



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. 3,23,521 cr
52-week high/low:	Rs. 2,135 / 1,419
NSE volume: (No of shares)	19.0 lakh
BSE code:	532978
NSE code:	BAJAJFINSV
Free float: (No of shares)	53.9 cr

Shareholding (%)

Promoters	60.6
FII	7.5
DII	9.0
Others	22.8

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	4.9	12.9	15.4	25.4
Relative to Sensex	-0.5	8.2	12.9	17.2

Source: Mirae Asset Sharekhan Research, Bloomberg

Bajaj Finserv Ltd

Mixed bag Q4

NBFC	Sharekhan code: BAJAJFINSV	
Reco/View: Buy	↔	CMP: Rs. 2,026 Price Target: Rs. 2,350 ↔
↑ Upgrade	↔ Maintain	↓ Downgrade

Summary

- APE growth was slower at 6% y-o-y versus an 18% y-o-y growth in 9MFY25 led by weak the agency channel. However, VNB grew by 14% y-o-y; VNB margins improved to 22.1% vs 18.1% y-o-y led by a better product mix.
- Bajaj General Insurance's GWP (ex-crop & govt health business) was flat y-o-y on accounting adjustments and slower growth in commercial and group health business. Combined ratio was higher at 104.8% vs 101.6% despite moderation in claim ratio mainly due to higher expense ratio impacted by the 1/n rule.
- Bajaj Finance's earnings growth was healthy (in-line) at 19% y-o-y but the management has revised guidance for FY26 slightly on the lower side with respect to the return ratio and AUM growth.
- We maintain a Buy with an unchanged SOTP-based PT of Rs. 2,350 factoring in subsidiaries' performance.

Q4FY25 marked a mixed performance from life insurance and lending business but the general insurance business reported weak numbers. Bajaj Finance's consolidated asset under management (AUM) stood at Rs. 4,16,661 crore, up 26% y-o-y/5% q-o-q. The management has slightly lowered guidance for FY26 for return ratios and AUM growth, citing focus on improving the credit cost. Earnings grew by 19% y-o-y. We expect an AUM CAGR of 25% over FY25-27E. Slight uptick in margin, improvement in cost ratios, stable asset quality, lower credit cost are expected to offset impact of slightly lower asset growth and fee income. RoA guidance has been revised to 4.4-4.6% vs. 4.6-4.8% and RoE at 19-20% versus 22-24%. For the life insurance business (BALIC), though APE growth was weak (down ~6% y-o-y), VNB margins improved to 22.1% vs 18.1% y-o-y led by recalibration in product mix. BAGIC's earnings decline by 4% y-o-y mainly led by lower investment income (down 14% y-o-y). GWP growth was muted and combined ratio was higher despite a moderation in claim ratio. Underwriting loss stood at Rs 3 crore in Q4 vs loss of Rs. 76 crore y-o-y.

Key positives

- In the life Insurance business, VNB margins improved to 22.1% vs 18.1% y-o-y led by recalibration in the product mix.
- In the general insurance business, motor segment and retail health segment grew at healthy rate at 16%/14% y-o-y, respectively.

Key negatives

- For the life insurance business, weak volumes in the agency channel (down ~17% y-o-y) weakened APE.
- In the lending business, the company has guided for slightly lower return ratio and AUM growth, citing focus on improving the credit cost.
- In the general insurance business, GWP (ex-crop & government health business) growth was muted led by accounting adjustments and weak commercial business (down 10% y-o-y) and group health business (down 21% y-o-y).

Management Commentary

- Pricing pressure continues to impact the group health and crop businesses.
- Axis Bank's contribution to overall APE was 22% compared with the 57% share of Bancassurance.
- BALIC 2.0 was launched with a focus on sustainable and profitable growth while restructuring products to comply with revised product regulations. Simultaneously, it restructured other products as well, focused on balanced product mix and operating leverage. focus is increasing the share of retail protection business,
- VNB growth is expected to be higher than APE growth going forward. Impact of surrender values on margin was negligible. A change in product mix (higher retail protection mix) and altering of the commission structures led to improve profitability. ULIPs now have higher rider attachment.

Our Call

Valuation – Maintain Buy with 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 in the 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	Rationale	Value per share (Rs.)
BALIC	75%	2.2x FY27E EV	325
BAGIC	75%	28x FY27E PAT	347
Bajaj Finance	51%	4.2x FY27E BVPS	1,864
Less: Holding Co Discount			187
Total			2,350

Source: Company; Mirae Asset Sharekhan Research

Result Table

Bajaj Finserv (Consolidated)

Rs cr

Particulars	Q4FY25	Q4FY24	y-o-y (%)	Q3FY25	q-o-q (%)
Income from operations	36,595	32,041	14.2	32,042	14.2
Other income	1.1	1.1			
Total Income from operations	36,596	32,042	14.2	32,042	14.2
Expenses					
Employee benefits expenses	3,147	2,811	12.0	3,020	4.2
Finance costs	6,396	5,154	24.1	6,276	1.9
Fees and commission expense	2,626	2,099	25.1	2,149	22.2
Claims paid	6,316	6,635	-4.8	5,802	8.8
Reinsurance ceded	3,153	2,583	22.1	3,168	-0.5
Net change in insurance/ Investment contract liabilities	4,612	3,687	25.1	1,737	165.5
Depreciation, amortisation and impairment	339	257	32.1	289	17.7
Other expenses	1,692	1,721	-1.7	1,765	-4.2
Provisions	2,322	1,302	78.4	2,028	14.5
Impairment of financial instruments – lending assets	2,271	1,228	85.0	2,043	11.2
Impairment of financial instruments – investments	50	74	-31.7	-16	NM
Share in PAT of invest in associates	9	3	171.2	3	191.3
Profit before tax	6,002	5,527	8.6	5,812	3.3
Tax	1,246	1,442	-13.6	1,400	-11.0
Profit after tax	4,756	4,085	16.4	4,412	7.8
Profit attributable to non-controlling interest	2,340	1,966	19.0	2,181	7.3
Profit for the period	2,417	2,119	14.1	2,231	8.3

Source: Company; Mirae Asset Sharekhan Research

Bajaj Finance (Consolidated)

Rs cr

Particulars	Q4FY25	Q4FY24	y-o-y (%)	Q3FY25	q-o-q (%)
Interest Income	16,359	13,230	24%	15,768	4%
Interest Expenses	6,552	5,217	26%	6,386	3%
Net Interest Income	9,807	8,013	22%	9,382	5%
Fee and Other Income	2,110	1,701	24%	2,291	-8%
Net Income	11,917	9,714	23%	11,673	2%
Operating Expenses	3,950	3,302	20%	3,868	2%
Pre-Provisioning Profit (PPoP)	7,967	6,412	24%	7,805	2%
Provisions and Write-offs	2,329	1,310	78%	2,043	14%
PBT	5,647	5,105	11%	5,765	-2%
Tax	1,167	1,280	-9%	1,457	-20%
Tax Rate (%)	20.7	25.1		25.3	
PAT	4,480	3,825	17%	4,308	4%

Source: Company; Mirae Asset Sharekhan Research

Bajaj Allianz Life Insurance

Particulars	Rs cr				
	Q4FY25	Q4FY24	y-o-y (%)	Q3FY25	q-o-q (%)
Gross written premium	9,237	8,183	12.9	6,361	45.2
New business premium	3,789	3,953	-4.1	2,761	37.2
Renewal premium	5,448	4,230	28.8	3,600	51.3
Value of new business	549	480	14.4	254	116.1
Profit/(Loss) after tax	41	106	-61.3	222	-81.5

Source: Company; Mirae Asset Sharekhan Research

Bajaj Allianz General Insurance

Particulars	Rs cr				
	Q4FY25	Q4FY24	y-o-y (%)	Q3FY25	q-o-q (%)
Gross Written Premium	4,326	4,962	-12.8	6,626	-34.7
Net Earned Premium	2,270	2,338	-2.9	2,403	-5.5
Underwriting Result	-3	-76	NM	-43	NM
Investment and other Income (net)	485	566	-14.3	577	-15.9
Profit before tax	482	490	-1.6	534	-9.7
Profit after tax	363	380	-4.5	400	-9.3

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Long runway for growth

We believe that the retail credit segment has 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 risks / 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 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 in the 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). Apart from these, Bajaj Finserv also has three other fully owned subsidiaries – BFS Asset Management Company (Bajaj AMC), BFS Direct Limited, BFS Health limited. 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	Vice Chairman
Anup Saha	MD Bajaj Finance
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	3.92
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	SBI Funds Management Ltd	1.34
9	Bajaj Niraj	1.33
10	Vanguard Group Inc/The	0.99

Source: Bloomberg

Mirae Asset Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a position in the companies mentioned in the article.

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

DISCLAIMER

This information/document has been prepared by Sharekhan Ltd. (SHAREKHAN) and is intended for use only by the person or entity to which it is addressed to. This Document may contain confidential and/or privileged material and is not for any type of circulation and any review, retransmission, or any other use is strictly prohibited. This information/ document is subject to changes without prior notice.

Recommendation in reports based on technical and derivatives analysis is based on studying charts of a stock's price movement, trading volume, outstanding positions, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals. However, this would only apply for information/document focused on technical and derivatives research and shall not apply to reports/documents/information focused on fundamental research.

This information/document does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same, not all customers may receive this report at the same time. SHAREKHAN will not treat recipients as customers by virtue of their receiving this information/report.

The information contained herein is obtained from publicly available data or other sources believed to be reliable and SHAREKHAN has not independently verified the accuracy and completeness of the said data and hence it should not be relied upon as such. While we would endeavour to update the information herein on reasonable basis, SHAREKHAN, its subsidiaries and associated companies, their directors and employees ("SHAREKHAN and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent SHAREKHAN and affiliates from doing so. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Recipients of this report should also be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved) and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. We do not undertake to advise you as to any change of our views. Affiliates of Sharekhan may have issued other recommendations/ reports that are inconsistent with and reach different conclusions from the information presented in this recommendations/report.

This information/recommendation/report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject SHAREKHAN and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

The analyst certifies that the analyst might have dealt or traded directly or indirectly in securities of the company and that all the views expressed in this document accurately reflect his or her personal views about the subject company or companies and its or their securities and do not necessarily reflect those of SHAREKHAN. The analyst and SHAREKHAN further certifies that either he or his relatives or Sharekhan associates might have direct or indirect financial interest or might have actual or beneficial ownership of 1% or more in the securities of the company at the end of the month immediately preceding the date of publication of the research report. The analyst and SHAREKHAN encourages independence in research report/ material preparation and strives to minimize conflict in preparation of research report. The analyst and SHAREKHAN does not have any material conflict of interest or has not served as officer, director or employee or engaged in market making activity of the company. The analyst and SHAREKHAN has not been a part of the team which has managed or co-managed the public offerings of the company, and no part of the analyst's compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this document. Sharekhan Ltd or its associates or analysts have not received any compensation for investment banking, merchant banking, brokerage services or any compensation or other benefits from the subject company or from third party in the past twelve months in connection with the research report.

Either SHAREKHAN or its affiliates or its directors or employees / representatives / clients or their relatives may have position(s), make market, act as principal or engage in transactions of purchase or sell of securities, from time to time or may be materially interested in any of the securities or related securities referred to in this report and they may have used the information set forth herein before publication. SHAREKHAN may from time to time solicit from, or perform investment banking, or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall SHAREKHAN, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

Forward-looking statements (if any) are provided to allow potential investors the opportunity to understand management's beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment. These statements are not a guarantee of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or result expressed or implied by such forward-looking statements. Sharekhan/its affiliates undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader/investors are cautioned not to place undue reliance on forward-looking statements and use their independent judgement before taking any investment decision.

Investment in securities market are subject to market risks, read all the related documents carefully before investing. The securities quoted are for illustration only and are not recommendatory. Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T&C on www.sharekhan.com

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited, Research Analyst Regn No.: INH000006183. CIN: - U99999MH1995PLC087498.

Registered Office: The Ruby, 18th Floor, 29 Senapati Bapat Marg, Dadar (West), Mumbai - 400 028, Maharashtra, INDIA. Tel: 022-6115000.

Correspondence/Administrative Office Address - Gigaplex IT Park, Unit No 1001, 10th Floor, Building No.9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai - 400708. Tel: 022 61169000 / 61150000, Fax No. 61169699.

Other registrations of Sharekhan Ltd.: SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD) / MCX - Commodity: INZ000171337; BSE - 748, NSE - 10733, MCX - 56125, DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669 (date of initial registration: 03/07/2004, and valid till 02/07/2026); IRDAI Registered Corporate Agent (Composite) License No. CA0950, valid till June 13, 2027.

Chief Compliance Officer: Mr. Joby John Meledan; Tel: 022-62263303; email id: complianceofficer@sharekhan.com

For any complaints/grievance, email us at igc@sharekhan.com or you may even call Customer Service desk on - 022- 41523200/022-69920600.