



## 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	■	↑	■

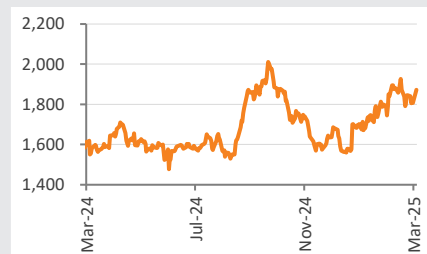
## Company details

Market cap:	Rs. 2,94,584 cr
52-week high/low:	Rs. 2,029 / 1,419
NSE volume: (No of shares)	17.0 lakh
BSE code:	532978
NSE code:	BAJAJFINSV
Free float: (No of shares)	54.3 cr

## Shareholding (%)

Promoters	60.6
FII	7.4
DII	8.9
Others	23.0

## Price chart



Source: NSE India, Mirae Asset Sharekhan Research

## Price performance

(%)	1m	3m	6m	12m
Absolute	-2.6	13.1	-2.3	17.0
Relative to Sensex	-1.7	19.2	6.9	13.5

Source: Mirae Asset Sharekhan Research, Bloomberg

## Bajaj Finserv Ltd

## Doors to IPO unlocked

NBFC	Sharekhan code: BAJAJFINSV	
Reco/View: Buy	↔	CMP: Rs. 1,845 Price Target: Rs. 2,350 ↔
↑ Upgrade	↔ Maintain	↓ Downgrade

## Summary

- Allianz SE has decided to exit its JV with Bajaj Finserv. Thus, now the company may look at listing of its insurance businesses, BAGIC and BALIC.
- Bajaj Finserv is not looking for any new partner for its insurance entities.
- Allianz SE will sell its entire ~26% stake in both Bajaj Allianz Life Insurance and Bajaj Allianz General Insurance to Bajaj group companies for Rs. 24,180 crore.
- We maintain a Buy with an unchanged SOTP-based PT of Rs. 2,350. The next key trigger would be - IPO of both insurance businesses, resulting in value unlocking.

**Bajaj Finserv has signed share purchase agreements (SPAs) with Allianz SE to acquire its entire ~26% stake in their two joint ventures - Bajaj Allianz General Insurance Company (BAGIC) and Bajaj Allianz Life Insurance Company (BALIC) — for a total consideration of Rs 24,180 crore. The move will take Bajaj group's ownership in BAGIC and BALIC to 100% from 74% now. The group will pay Rs 13,780 crore & Rs 10,400 crore for the stake in BAGIC and BALIC, respectively. The company is not looking for any new partner for its insurance entities. Also, there would be no change at any leadership level. The deal is subject to regulatory approvals, including approvals from the CCI and IRDAI. Earlier, Allianz group had expressed its intent to exit the JVs in both life and general insurance. Now, therefore, the company may look at listing of its insurance businesses a few years down the line.**

- New group structure:** Allianz SE will sell its 26% stake in Bajaj Allianz Life and Bajaj Allianz General Insurance to Bajaj group companies. Bajaj Finserv will acquire a ~1% stake in each business to increase its shareholding to ~75% while the promoter entities - Bajaj Holdings (which holds ~39% stake in Finserv) will acquire ~20% stake in each insurance companies and Jamnalal Sons (which holds ~10% stake in Finserv) will acquire the balance ~5% stake in each insurance company.
- Deal valuation:** The total valuation for Life Insurance and General Insurance stands at Rs 40,000 crore and Rs 53,000 crore at the deal price. The deal is at a discount of ~20%/15% compared to consensus valuation for BALIC /BAGIC, respectively. For Bajaj Allianz Life Insurance, the deal is valued at 1.6x/1.4x FY26E/27E EV and for Bajaj Allianz General Insurance, the deal is valued at 22x/20x FY26E/27E EPS.
- Key catalyst going ahead:** With Allianz's exit, Bajaj Finserv may look at listing of its insurance businesses a few years down the line, resulting in value unlocking.

## Our Call

**Valuation - Maintain Buy with an unchanged 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 valuation. We maintain a Buy on Bajaj Finserv, with an unchanged SOTP-based PT of Rs. 2,350 factoring the valuations of its key subsidiaries. The next key trigger would be - IPO of both insurance businesses, resulting in value unlocking.

## Key Risks

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

## SOTP Valuation

Particulars	Holding	Rationale	Value per share (Rs.)
BALIC	75%	2.2x FY27 EV	295
BAGIC	75%	25x FY27E PAT	345
Bajaj Finance	51%	4.2x FY27E BVPS	1,900
Less: Holding Co Discount			190
Total			2,350

Source: Company; Mirae Asset Sharekhan Research

## Outlook and Valuation

### ■ Sector View – Long runway for growth

Retail credit growth remains 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. The lending business (BFL) contributes to majority of the valuation. 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 an unchanged SOTP-based PT of Rs. 2,350

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## 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 currently 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

Name	Designation
Sanjiv Bajaj	Chairman and Managing Director
Rajeev Jain	MD – Bajaj Finance Limited
Tarun Chugh	MD – Bajaj Allianz Life Insurance
Tapan Singhel	MD – Bajaj Allianz General Insurance

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	3.92
4	Life Insurance Corp of India	2.71
5	Maharashtra Scooters Ltd	2.38
6	Bajaj Sevashram Pvt Ltd	1.67
7	Bachhraj & Co Pvt Ltd	1.46
8	Bajaj Niraj	1.33
9	SBI Funds Management Ltd	1.26
10	ICICI Prudential Asset Management	1.10

Source: Bloomberg

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## Understanding the Mirae Asset 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: Mirae Asset Sharekhan Research

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