Q2FY25).
- The company does not foresee substantial margin compression unless there is a significant change in market conditions. BAF's multi-product strategy, encompassing personal loans, business loans, gold loans, and secured lending, enables it to sustain an optimal risk-adjusted yield mix.
- Loan losses and provisions for the quarter stood at INR 20,433 Mn with loan loss to average AUF at 2.16% (vs. 2.13% in Q2FY25).
- In Q3FY25, the net increase in stage 2 & 3 assets was INR 6,080 Mn. Net growth in stage 2 & 3 have stabilized. Stage 2 assets increased by INR 1,010 Mn, while stage 3 assets increased by INR 5,070 Mn. The company continues to take proactive risk actions by cutting segments and pruning exposures.
- GNPA and NNPA stood at 1.12% and 0.48% as of December 31, 2024, respectively, as against 0.95% and 0.37% as of September 30, 2024 (vs. 1.06% and 0.46% as of September 30, 2024), which remains lowest amongst its peers.

SHARE HOLDING PATTERN (%)

Particulars	Dec-24	Sep-24	Jun-24
Promoters	60.6	60.6	60.6
FIIIs	7.4	8.2	8.4
DIIIs	8.9	8.1	7.6
Others	23.1	23.1	23.4
Total	100	100	100

*Based on previous closing

Note: All the market data is as of previous closing

14.8%

Revenues CAGR between
FY24 and FY27E

17.7%

PAT CAGR between FY24
and FY27E

Bajaj Finserv Limited.

Bajaj Allianz Life Insurance Co. (BALIC)- New business premium growth saw a moderate growth:

- The company reported a New Business Premium (NBP) of INR 27,610 Mn in Q3FY25, reflecting a YoY growth of 7.8% but a QoQ decline of 13.8%. The renewal premium segment saw a robust YoY increase of 24.0%. Gross Written Premium (GWP) grew 16.4% YoY to INR 63,610 Mn, though it declined 2.8% QoQ. Growth in premiums was impacted by product regulation changes related to surrender values, which resulted in new product launches, commission reductions, deferments, and claw-back adjustments across most distribution channels. Additionally, macroeconomic headwinds continued to weigh on the growth of group credit life, particularly in the microfinance segment. These factors contributed to a muted topline performance for the quarter, compared to private industry growth of 13.0% and overall industry growth of 5.0%.
- The Value of New Business (VNB) saw a muted growth of 1.2% YoY/ 3.7% QoQ at INR 2,540 Mn against INR 2,510 Mn in Q3FY24. VNB margins for the quarter were 15.1% against 14.5% in Q3FY24. Annualized Premium Equivalent (APE) for the quarter de-grew 2.4% YoY/ 25.7% QoQ to INR 16,850 Mn. Shareholders' profit after tax during Q3FY25 increased to INR 2,220 Mn as against INR 1,080 Mn in Q3FY24, driven by higher investment income and a favorable income tax provision reversal from prior years following recent tax orders.
- AUM stood at INR 1,220 Bn, which grew by 16.5% YoY as of December 31, 2024. The solvency ratio remained strong at 369.0% as of December 31, 2024, above the minimum regulatory requirement of 150.0%.

Bajaj Allianz General Insurance (BAGIC) – Government health segment drives strong growth in premium:

- In Q3FY25, BAGIC's Gross Written Premium (GWP) grew 46.1% YoY (+12.9% QoQ) to INR 66,260 Mn, primarily driven by strong growth in the government health insurance segment. However, excluding tender-driven crop and government health insurance, GWP declined by 1.8% YoY to INR 36,390 Mn (vs. INR 37,070 Mn in Q3 FY24). Adjusting for the regulatory change in premium recognition (1/n basis for long-term products, effective October 1, 2024), GWP grew 6.0% YoY to INR 39,230 Mn, making prior-year comparisons less relevant.
- In Q3FY25, BAGIC's commercial lines grew 2.3% YoY, outperforming the industry decline of 8.0% YoY, driven by a focus on profitable segments. The motor insurance segment grew 6.3% YoY, slightly lagging the industry growth of 7.6% YoY, as the company remained cautious on Motor Commercial Vehicles (CVs), particularly in the Third Party (TP) segment. Meanwhile, commercial insurance pricing saw a 10.0-15.0% increase, supporting future profitability.
- The claim ratio increased to 77.7% in Q3FY25 as against 72.9% in Q3FY24 (vs. 79.7% in Q1FY25) due to elevated claims in health segment. Excluding tender driven crop and government health business, the claim ratio stood at 73.9% in Q3FY25 compared to 71.1% in Q3FY24. The combined ratio stood at 101.1% in Q3FY25, a decline from 102.9% in Q3FY24. Adjusted for the change in measurement of gross premium (1/n basis), the combined ratio stood at 100.2% in Q3FY25.
- PAT for Q3FY25 grew by 39.4% YoY (-19.0% QoQ) to INR 4,000 Mn. Excluding profit on sale of investments, the net profit reported a healthy growth of 26.0% YoY.
- As of December 31, 2024, the AUM represented by cash and investments stood at INR 326.3 Bn, an increase of 7.7% YoY.

Update on other businesses:

- BJFIN continued to grow its emerging businesses which include Bajaj Finserv Health, Bajaj Finserv Direct. Bajaj Finserv Asset Management and Bajaj Finserv Ventures. Losses from these businesses for Q3FY25 were INR 950 Mn (as against INR 1,050 Mn in Q3FY24), which is within the company's plan.
- Bajaj Finserv Asset Management recorded Assets Under Management (AUM) of INR 174,340 Mn as of December 31, 2024, a growth from INR 162,940 Mn as of September 30, 2024 (a growth of 7.0% QoQ).

Key Concall Highlights:

- Mr. Ankur Kavar is taking over as CFO of Bajaj Allianz General Insurance Company, and Mr. Ramandeep Singh Sahni will be the new CFO of Bajaj Finserv Limited, with Mr. S. Sreenivasan transitioning to a leadership role as President, Insurance and Special Projects.
- Bajaj Finserv Health completed approximately 2.3 Mn health transactions.
- Bajaj Markets attracted 8.2 Mn customers on its digital platform, with 0.098 Mn becoming consumers, and a loss for the quarter of INR 30 Mn.
- BAGIC is actively expanding its payer network for Bajaj Finserv Health, targeting insurance companies, governments, and employers. The platform currently has 180,000 transacting users on its health app and 450,000 on its web assets per month, reinforcing its digital healthcare growth strategy. BAGIC gained market share in Own Damage (OD) due to its tie-up with Hero MotoCorp. Third-Party (TP) growth lags due to reserving strategy and selective underwriting.
- BAGIC's market share on new sales in two-wheelers has increased significantly, from 3.5%-4.0% to 12.0% in Q3FY25.
- The company has made substantial changes to its products, including ULIPs, and is adding new riders, unlike the rest of the sector which has focused on traditional plans. The NBFC is not steering away from ULIPs and is working on tweaking product structures.
- A temporary lull is expected in the group credit life business due to pressures in the lending sector.
- IRDAI's new regulation on Senior Citizen Health Insurance of capping premium hikes at 10.0% ensures affordability.

Valuation and view:

Bajaj Finserv reported a steady performance in Q3FY25, supported by strong growth in its lending businesses (BAF & BHFL), while its insurance subsidiaries faced regulatory and competitive challenges. BAGIC's margins were impacted by higher Motor TP loss ratios and health insurance pricing regulations. Meanwhile, BALIC continued its focus on high-margin protection and ULIP products, though new business premium growth remained subdued. With a strategic emphasis on technology-driven financial services, expansion in health and asset management, and a disciplined capital allocation approach, Bajaj Finserv remains well-positioned for long-term growth. On a consolidated basis, we have factored in a revenue CAGR of 14.8% over FY24-27E and a net profit CAGR of 17.7% over the same period. **We have used the SOTP approach to arrive at a target of INR 2,075 per share (earlier INR 1,995); (2.5x P/EV for BALIC on FY27E EVPS; 2.0x P/B for BAGIC on FY27E; and 4.5x P/ABV on FY27E for BAF); indicating an upside potential of 19.5% over CMP. Accordingly, we maintain our "BUY" rating on the shares of Bajaj Finserv Ltd.**

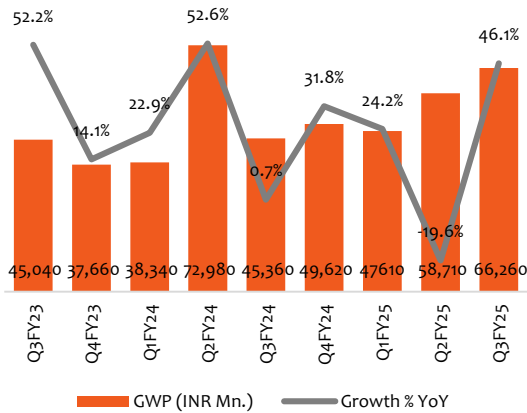
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Result Snapshot

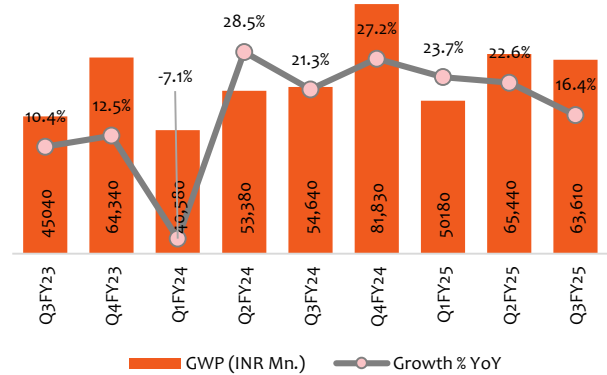
Particulars (In INR Mn) Consolidated	Q3FY25	Q2FY25	Q3FY24	Q-o-Q	Y-o-Y	9MFY25	9MFY24	Y-o-Y
Income Statement								
Revenue from Operations	320,418	337,037	290,384	-4.9%	10.3%	972,255	783,411	24.1%
Interest expense	62,763	60,456	47,765	3.8%	31.4%	179,139	132,460	35.2%
Net interest income	257,655	276,581	242,619	-6.8%	6.2%	793,116	650,951	21.8%
Non-interest income	0	0	0	-	-	2	0	-
Total income	257,655	276,581	242,619	-6.8%	6.2%	793,118	650,951	21.8%
Employee costs	30,195	30,085	26,631	0.4%	13.4%	89,224	75,499	18.2%
Other operating expenses	149,100	167,877	149,313	-11.2%	-0.1%	470,267	383,697	22.6%
Operating expenses	179,295	197,962	175,944	-9.4%	1.9%	559,492	459,196	21.8%
Operating Profit	78,360	78,619	66,675	-0.3%	17.5%	233,626	191,755	21.8%
Loan Losses and Provisions	20,276	18,994	12,383	6.8%	63.7%	56,257	33,317	68.9%
Share of Profit from JVs	31	35	18	-10.1%	77.1%	90	48	88.2%
Profit before tax	58,115	59,660	54,310	-2.6%	7.0%	177,459	158,485	12.0%
Tax expense	13,996	17,858	13,857	-21.6%	1.0%	49,446	43,381	14.0%
Net profit	44,119	41,802	40,453	5.5%	9.1%	128,013	115,104	11.2%
Minority Interests	21,809	20,932	18,876	4.2%	15.5%	63,457	54,812	15.8%
Profit for Shareholders	22,310	20,870	21,577	6.9%	3.4%	64,557	60,293	7.1%

Source: Company, DevenChoksey Research

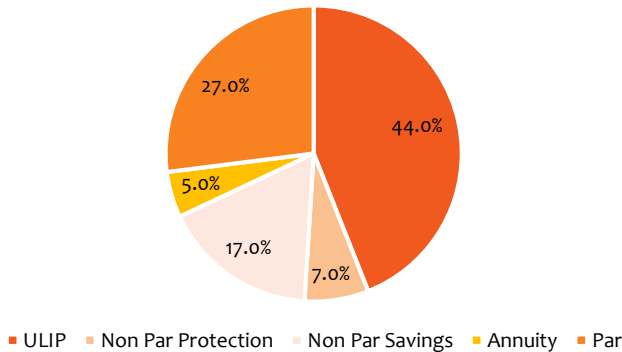
BAGIC – GWP saw a robust growth on a low base



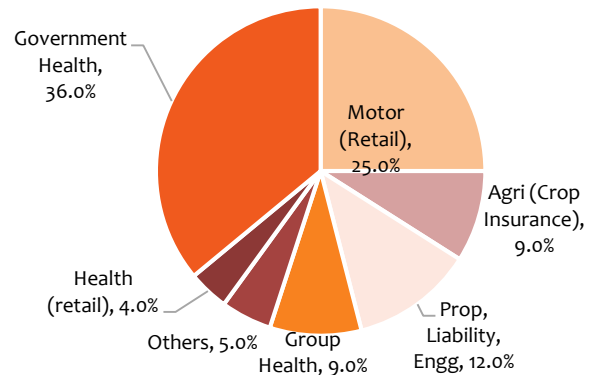
BALIC - GWP growth driven by renewal segment (INR Mn.)



BALIC- Product Mix for Q3FY25



BAGIC- Balanced Product Mix



Source: Company, DevenChoksey Research

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Financials:

Exhibit 1: Profit & Loss Statement

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Revenue from Operations	820,712	1,103,819	1,330,342	1,502,438	1,697,603
Finance Cost	122,014	183,995	243,597	270,444	305,574
Net Interest Income	698,698	919,824	1,086,746	1,231,994	1,392,029
Other Income	8	11	12	28	28
Operating Income	698,706	919,835	1,086,758	1,232,022	1,392,057
- Employee expense	87,672	103,610	122,169	135,222	152,787
- Other operating expense	410,625	556,220	641,510	718,921	795,331
Operating Expense	498,297	659,830	763,679	854,143	948,118
Operating Profit	200,409	260,005	323,079	377,879	443,940
Provisions	32,310	46,336	79,283	81,812	79,789
Share of Profits from JVs	12	81	125	160	200
PBT	168,111	213,750	243,920	296,226	364,351
Tax Expense	46,016	57,797	67,390	79,981	98,375
PAT	122,095	155,954	176,530	216,245	265,976
Minority Interests	57,923	74,476	87,715	108,123	132,988
Profit for Shareholders	64,173	81,478	88,815	108,123	132,988
Diluted EPS (INR)	40.3	51.1	55.6	67.7	83.3

Exhibit 2: Balance Sheet

INR Mn	FY23	FY24	FY25E	FY26E	FY27E
Source of Funds					
Share Capital	1,593	1,594	1,594	1,594	1,594
Reserves & Surplus	462,481	601,692	688,913	795,442	926,836
Net worth	464,073	603,286	690,507	797,036	928,430
Minority Interest	311,907	434,472	522,187	630,310	763,298
Total Equity	775,981	1,037,759	1,212,694	1,427,346	1,691,728
Borrowings	815,494	1,116,175	1,406,215	1,886,672	2,272,991
Deposits	446,656	601,509	749,981	898,415	1,136,495
Debt Securities	815,960	1,122,525	1,372,779	1,510,057	1,694,284
Insurance Contract Liabilities	941,017	1,182,801	1,400,235	1,540,258	1,793,948
Other Liabilities & Provisions	259,984	318,528	399,670	439,701	485,061
TOTAL EQUITIES AND LIABILITIES	4,055,092	5,379,296	6,541,576	7,702,450	9,074,508
Uses of Funds					
Cash & Bank Balances	53,772	123,867	143,935	160,432	162,600
Receivables + Loans/Advances	2,462,082	3,327,160	4,203,709	5,122,452	6,242,407
Net Investments	1,361,757	1,683,846	1,870,808	2,057,506	2,262,873
Deferred Tax Assets	13,419	14,640	14,640	14,640	14,640
Goodwill in Consolidation	6,893	6,893	10,011	11,513	13,240
Fixed Assets	30,666	39,652	44,341	47,338	50,636
Other Assets	126,502	183,238	254,133	288,569	328,112
TOTAL ASSETS	4,055,092	5,379,296	6,541,576	7,702,450	9,074,508

Source: Company, DevChoksey Research

Exhibit 3: Key Ratios

Key Ratio	FY23	FY24	FY25E	FY26E	FY27E
Growth Rates					
AUM (BAF) (%)	25.3%	33.6%	27.5%	27.0%	28.0%
Borrowings (%)	50.0%	36.9%	26.0%	34.2%	20.5%
Total assets (%)	21.5%	32.7%	21.6%	17.7%	17.8%
NII (%)	18.6%	31.6%	18.1%	13.4%	13.0%
Pre-provisioning profit (%)	24.0%	29.7%	24.3%	17.0%	17.5%
PAT (%)	46.9%	27.7%	13.2%	22.5%	23.0%
B/S Ratios					
Loans/Borrowings (%)	301.9%	298.1%	298.9%	271.5%	274.6%
Advances/Total Assets	60.7%	61.9%	64.3%	66.5%	68.8%
BFL - CAR (%)	25.0%	22.5%	21.6%	20.7%	19.8%
Tier I (%)	23.2%	21.5%	20.7%	19.9%	19.2%
Bajaj Housing - CAR (%)	23.0%	21.3%	21.0%	20.5%	20.5%
Leverage - Total Assets to Equity	6.1	6.9	6.3	6.4	6.4
Operating efficiency					
Cost/Income (%)	71.3%	71.7%	70.3%	69.3%	68.1%
Opex/total assets (%)	12.3%	12.3%	11.7%	11.1%	10.4%
Opex/total interest earning assets	14.1%	14.6%	13.5%	12.6%	11.8%
Profitability					
RoA (%)	3.0%	2.9%	2.7%	2.8%	2.9%
RoE (%)	13.8%	13.5%	12.9%	13.6%	14.3%
Bajaj Finance - Asset quality					
Gross NPA (%)	0.9%	0.9%	1.2%	1.2%	1.0%
Net NPA (%)	0.3%	0.4%	0.5%	0.5%	0.5%
PCR (%)	63.8%	56.5%	56.3%	58.9%	55.4%
Credit cost (%)	1.5%	1.6%	2.1%	2.1%	2.0%
Bajaj Allianz Life Insurance					
VNB	948.1	1061.0	838.3	1052.8	1259.2
VNB Margin	15.5%	14.6%	11.5%	12.5%	13.0%
EV	17,249	18,584	21,726	25,421	28,808
RoEV	14.2%	14.1%	11.7%	12.1%	12.4%
Bajaj Allianz General Insurance					
Growth in Investments	11.4%	11.7%	13.0%	13.0%	13.0%
RoE	15.2%	13.7%	13.5%	14.1%	14.3%
Per share data / Valuation					
EPS (INR)	40.3	51.1	55.6	67.7	83.3
BVPS (INR)	291.4	378.8	432.5	499.2	581.5
P/E (x)	31.4	32.2	31.2	25.6	20.8
P/BV (x)	4.3	4.3	4.0	3.5	3.0
Profitability					
Return on Capital	11.6%	11.5%	11.4%	10.9%	11.0%
Return on Equity	13.8%	13.5%	12.9%	13.6%	14.3%

Bajaj Finserv Limited.

Bajaj Finserv Ltd			
Date	CMP (INR)	TP (INR)	Recommendation
01-Feb-25	1,736	2,075	BUY
25-Oct-24	1,707	1,995	BUY
01-Aug-24	1,652	1,935	BUY
02-May-24	1,615	1,880	BUY
01-Jan-24	1,622	1,925	BUY
01-Nov-23	1,573	1,925	BUY

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

ANALYST CERTIFICATION:

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