Bajaj Finserv (BAFINS)

ICICI Direct

CMP: ₹2029	Target ₹ 2360 (16%)	Target Period: 12 months	BUY

August 1, 2026

Insurance margins improve; lending momentum intact...

About the stock: Bajaj Finserv (Finserv) is a financial conglomerate with a holding in the financing business (Bajaj Finance), life insurance (Bajaj Life Insurance), general insurance (Bajaj General Insurance) & other financial business.

Q1FY27 performance: Bajaj Finserv reported a healthy Q1FY27 performance, with consolidated PAT rising 18% YoY to ₹6,297 crore, driven by strong performance across lending and insurance businesses. The lending business remained robust, with Bajaj Finance delivering healthy AUM growth of 24% YoY to ₹5,46,944 crore, supported by improved asset quality and strong profitability. Life Insurance delivered healthy traction with RWRP growth of 17.5% YoY to ₹1,474 crore, VNB growth of 87% YoY to ₹271 crore and new business margin expansion of 480 bps YoY to 15.9%. In General Insurance, GWP growth remained slow at 11.3% YoY, though in-line with industry, while combined ratio increased to ~104.7% due to elevated government health loss ratio and weakness in fire segment.

Investment Rationale:

- **Selective approach with underwriting discipline to aid sustainable profitability:** GWP grew 11.3% YoY to ₹5,789 crore, broadly in-line with industry growth despite a calibrated approach towards motor segment amid a soft pricing environment. Combined ratio increased to 104.7% due to elevated government health claims and weakness in fire portfolio; however, management reiterated its profitability-over-growth strategy, targeting a ~100% combined ratio over the cycle through disciplined underwriting, portfolio diversification and robust reinsurance protection.
- **Continued execution of strategy to strengthens margin trajectory:** Retail weighted received premium (RWRP) grew 17.5% YoY to ₹1,474 crore, while VNB increased 87% YoY to ₹271 crore, with new business margin expanding 480 bps YoY to 15.9% despite a 290 bps GST headwind. Retail protection business grew 60% YoY, increasing its share to 12%, while rider attachment improved to 22%, reflecting successful execution of business strategy. Management expects continued margin expansion through a richer product mix, higher protection penetration and operating leverage, supporting sustainable improvement in profitability.
- **Diversified financial platform and scalable adjacencies enhance long-term earnings visibility:** Bajaj Finance remained the key earnings driver with AUM growth of 24% YoY to ₹5.47 lakh crore, while HFC delivered 24% AUM growth with healthy asset quality. Emerging businesses continue to gain scale, with AMC AUM increasing to ₹31,400 crore and management targeting ₹1 lakh crore AUM over next three years, alongside expansion in Markets, Health, Alternate Investments. Management has proposed entering reinsurance business, thus, strengthening earnings diversification. Operating leverage and medium-term RoE visibility remains intact.

Rating and Target Price

- While volatility persist in earnings of general insurance business, disciplined underwriting, structural improvement in life insurance margins and scaling of diversified financial businesses are expected to support healthy earnings growth, thereby sustaining return ratios. Valuing business using SOTP valuation, we revise our target price to ₹2360 (earlier ₹2150). Maintain Buy.

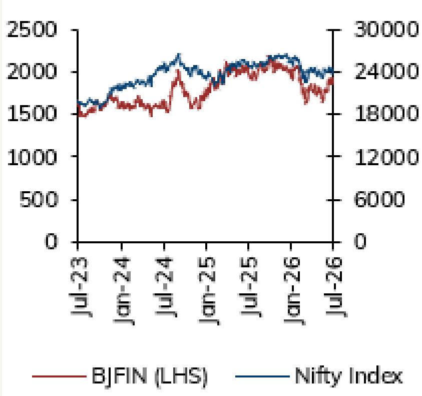
Particulars

Particulars	Amount
Market Capitalisation	₹ 3,24,768 crore
Net worth	₹ 82,862 crore
52-week H/L	2195 /1597
Face Value	₹ 1
DII Holding (%)	12.1
FII Holding (%)	6.9

Shareholding pattern

(in %)	Sept 25	Dec 25	Mar 26	Jun 26
Promoter	58.8	58.8	58.7	58.7
FII	8.1	8.1	7.2	6.9
DII	0.5	10.7	11.8	12.1
Public	22.5	22.4	22.2	22.2
Others	0.1	0.1	0.1	0.1

Price Chart



Key risks

(i) Higher-than-expected credit cost impacting lending profitability

(ii) Volatility in combined ratio

Research Analyst

Vishal Narnolia
vishal.narnolia@icicisecurities.com

Nivedita Choudhary
nivedita.choudhary@icicisecurities.com

Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

Key financials (in ₹ crore)	FY24	FY25	FY26	3 Year CAGR (FY23-FY25)	FY27E	FY28E	2 year CAGR (FY26-28E)
Revenue	110,383	133,822	150,530	28.0%	178,793	214,161	19.3%
PAT	8,148	8,872	9,801	16.2%	11,186	12,854	14.5%
EPS (₹)	51.2	55.2	61.6		70.0	80.4	
BV (₹)	342.3	397.1	457.3		526.9	606.9	
P/E	39.7	36.8	32.9		29.0	25.2	
P/BV	5.9	5.1	4.4		3.9	3.3	
RoA	3.5	3.0	1.8		1.3	1.2	
RoE	16.1	14.9	14.4		14.2	14.2	

Source: Company, ICICI Direct Research

Concall highlights and outlook

Bajaj General Insurance

- GWP grew 11.3% YoY to ₹5,789 crore, in line with industry GDPI growth of 11.1%; ex-crop and government health, GWP grew ~10% against industry growth of ~12%, lower due to a tactical reduction in the motor segment amid elevated pricing pressure.
- Underwriting loss widened to ₹130 crore (vs ₹116 crore YoY), impacted by high health loss ratios on account of a higher government health mix in net earned premium.
- Combined ratio rose to ~104.7% (~103.9% on old accounting basis) vs 103.6% YoY, owing to fire segment de-growth across the industry and slightly elevated government health loss ratio.
- Profit declined to ₹478 crore (vs ₹660 crore YoY) on lower capital gains booked amid a challenging macro environment. Annualised RoE (ex-surplus capital, solvency at 200%) stood at 17.3%.
- AUM stood at ~₹35,000 crore, marginally lower YoY, as buyback and a high dividend payout during the quarter reduced capital by ~₹3,515 crore; solvency stood at 254%.
- On the Supreme Court ruling on motor TP compensation for homemakers, management said the company has already completed its review and remains fairly well provided, citing an immaterial number of homemaker cases in the book and a conservative ultimate loss ratio approach. GIC has filed a review petition against the judgment, whose outcome is awaited.
- Management reiterated its disciplined underwriting strategy, prioritizing profitability over market share by tactically reducing motor exposure amid a soft pricing cycle. The company is willing to sacrifice growth where pricing is inadequate, while maintaining superior underwriting performance through disciplined risk selection and portfolio diversification. Industry combined ratio has deteriorated by ~5% or more, whereas Bajaj General's increased by only ~1%. The company also maintains robust reinsurance treaties and NatCat reserves to mitigate the impact of large catastrophe events.
- Crop tenders secured this year are expected to be higher than last year. The government health contract is on a two-plus-one tender basis and is expected to renew this year, though scale could be marginally lower than last year owing to base effect.

Bajaj Life Insurance

- AUM RWRP grew 17.5% YoY to ₹1,474 crore, ahead of industry growth of 16.2%; retail protection contributed 12% to the overall retail mix, growing 60% YoY.
- Group protection business grew 95% YoY, driven by a revival in the MFI business and addition of 20+ new partners over the last 15 months, reducing dependence on any single distribution partner.
- VNB grew 87% YoY to ₹271 crore; new business margin expanded 480 bps YoY to 15.9%, despite a 290 bps GST headwind on margins.
- GWP grew 35%, supported by renewal premium growth of ~18%. PAT declined to ₹51 crore (vs ₹171 crore YoY) due to lower realised capital gains amid subdued equity markets and the upfront GST cost write-off.
- Persistency dips were observed across certain cohorts, in line with the industry, linked to early-withdrawal features on a low-duration product launched last year; the product has since been reconfigured and closed.
- Product mix remained largely stable: non-par savings plus annuity in the 22–25% range, ULIP at ~45%, while retail protection mix improved to 12% from ~8–8.5% YoY. Rider attachment stood at 22% of NOPs across term and savings plans, with management aiming to further increase rider penetration and protection mix over time. Additionally, 34% of customers purchased term plans and another 16% opted for enhanced riders during the quarter.

- AUM grew ~10% YoY to ₹1,43,744 crore. Solvency stood at 285%. Management noted minimal customer overlap with other group companies, as retail life is largely sourced from the open market.

New and other business segments

- Bajaj Finance: AUM grew 24% YoY to ₹5,46,944 crore; new loans booked grew 20% to 1.61 crore and net total income rose 22% to ₹15,224 crore. PAT grew 27.6% to ₹6,081 crore. Loan loss to AUM ratio improved to 1.54% (vs 1.87% YoY), with GNPA/NNPA at 0.96%/0.39%. Opex to NTI stood at 33.4% (vs 33.1% YoY), with management guiding for a 25–40 bps improvement in FY27 through AI-led operating efficiencies. Capital adequacy remained strong at 20.9%.
- Bajaj Housing Finance: AUM grew 24% YoY with broad-based growth across home loans (+20%), loan against property (+22%), lease rental discounting (+41%) and developer finance (+19%). NII grew 9% to ₹968 crore, while PAT rose 23% to ₹715 crore on higher fee income, lower opex and credit cost. GNPA/NNPA stood at 0.29%/0.12%, while capital adequacy remained healthy at 21.59%.
- Bajaj Finserv AMC: AUM grew 26% YoY to ₹31,400 crore, retaining the 26th spot among Indian mutual fund companies. SIP book grew 66% and SIP folios grew 69% YoY. Management reiterated its ambition to scale AUM to ₹1 lakh crore over the next three years as the path towards profitability.
- Bajaj Finserv Health: Executed ~6 million healthcare transactions (vs 5.6 million YoY). Revenue saw a small de-growth due to partnership restructuring linked to RBI's digital lending conduct norms for NBFCs. The platform's network expanded to 1,30,000+ doctors, 15,000+ hospitals and 7,000+ lab touch points.
- Bajaj Markets: Disbursements rose to ₹2,269 crore (vs ₹2,046 crore QoQ, ₹1,209 crore YoY). Operating revenue grew 32% YoY to ₹107 crore, aided by ~₹15 crore of trail revenue. Management guided to breakeven at the company level by Q3/Q4 FY27 and a positive full year in FY28.
- Alternate Investments Company: Commenced operations with the launch of PMS products, while Real Estate and AIF offerings are expected to be launched in the next quarter.
- Board approved setting up a reinsurance company, with phase one focused on the domestic market requiring limited capital; though the same has not yet been quantified.

Exhibit 1: Variance Analysis

	Q1FY27	Q1FY26	YoY (%)	Q4FY26	QoQ (%)	Comments
General Insurance	5,789.2	5,201.5	11.3	4,321.8	34.0	Growth driven by tactical reduction in motor amid soft pricing and disciplined underwriting
Life Insurance	7,398.8	5,478.3	35.1	11,198.9	-33.9	Strong growth in VNB driven by higher protection mix, product restructuring and renewal premium growth
Net premium earned	13,188.0	10,679.8	23.5	15,520.7	-15.0	
Investment and other income	6,613.5	5,470.1	20.9	1,133.6	483.4	
Reinsurance Ceded	487.9	142.2	243.2	513.0	-4.9	
Reserve for unexpired risk	105.6	-7.5	-1,503.6	-1,917.2	-105.5	
Total Insurance	19,208.1	16,015.3	19.9	18,058.5	6.4	
Retail financing	23,166.4	19,527.7	18.6	21,606.5	7.2	Healthy AUM growth, improving asset quality and steady operating performance
Windmill	6.2	7.6	-18.1	2.4	155.6	
Investment and others	1,923.7	796.2	141.6	496.3	287.6	
Total	42,036.9	35,451.3	18.6	39,508.1	6.4	
Interest and Finance Charges	7,833.9	6,807.1	15.1	7,290.9	7.4	
Other Exp	25,270.9	21,440.6	17.9	25,289.1	-0.1	
Total Expenses	33,104.7	28,247.7	17.2	32,580.0	1.6	
PBT	8,932.2	7,203.6	24.0	6,928.1	28.9	
PAT	3,132.4	2,789.1	12.3	2,538.7	23.4	Relatively slower earnings momentum due to higher tax outgo and minority adjustment

Source: Company, ICICI Direct Research

Exhibit 2: SOTP Valuation

Business	Basis	Stake (%)	Business Value	Value of stake (₹ crore)	Value/share after 15% discount (₹)
BALIC	1.5x FY28E EV	77.3	52378	40504	215
BAGIC	28x FY28E PAT	77.3	53113	41072	218
Bajaj Finance	4.4x FY28E ABV	51	802122	411489	1927
Total					2360

Source: Company, ICICI Direct Research

Financial summary

Exhibit 3: Profit and loss statement (₹ crore)

(Year-end March)	FY25	FY26	FY27E	FY28E
Revenue				
Life Insurance	27,160	32,897	39,474	46,670
General Insurance	21,583	23,326	26,590	29,781
Total	48,743	56,223	66,064	76,452
Less: Reinsurance ceded	1,573	2,129	4,674	5,112
Reserve for unexpired risk	614	1,282	1,330	1,489
Net Insurance Premium Earned	46,556	52,812	60,061	69,851
Investment and other income	17,618	16,048	21,209	24,810
Total Insurance Income	64,173	68,860	81,270	94,661
Investment and others	4,006	3,619	4,545	5,454
Retail financing	68,847	81,990	96,659	118,095
Windmill	22	24	27	30
Total	137,048	154,493	182,501	218,240
Less: Inter-segment revenue	4,104	3,963	3,708	4,079
Total revenue	133,822	150,530	178,793	214,161
Total Insurance				
Retail financing	2,295	2,172	2,586	2,929
Investments & others	22,249	25,601	31,633	38,065
Windmill	-811	-903	-1,136	-1,364
Total PBIT	14	13	18	19
Less: Interest	24,559	27,786	33,101	39,650
Profit before tax	-811	-903	-1,136	-1,364
Tax	23,748	26,883	33,101	39,650
Net profit before minority	-6,191	-7,214	-9,797	-11,707
Minority and deferred tax adjustments	17,558	19,669	23,303	27,943
Net profit	8,685	9,869	12,118	15,089

Source: Company, ICICI Research

Exhibit 4: Key Ratios (₹ crore)

(Year-end March)	FY25	FY26	FY27E	FY28E
CMP	2,029	2,029	2,029	2,029
No. of shares in mn	1,594	1,599	1,599	1,599
EPS	55.2	61.6	70.0	80.4
BV	397.1	457.3	526.9	606.9
RoA	3.0	1.8	1.3	1.2
RoE	14.9	14.4	14.2	14.2
P/BV	5.1	4.4	3.9	3.3
P/E	36.8	32.9	29.0	25.2

Source: Company, ICICI Direct Research

Exhibit 5: Balance sheet (₹ crore)

(Year-end March)	FY25	FY26	FY27E	FY28E
Sources of Funds				
Shareholders' Funds	72,395	77,915	84,231	97,029
- Share capital	159	160	160	160
- Reserves & Surplus	72,236	77,755	84,071	96,869
Policy liabilities	134,679	147,818	196,082	254,380
Loan funds	354,350	444,336	546,533	672,236
Defered tax liability (net)	713	3	741	756
Provisions	677	1,018	400	416
Current liabilities	89,419	87,408	82,210	67,421
Total liabilities	652,232	758,498	910,197	1,092,236
Applications of Funds				
Fixed assets	4,280	4,614	5,075	5,583
Goodwill on investments in associates	2,302	2,408	689	689
Investments	53,956	48,300	57,960	69,552
Policyholders' Investments	136,173	146,114	175,336	210,404
Deferred Tax Assets (net)	1,202	2,051	786	825
Loans	408,491	500,016	615,020	750,324
Current assets	45,827	54,995	55,331	54,860
Total Assets	652,232	758,498	910,197	1,092,236

Source: Company, ICICI Research

Exhibit 6: Growth ratios

(Year-end March) - Growth ratios	FY25	FY26	FY27E	FY28E
Gross Written Premium				
- Life	13.9	22.2	23.1	18.2
- General	4.6	12.0	10.0	12.0
Loan book Bajaj Finance	25.2	23.3	24.3	23.2
Consol Networth	16.0	15.5	15.2	15.2
Consol Revenues	25.6	26.0	16.4	19.8
Consol PAT	7.8	12.0	13.6	14.9
Consol Effective Tax rate	24.7	27.1	29.6	29.5

Source: Company, ICICI Research

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Hold: -5% to 15%;

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Sell: <-15%

Pankaj Pandey	Head – Research	pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Jeetu Jawrani Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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