



Q2FY26

Bajaj Finserv Ltd.



Bajaj Finserv Ltd.

Q2 delivered healthy YoY growth, though profitability moderated sequentially

CMP*	Target	Potential Upside	Market Cap (INR Bn)	Recommendation	Sector
INR 2,039	INR 2,137	4.8%	INR 3,244	HOLD	NBFC

Result Highlights

- The company delivered a resilient performance with healthy revenue growth but moderated sequential profitability due to higher expenses and provisions. Revenue from operations rose 11.0% YoY (up 5.5% QoQ) to INR 3,74,029 mn almost in-line with our estimates, supported by strong lending momentum. Net interest income increased 10.3% YoY to INR 3,05,016 mn.
- Operating costs remained elevated, employee expenses rose 12.5% YoY, while other operating expenses grew 7.3% YoY, leading to a 10.7% QoQ increase in total operating expenses. Operating profit declined 2.3% QoQ to INR 90,989 mn but was up 15.7% YoY.
- Provisions increased 7.8% QoQ (19.9% YoY) to INR 22,769 mn, weighing on profitability. Consequently, PBT stood at INR 68,251 mn (-5.3% QoQ / +14.4% YoY), and net profit came in at INR 47,465 mn (-10.9% QoQ / +13.5% YoY). Profit for shareholders (excluding minority shareholders) declined 19.5% QoQ to INR 22,441 mn due to higher minority interest, though it grew 7.5% YoY.

Subsidiaries Performance

- Bajaj Finance reported a 20% YoY rise in net total income to INR 1,31,700 mn and PAT up 22% YoY to INR 48,760 mn, supported by 24% AUM growth to INR 4,62,261 mn. BHFL delivered 18% PAT growth to INR 6,430 mn with a 26.1% CRAR.
- Bajaj Life Insurance posted 28% growth in gross written premium to INR 83,660 mn and a 50% jump in Net VNB, though PAT fell to INR 130 mn due to GST credit loss.
- Bajaj General Insurance grew gross written premium 9% to INR 64,130 mn, with PAT up 5% to INR 5,170 mn, maintaining a 339% solvency ratio.

Valuation and Outlook

Bajaj Finserv reported a resilient Q2 FY26, supported by steady performance across lending and insurance businesses. Bajaj Finance and Bajaj Housing Finance recorded healthy AUM growth and solid profitability, while Bajaj Life delivered its highest-ever VNB and margin expansion. Bajaj General outpaced industry growth, maintaining strong profitability metrics. However, elevated credit costs, GST-related impact, and a higher combined ratio weighed on consolidated earnings. We remain constructive on company's sustaining profitability and improving growth momentum across key businesses in the coming quarters.

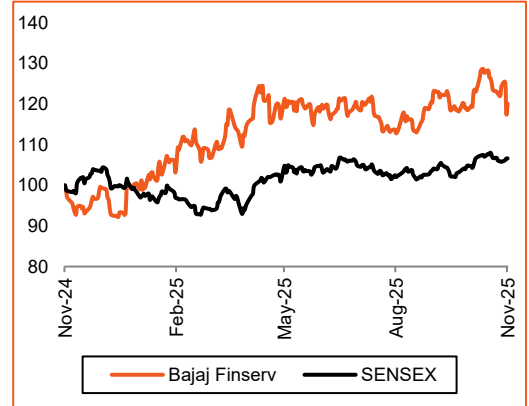
We value Bajaj Finserv on a SOPT basis, valuing Bajaj Life Insurance at 2.0x FY27E EV; valuing Bajaj General Insurance at 1.5x FY27E BV; valuing its stake in Bajaj Finance at 4.8x FY27E ABV and its investments at INR 15 per share, implying a target of INR 2,137 per share and revise our rating from "ACCUMULATE" to "**HOLD**" on the stock.

KEY FINANCIALS

Particulars (INR Mn)	FY24	FY25	FY26E	FY27E	FY28E
NII	9,19,824	10,95,114	12,10,223	14,63,120	17,78,452
Operating Profit	2,60,005	3,16,778	3,72,687	4,61,259	5,89,441
PAT (Post Minority Interest)	81,478	88,723	1,01,193	1,33,915	1,73,655
EPS (INR/share)	51.2	55.6	63.3	83.8	108.7
BVPS (INR/share)	378.8	453.4	515.4	598.2	705.9

Source: Company, DevenChoksey Research

SHARE PRICE PERFORMANCE



MARKET DATA

Shares outs (# Mn.)	1,597
Mkt Cap (INR Bn.)	3,244
52 Week H/L (INR)	2,195/1,552

Note: All the market data is as of previous closing.

SHARE HOLDING PATTERN (%)

Particulars (%)	Sep-25	Jun-25	Mar-25
Promoters	58.8	58.8	60.6
FIIIs	8.1	8.4	7.5
DIIIs	10.5	10.1	9.0
Others	22.6	22.7	22.9
Total	100.0	100.0	100.0

15.5%

Revenue CAGR
between FY25-27E

22.9%

PAT CAGR
between FY25-27E

Bajaj Finserv Ltd.

Key Con-call Highlights:

Consolidated financial performance

- Consolidated total income rose 11% YoY to INR 374,029 mn (Q2 FY26 vs Q2 FY25). Consolidated PAT grew ~8% to INR 22,440 mn; management noted excluding insurance MTM movements, consolidated profit growth would be ~12%. Insurance MTM swings materially affect consolidated PAT comparability.

Allianz exit update – JV stake acquisition

- Management confirmed required regulatory approvals (CCI/IRDAI approvals and ROC approval for name change) and said the two insurance subsidiaries have been re-branded to Bajaj General Insurance Ltd and Bajaj Life Insurance Ltd.
- They expect to conclude acquisition of Allianz's stake over the next few months; no granular tranche schedule was disclosed beyond this timing.

Bajaj General Insurance (BAGIC)

- Accounting change: from 1 Oct 2024 IRDAI mandated 1/N premium recognition for long-term products — this distorts GWP and combined ratio comparability but does not change underlying underwriting economics. Management disclosed both reported and adjusted metrics.
- Growth: GWP INR 64,130 mn (+9% reported; +13.6% ex-1/N) vs market growth ~1.8%. Excluding bulky tender-driven businesses, BAGIC's ex-1/N growth was ~18% vs industry ~13.4% — a multi-point outperformance driven by profitable commercial lines (fire, marine, engineering, liability), motor and miscellaneous.
- Underwriting: underwriting loss INR 920 mn (vs INR 480 mn LY). Reported combined ratio 102.3%; adjusted ~101.4%, broadly flat YoY. Higher acquisition costs (targeting preferred lines) pressured underwriting; management expects BAGIC to remain among the lowest combined-ratio players in the multi-line market.
- AUM / capital / ROE: AUM ~INR 350,000 mn (vs ~INR 320,000 mn LY). Management reiterated ROE "reasonably above 20%" (ex-surplus capital).

Bajaj Life Insurance (BALIC)

- "BALIC 2.0": product re-structuring and cost rationalization to drive sustainable profitability. Outcomes: VNB INR 3,670 mn (Q2) vs INR 2,450 mn LY; NBM 17.1% vs 10.8% LY — pronounced margin expansion.
- Product mix (Q2): ULIPs ~43%, non-par savings ~20%, par ~21%, term ~8%, annuities ~9%. Retail protection grew ~71% (now ~8% of retail WRP); group protection +23%. Persistency weakness observed in some cohorts (industry-wide) and is being addressed.
- Profitability: reported PAT INR 130 mn (vs INR 1,480 mn LY) largely due to a INR 1,120 mn GST/ITC-related impact; management views this as a short-term headwind to be mitigated over the coming quarters.

Lending businesses — Bajaj Finance (BFL) & Bajaj Housing Finance (BHFL)

- BFL: New loan bookings strong. AUM +24% YoY to ~INR 4,620,000 mn, net total income +20% to INR 131,700 mn, PAT +23% to INR 49,480 mn. OPEX/NTI improved to 32.6%; credit costs rose (notably 2W and unsecured MSME); management cut ~25% of unsecured MSME volumes. Capital adequacy ~21.2%. GNPA ~1.24%.
- BHFL: AUM +24% with diversified growth (home loans +19%, LAP +29%, LRD +35%, developer finance +25%). NII +22%; PAT +18% to INR 6,430 mn. GNPA/NNPA remain low; CAR ~26.1%.

Platform businesses & AMC

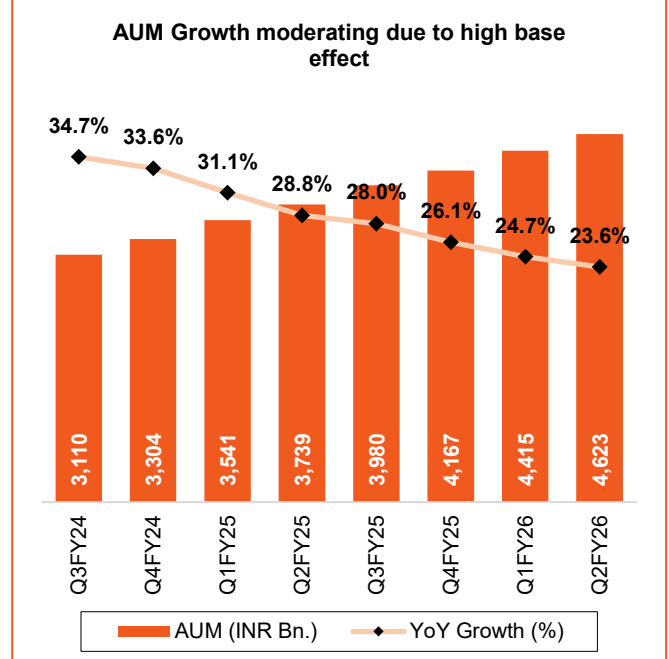
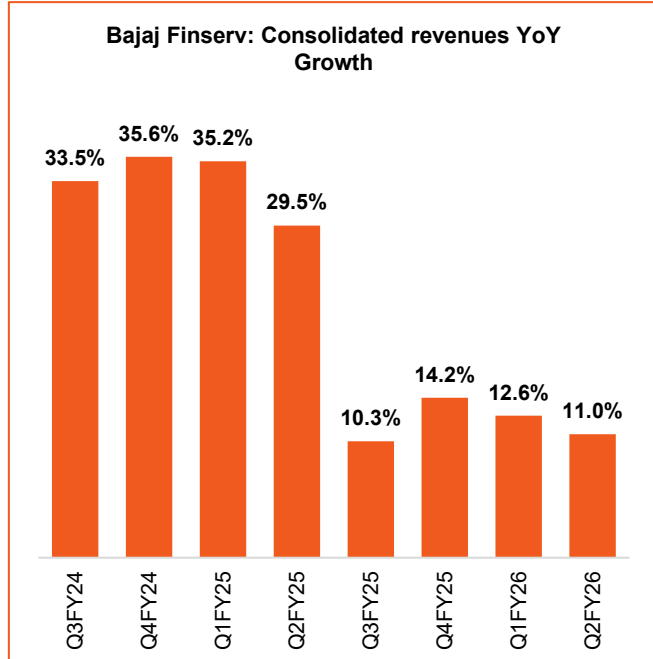
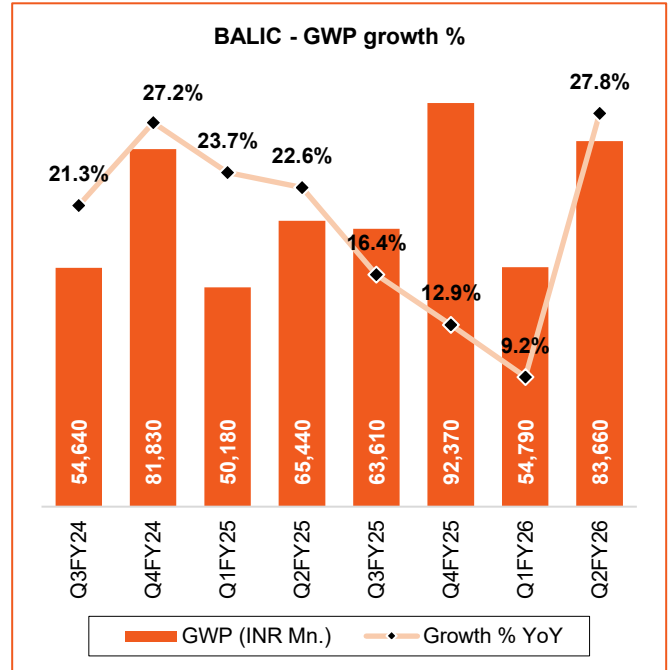
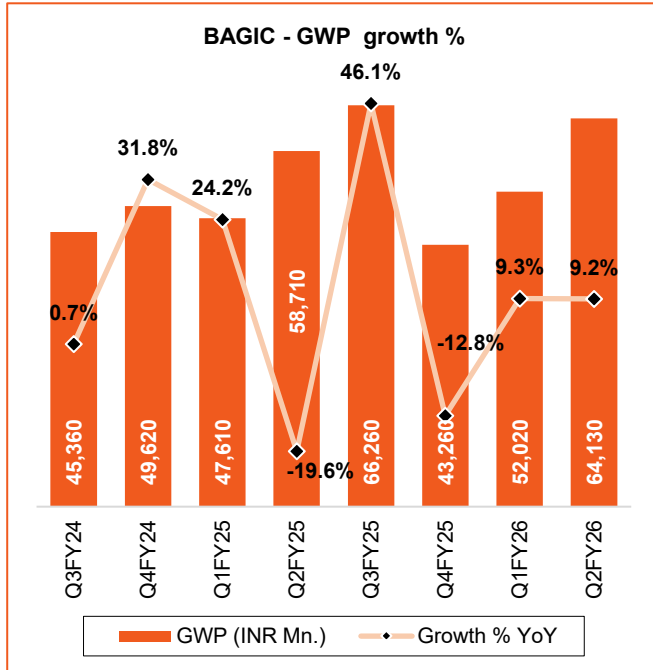
- Bajaj Finserv Health: Transactions 6.2 mn in Q2 vs 2.4 mn LY; provider network ~133k doctors, ~5.7k labs, ~16k hospitals. Revenue +22%. Management targets break-even by FY28 (next-to-next year) and focuses on volume-led operating leverage and new services.
- Bajaj Finserv Direct / Markets: Disbursements ramped; Q2 topline intentionally lower due to system migration to SFDC; partner base ~101.
- Bajaj Finserv AMC: AUM ~INR 288,500 mn (30 Sep); subsequently crossed INR 300,000 mn. Equity mix 52%; non-group AUM ~86% — rapid scaling since launch.

Capital & solvency position

- Solvency ratios: BALIC ~346%, BAGIC ~339% — ample buffer and surplus capital. Management highlighted life is deploying capital selectively while non-life is capital-generative.

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Story in Charts



Source: Company, DevenChoksey Research

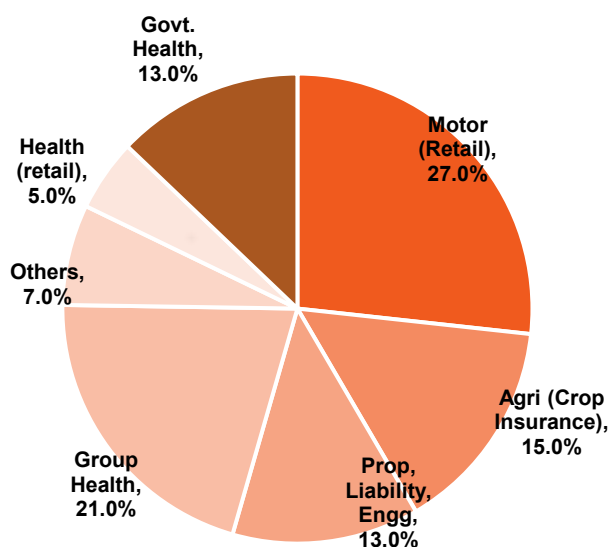
Bajaj Finserv Ltd.

Result Snapshot

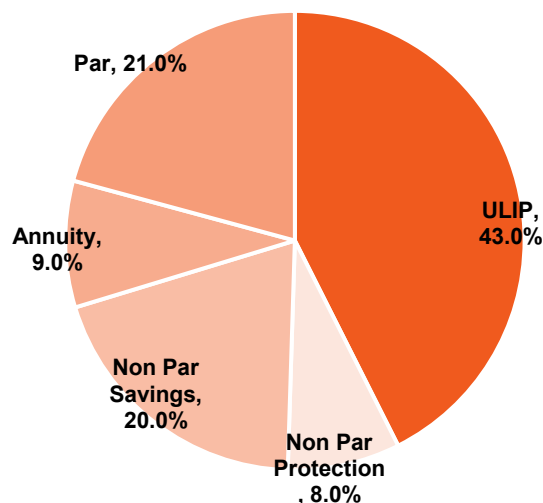
Particulars (In INR Mn) Consolidated	Q2FY26	Q1FY26	Q2FY25	Q-o-Q	Y-o-Y
Revenue from Operations	3,74,029	3,54,391	3,37,037	5.5%	11.0%
Interest expense	69,013	68,071	60,456	1.4%	14.2%
Net interest income	3,05,016	2,86,320	2,76,581	6.5%	10.3%
Non interest income	0	123	0	NM	NM
Total income	3,05,016	2,86,442	2,76,581	6.5%	10.3%
Employee costs	33,855	31,938	30,085	6.0%	12.5%
Other operating expenses	1,80,172	1,61,347	1,67,877	11.7%	7.3%
Operating expenses	2,14,028	1,93,285	1,97,962	10.7%	8.1%
Operating Profit	90,989	93,158	78,619	-2.3%	15.7%
Loan Losses and Provisions	22,769	21,128	18,994	7.8%	19.9%
Share of Profit from JVs	32	6	35	416.1%	-7.2%
Profit before tax	68,251	72,036	59,660	-5.3%	14.4%
Tax expense	20,787	18,745	17,858	10.9%	16.4%
Net profit	47,465	53,292	41,802	-10.9%	13.5%
Minority Interests	25,024	25,401	20,932	-1.5%	19.5%
Profit for Shareholders	22,441	27,891	20,870	-19.5%	7.5%

Source: Company, DevenChoksey Research

BAGIC- Product Mix for Q2FY26



BALIC- Product Mix for Q2FY26



Source: Company, DevenChoksey Research

Bajaj Finserv Ltd.

Financials:

Exhibit 1: Profit & Loss Statement

INR Mn	FY25	FY26E	FY27E	FY28E
Revenue from Operations	13,38,211	14,83,165	17,84,299	21,48,875
Finance Cost	2,43,097	2,72,942	3,21,179	3,70,423
Net Interest Income	10,95,114	12,10,223	14,63,120	17,78,452
Other Income	11	145	28	90
Operating Income	10,95,124	12,10,367	14,63,148	17,78,542
- Employee expense	1,20,696	1,35,232	1,64,158	1,93,407
- Other operating expense	6,57,650	7,02,449	8,37,732	9,95,694
Operating Expense	7,78,346	8,37,680	10,01,890	11,89,101
Operating Profit	3,16,778	3,72,687	4,61,259	5,89,441
Provisions	79,476	84,277	94,569	1,13,895
Share of Profits from JVs	180	118	200	220
PBT	2,37,482	2,88,528	3,66,889	4,75,766
Tax Expense	61,906	79,556	99,060	1,28,457
PAT	1,75,576	2,08,972	2,67,829	3,47,309
Minority Interests	86,853	1,07,779	1,33,915	1,73,655
Profit for Shareholders	88,723	1,01,193	1,33,915	1,73,655
Diluted EPS (INR)	55.6	63.3	83.8	108.7

Exhibit 2: Balance Sheet

INR Mn	FY25	FY26E	FY27E	FY28E
Source of Funds				
Share Capital	1,596	1,596	1,596	1,596
Reserves & Surplus	7,22,357	8,21,954	9,54,272	11,26,331
Net worth	7,23,953	8,23,550	9,55,868	11,27,927
Minority Interest	5,60,389	6,68,168	8,02,083	9,75,738
Total Equity	12,84,342	14,91,718	17,57,952	21,03,665
Borrowings	13,21,030	15,67,284	18,33,723	21,45,455
Deposits	7,14,031	8,70,713	11,20,608	13,11,112
Debt Securities	14,77,402	15,31,129	19,52,190	24,40,237
Insurance Contract Liabilities	13,46,787	15,61,752	20,67,024	25,83,780
Other Liabilities & Provisions	3,78,724	4,34,517	5,00,743	5,81,087
Total Equities And Liabilities	65,22,316	74,57,114	92,32,239	1,11,65,336
Uses of Funds				
Cash & Bank Balances	1,57,368	1,29,723	1,66,560	1,80,071
Receivables + Loans/Advances	41,68,101	48,86,738	60,52,038	72,58,676
Net Investments	19,01,298	20,86,339	26,06,923	32,57,653
Deferred Tax Assets	18,839	18,839	18,839	18,839
Goodwill in Consolidation	8,028	10,364	12,126	14,187
Fixed Assets	44,709	47,611	55,294	64,897
Other Assets	2,23,973	2,77,500	3,20,461	3,71,015
TOTAL ASSETS	65,22,316	74,57,114	92,32,239	1,11,65,336

Source: Company, DevenChoksey Research

Exhibit 3: Key Ratios

Key Ratio	FY25	FY26E	FY27E	FY28E
Growth Rates				
AUM (BAF) (%)	25.0%	17.0%	24.0%	20.0%
Borrowings (%)	18.4%	18.6%	17.0%	17.0%
NII (%)	19.1%	10.5%	20.9%	21.6%
PAT (%)	12.6%	19.0%	28.2%	29.7%
B/S Ratios				
Advances/Total Assets	63.9%	65.5%	65.6%	65.0%
BFL - CAR (%)	21.6%	20.7%	19.8%	19.8%
Tier I (%)	20.7%	19.9%	19.2%	19.2%
Bajaj Housing - CAR (%)	21.0%	20.5%	20.5%	20.5%
Leverage	6.3	5.8	6.2	6.4
Operating efficiency				
Cost/Income (%)	71.1%	69.2%	68.5%	66.9%
Opex/total assets (%)	11.9%	11.2%	10.9%	10.6%
Opex/total interest earning assets	13.7%	12.6%	12.6%	12.2%
Bajaj Finance - Asset quality				
Gross NPA (%)	1.0%	1.2%	1.3%	1.3%
Net NPA (%)	0.4%	0.6%	0.6%	0.6%
PCR (%)	54.2%	51.2%	53.4%	54.6%
Credit cost (%)	0.2%	2.0%	2.0%	2.0%
Bajaj Allianz Life Insurance				
VNB	11520.0	11612.4	12428.5	14292.8
VNB Margin	11.5%	13.0%	13.0%	13.0%
EV	2,38,044	2,71,676	3,08,889	3,51,011
RoEV	13.0%	12.9%	12.6%	12.7%
Bajaj Allianz General Insurance				
Growth in Investments	5.2%	13.0%	13.0%	13.0%
RoE	13.5%	14.7%	14.6%	14.2%
Per share data / Valuation				
EPS (INR)	55.6	63.3	83.8	108.7
BVPS (INR)	453.4	515.4	598.2	705.9
P/E (x)	34.9	31.6	23.9	18.4
P/BV (x)	4.3	3.9	3.3	2.8
Profitability				
RoA (%)	2.69%	2.80%	2.90%	3.11%
RoE (%)	12.3%	12.3%	14.0%	15.4%

Bajaj Finserv Ltd.

Bajaj Finserv Ltd.			
Date	CMP (INR)	TP (INR)	Recommendation
13-Nov-25	2,039	2,137	HOLD
05-Sep-25	2,002	2,213	ACCUMULATE
02-May-25	1,954	2,133	ACCUMULATE
31-Jan-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

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%

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