

## RESULT UPDATE

## KEY DATA

<b>Rating</b>	<b>BUY</b>
Sector relative	Neutral
Price (INR)	1,989
12 month price target (INR)	2,300
52 Week High/Low	2,195/1,552
Market cap (INR bn/USD bn)	3,179/35.9
Free float (%)	34.2
Avg. daily value traded (INR mn)	2,079.3

## SHAREHOLDING PATTERN

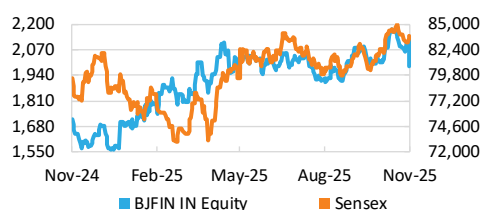
(%)	Sep-25	Jun-25	Mar-25
Promoter	58.8	58.8	60.6
FII	8.1	8.4	7.5
DII	10.5	10.1	9.0
Pledge	0.0	0.0	0.0

## FINANCIALS

(INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	22,617	26,009	29,911	34,397
EBITDA	20,162	23,273	26,856	30,981
Adjusted profit	15,589	17,705	20,433	23,573
Diluted EPS (INR)	9.7	11.1	12.8	14.7
EPS growth (%)	32.9	14.1	15.4	15.4
RoAE (%)	20.9	19.4	19.0	18.7
P/E (x)	237.1	207.8	180.1	156.1
EV/EBITDA (x)	156.8	135.3	116.7	100.6
Dividend yield (%)	0	0	0	0

## PRICE PERFORMANCE



## Improving profitability

Insurance subsidiaries of Bajaj Finserv delivered a mixed performance: while BALIC's total APE fell 5.2% YoY, its VNB margin improved 628bp YoY to 17.1% resulting in VNB growth of 49.8% YoY. Elevated expenses (+14.6% YoY) at BAGIC resulted in widened underwriting losses despite a 390bp YoY improvement in loss ratio. PAT improved 4.7% YoY to INR5.2bn driven by investment income (+11.3% YoY).

Given BALIC's margin improvement, we are raising FY27E/28E VNB by 11.1%/11.2%. We are building in CMP of INR950 for Bajaj Finance while valuing BALIC at FY27E P/EV of 1.5x and BAGIC at FY27E P/E of 24x. We roll forward to Sep-27E and consequently, upgrade to 'BUY' from 'HOLD' with a revised TP of INR2,300 (earlier INR2,190).

## BAGIC—NEP decreases; loss ratio improves

BAGIC clocked GWP growth of 9.2% YoY to INR64.1bn. GWP was driven by Motor/Property, liability and engineering segments/group health, which surged 18%/18.3%/9.2% YoY. Retail health (9% of GWP) grew 9.2% YoY while growth in government health (13% of GWP) and Agri (15% of GWP) moderated at 1.4%/2.4% YoY. Higher ceding (+22.4% YoY) led to NEP of INR24.1bn (-9.6% YoY). Loss ratios fell to 75.8% (-390bp YoY) as loss ratios for fire, motor TP, and crop improved notably while loss ratio for motor OD segment increased to 70.9% (+590bp YoY). Commission and expense ratio rose 480bp YoY to 26.5%. Management attributed the increase in commission expenses to an increasing share of long-term 2W and 4W policies, which involve upfront commission payments. Overall, combined ratio increased +90bp YoY to 102.3%. For Q2, IRDAI's direction of 1/n accounting for long term products hurt CoR by 90bp i.e., CoR ex-1/n impact was 101.4%. Underwriting loss surged to INR920mn versus INR480mn in Q2FY25. PAT rose to INR5.2bn (+4.7% YoY/-21.7% QoQ) as BAGIC reported investment income of INR7.9bn (+11.3% YoY).

## BALIC—Favourable mix aids VNB margin

BALIC's retail/group APE fell 2.4%/19.8% YoY leading to 5.2% fall in Q2FY26 total APE. In Q2, Individual APE product mix shifted in favour of Protection products (share in mix rose 400bp YoY to 8%). This led to VNB margin pickup by 628bp YoY to 17.1%. In H1, margins were hurt by 140bp due to ITC non-availability -50bp before and 90bp after September 22. Management clarified ceteris paribus impact on margins shall be 450bp. For H1, EV rose 10.4% YoY to INR253.6bn, driven by unwind (INR9bn), VNB (INR5.1bn), economic variance (INR2.3bn), partly offset by operating variance (INR0.9bn) including GST impact (INR1.05bn). Q2 PAT fell 91.2% YoY to INR130mn. Renewal premium growth of 30.3% YoY lifted AUM to INR1.3tn (+7.2% YoY).

## Financials

Year to March (INR mn)	Q2FY26	Q2FY25	% Change	Q1FY26	% Change
Net Revenue	14,725	12,171	21.0	4,344	239.0
EBITDA	13,958	11,566	20.7	3,705	276.7
Adjusted Profit	10,852	9,076	19.6	3,299	228.9
Diluted EPS (INR)	6.8	5.7	19.6	2.1	228.9

## Financial Statements

### Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	22,617	26,009	29,911	34,397
Gross profit	0	0	0	0
Employee costs	1,581	1,818	2,091	2,404
Other expenses	875	918	964	1,012
EBITDA	20,162	23,273	26,856	30,981
Depreciation	43	41	43	45
Less: Interest expense	0	0	0	0
Add: Other income	375	431	496	570
Profit before tax	20,494	23,664	27,309	31,506
Prov for tax	4,905	5,959	6,877	7,933
Less: Other adj	0	0	0	0
Reported profit	15,589	17,705	20,433	23,573
Less: Excp.item (net)	0	0	0	0
Adjusted profit	15,589	17,705	20,433	23,573
Diluted shares o/s	1,600	1,600	1,600	1,600
Adjusted diluted EPS	9.7	11.1	12.8	14.7
DPS (INR)	1.0	1.7	1.9	2.2
Tax rate (%)	23.9	25.2	25.2	25.2

### Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
EBITDA margin (%)	89.1	89.5	89.8	90.1
Net profit margin (%)	68.9	68.1	68.3	68.5
Revenue growth (% YoY)	33.1	15.0	15.0	15.0
EBITDA growth (% YoY)	33.9	15.4	15.4	15.4
Adj. profit growth (%)	33.2	13.6	15.4	15.4

### Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	6.4	6.4	6.4	6.4
Repo rate (%)	6.5	6.5	6.5	6.5
USD/INR (average)	81.0	81.0	81.0	81.0

### Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	237.1	207.8	180.1	156.1
Price/BV (x)	44.0	37.3	31.7	27.0
EV/EBITDA (x)	156.8	135.3	116.7	100.6
Dividend yield (%)	0	0	0	0

Source: Company and Nuvama estimates

### Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	1,596	1,596	1,596	1,596
Reserves	82,123	97,172	114,540	134,578
Shareholders funds	83,719	98,768	116,136	136,174
Minority interest	0	0	0	0
Borrowings	0	0	0	0
Trade payables	85	87	89	91
Other liabs & prov	1,295	1,440	1,606	1,793
Total liabilities	85,248	100,439	117,991	138,237
Net block	1,219	1,280	1,344	1,411
Intangible assets	0	0	0	0
Capital WIP	46	47	48	49
Total fixed assets	1,265	1,327	1,392	1,460
Non current inv	57,487	60,362	63,380	66,549
Cash/cash equivalent	189	11,637	25,197	41,194
Sundry debtors	12	13	14	16
Loans & advances	518	570	627	690
Other assets	22,007	23,137	24,327	25,580
Total assets	85,248	100,439	117,991	138,237

### Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	20,494	23,664	27,309	31,506
Add: Depreciation	43	41	43	45
Interest (net of tax)	0	0	0	0
Others	1,039	0	0	0
Less: Changes in WC	113	405	398	377
Operating cash flow	17,238	18,151	20,874	23,995
Less: Capex	(3,876)	(102)	(108)	(113)
Free cash flow	13,362	18,049	20,766	23,882

### Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	20.9	19.4	19.0	18.7
RoCE (%)	27.4	25.9	25.4	25.0
Inventory days	nm	nm	nm	nm
Receivable days	0	0	0	0
Payable days	1	1	1	1
Working cap (% sales)	0	0	0	0
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	(25.8)	(34.5)	(42.0)	(48.4)
Interest coverage (x)	0	0	0	0

### Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	32.9	14.1	15.4	15.4
RoE (%)	20.9	19.4	19.0	18.7
EBITDA growth (%)	33.9	15.4	15.4	15.4
Payout ratio (%)	10.2	15.0	15.0	15.0

## Exhibit 1: SotP valuation based on Sep-27E earnings

	Parameter	Sep-27E	Multiple (x / %)	Stake (%)	Valuation (INR bn)	Bajaj Finserv's stake (INR bn)	Value/share (INR)	Share in SOTP	Comments
Bajaj Finance	CMP (INR)	950	1.0	51.5	5,891	3,036	1,897	83.7	CMP
Bajaj General Insurance	PAT	22.6	24.0	74.0	541	401	200	8.8	18% discount to price multiple of ICICI
Bajaj Life insurance	EV	307.1	1.5	74.0	461	341	170	7.5	45% discount to EV multiple of HDFCLIFE
<b>Total</b>					<b>6,893</b>	<b>3,777</b>	<b>2,268</b>	<b>100</b>	

Source: Company, Nuvama Research

## Bajaj Allianz General Insurance Company (BAGIC)

### Exhibit 2: NEP declines 9.6% YoY to INR24.1bn

(INR mn)	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	YoY (%)	QoQ(%)
GWP	58,710	66,260	43,260	52,020	64,130	9.2	23.3
NWP	27,096	24,738	20,171	23,390	25,425	(6.2)	8.7
<b>NEP</b>	<b>26,600</b>	<b>24,030</b>	<b>22,700</b>	<b>22,290</b>	<b>24,040</b>	<b>(9.6)</b>	<b>7.9</b>
Claims incurred	21,200	18,671	14,278	15,848	18,222	(14.0)	15.0
Commissions and expenses	5,880	5,789	8,452	7,602	6,738	14.6	(11.4)
<b>Underwriting profits</b>	<b>-480</b>	<b>-430</b>	<b>-30</b>	<b>-1,160</b>	<b>-920</b>	<b>NM</b>	<b>NM</b>
Investment Income	7,080	5,770	4,850	10,030	7,880	11.3	(21.4)
PBT	<b>6,600</b>	<b>5,340</b>	<b>4,820</b>	<b>8,870</b>	<b>6,960</b>	<b>5.5</b>	<b>(21.5)</b>
Tax	1,660	1,340	1,190	2,270	1,790	7.8	(21.1)
<b>PAT</b>	<b>4,940</b>	<b>4,000</b>	<b>3,630</b>	<b>6,600</b>	<b>5,170</b>	<b>4.7</b>	<b>(21.7)</b>

Source: Company, Nuvama Research

### Exhibit 3: Combined ratio increases 90bp YoY to 102.3% while decreasing 130bp QoQ

Ratios (%)	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	YoY (%)	QoQ(%)
Claims	79.7	77.7	62.9	71.1	75.8	(390)bp	470bp
Commission and opex	21.7	23.4	41.9	32.5	26.5	480bp	(600)bp
<b>Combined</b>	<b>101.4</b>	<b>101.1</b>	<b>104.8</b>	<b>103.6</b>	<b>102.3</b>	<b>90bp</b>	<b>(130)bp</b>
Retention rate (%)	46.2	37.3	46.6	45.0	39.6	(651)bp	(532)bp
Tax rate (%)	25.2	25.1	24.7	25.6	25.7	57bp	13bp

Source: Company, Nuvama Research

**Exhibit 4: Share of motor increases 200bp YoY to 27% in GWP mix**

Product mix - GWP basis (%)	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	YoY (%)	QoQ(%)
Motor	25.0	25.0	41.0	33.0	27.0	200bp	(600)bp
Health (retail)	5.0	4.0	8.0	5.0	5.0	-	-
Health (group)	21.0	9.0	12.0	18.0	21.0	-	300bp
Property, liability, engineering	12.0	12.0	17.0	33.0	13.0	100bp	(2,000)bp
Agri	16.0	9.0	12.0	2.0	15.0	(100)bp	1,300bp
Health (government)	14.0	36.0	-	-	13.0	(100)bp	1,300bp
Others	7.0	5.0	10.0	9.0	6.0	(100)bp	(300)bp
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>		
Segments GWP (INR mn)	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	YoY (%)	QoQ(%)
Motor	14,678	16,565	17,737	17,167	17,315	18.0	0.9
Health (retail)	2,936	2,650	3,461	2,601	3,207	9.2	23.3
Health (group)	12,329	5,963	5,191	9,364	13,467	9.2	43.8
Property, liability, engineering	7,045	7,951	7,354	17,167	8,337	18.3	(51.4)
Agri	9,394	5,963	5,191	1,040	9,620	2.4	824.6
Health (government)	8,219	23,854	0	0	8,337	1.4	NM
Others	4,110	3,313	4,326	4,682	3,848	(6.4)	(17.8)
<b>Total</b>	<b>58,710</b>	<b>66,260</b>	<b>43,260</b>	<b>52,020</b>	<b>64,130</b>	<b>9.2</b>	<b>23.3</b>

Source: Company, Nuvama Research

**Exhibit 5: Motor loss ratio improves 110bp YoY driven by 720bp improvement in motor TP**

Segment wise claims ratio (%)	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	YoY (%)	QoQ(%)
Fire	77.6	19.1	-1.0	73.1	47.5	(3,010)bp	(2,560)bp
Marine Cargo	108.9	57.3	62.2	63.6	109.6	70bp	4,600bp
Motor OD	65.0	65.5	63.1	74.9	70.9	590bp	(400)bp
Motor TP	72.2	84.5	51.7	52.6	65.0	(720)bp	1,240bp
Motor	68.8	75.2	57.3	63.3	67.7	(110)bp	440bp
Engineering	38.0	24.6	-5.2	78.6	68.8	3,080bp	(980)bp
PA	39.3	58.8	73.0	NA*	NA*	(3,930)bp	-
Health	95.5	91.6	84.3	82.8*	89.8	(570)bp	700bp
Crop	93.8	97.9	17.2	49.7	74.5	(1,930)bp	2,480bp
<b>Total</b>	<b>79.7</b>	<b>77.7</b>	<b>62.9</b>	<b>71.1</b>	<b>75.8</b>	<b>(390)bp</b>	<b>470bp</b>

Source: Company, Nuvama Research

Note: \* For Q1FY26 and Q2FY26, company reported combined loss ratio of PA, Health and Travel

## Exhibit 6: Share of brokers increases 300bp YoY to 35.0% in channel mix, direct channel remains flat at 40.0%

Channel mix - GWP basis (%)	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	YoY (%)	QoQ(%)
Brokers	32.0	33.0	67.0	55.0	35.0	300bp	(2,000)bp
Direct	40.0	50.0	2.0	15.0	40.0	-	2,500bp
Individual	12.0	10.0	19.0	15.0	12.0	-	(300)bp
Corporate agents- Others	2.0	1.0	2.0	2.0	1.0	(100)bp	(100)bp
Corporate Banks- Others	10.0	6.0	10.0	8.0	7.0	(300)bp	(100)bp
Others*	4.0	-	-	5.0	5.0	100bp	-
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>		
Channel mix - GWP basis (INR mn)	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	YoY (%)	QoQ(%)
Brokers	18,787	21,866	28,984	28,611	22,446	19.5	(21.5)
Direct	23,484	33,130	865	7,803	25,652	9.2	228.7
Individual	7,045	6,626	8,219	7,803	7,696	9.2	(1.4)
Corporate agents- Others	1,174	663	865	1,040	641	(45.4)	(38.4)
Corporate Banks- Others	5,871	3,976	4,326	4,162	4,489	(23.5)	7.9
Others*	2,348	-	-	2,601	3,207	36.5	23.3
<b>Total</b>	<b>58,710</b>	<b>66,260</b>	<b>43,260</b>	<b>52,020</b>	<b>64,130</b>		

Source: Company, Nuvama Research

Note: \* Others include Customer service centres, IMF, POSP, MISP & Web aggregators

## Exhibit 7: Investment yield improves 8bp YoY to 9%

	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	YoY (%)	QoQ(%)
Investment book (INR bn)	319.5	326.3	331.2	352.0	349.7	9.5	(0.6)
Investment yield (%)	8.9	7.1	5.9	11.7	9.0	8bp	(276)bp

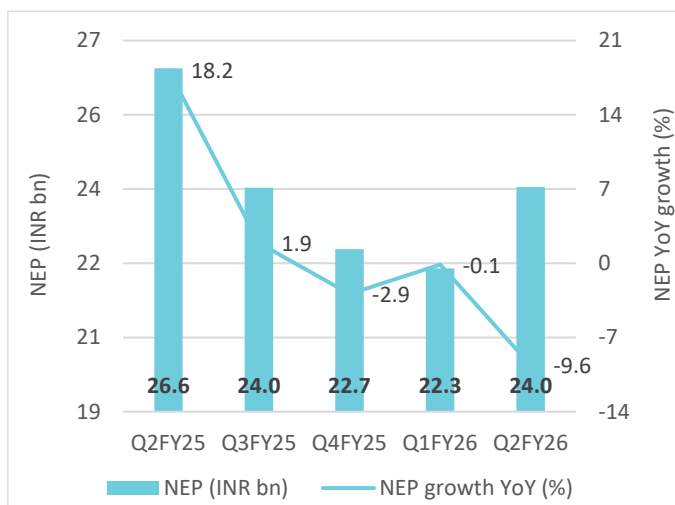
Source: Company, Nuvama Research

## Exhibit 8: BAGIC estimate change

	Earlier			Revised			Change (%/bp)		
INR mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Net written premium	122,820	143,178	164,688	122,820	143,178	164,688	-	-	-
Net earned premium	112,994	131,581	151,348	112,994	131,581	151,348	-	-	-
COR (%) IRDAI	101.6	101.5	100.8	101.6	101.5	100.8	0bp	0bp	0bp
Underwriting profits	(4,638)	(5,221)	(4,879)	(4,638)	(5,221)	(4,879)	-	-	-
Investment book	394,486	458,477	526,326	394,486	458,477	526,326	-	-	-
APAT	19,868	22,557	25,948	19,868	22,557	25,948	-	-	-
EPS	180.2	204.6	235.4	180.2	204.6	235.4	-	-	-
ROE (%)	15.5	15.6	15.8	15.5	15.6	15.8	0bp	0bp	0bp

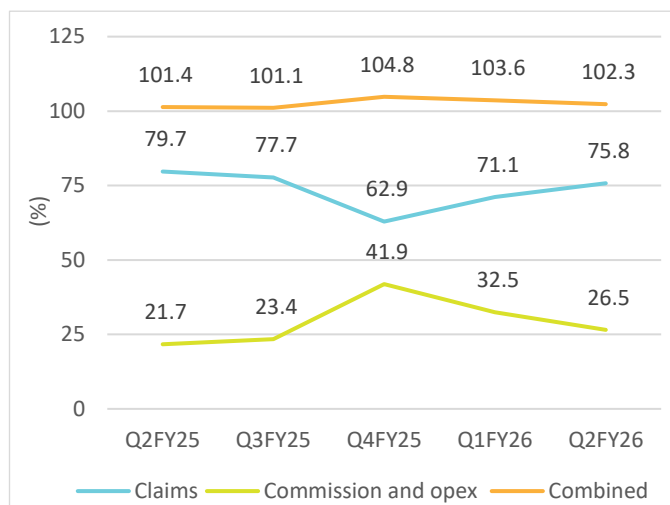
Source: Company, Nuvama Research

**Exhibit 9: NEP declines 9.6% YoY**



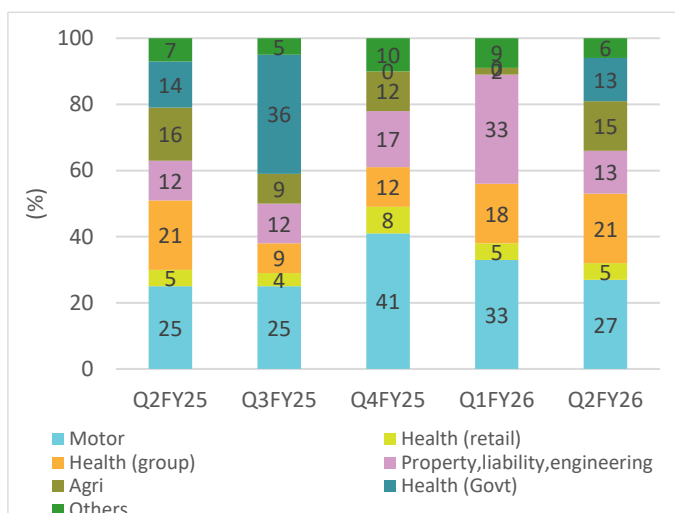
Source: Company, Nuvama Research

**Exhibit 10: COR decreases 90bp YoY to 102.3%**



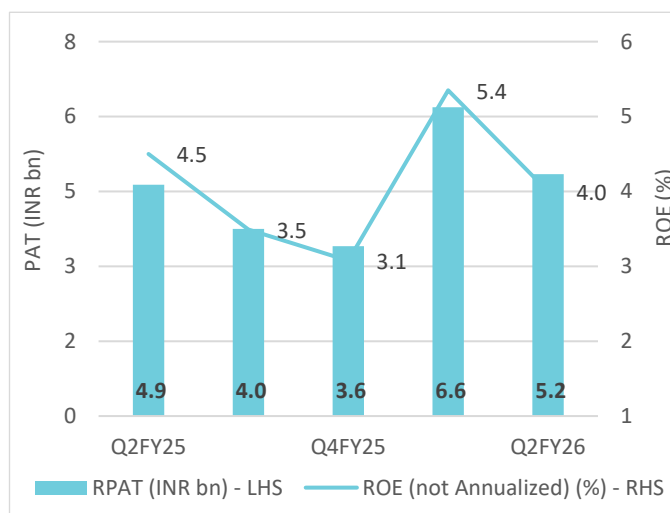
Source: Company, Nuvama Research

**Exhibit 11: Share of motor improves 200bp YoY**



Source: Company, Nuvama Research

**Exhibit 12: RPAT improves 4.7% YoY to INR 5.2bn**



Source: Company, Nuvama Research

## Bajaj Allianz Life Insurance Company (BALIC)

**Exhibit 13: Total APE declines 5.2% YoY, VNB margin improves 628bp YoY to 17.1%**

(INR mn)	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	YoY(%)	QoQ(%)
<b>Total APE</b>	<b>22,680</b>	<b>16,850</b>	<b>24,860</b>	<b>13,100</b>	<b>21,490</b>	<b>(5.2)</b>	<b>64.0</b>
Individual APE	18,950	15,490	23,280	12,550	18,500	(2.4)	47.4
Group APE	3,730	1,360	1,580	550	2,990	(19.8)	443.6
Renewal premium	33,420	36,000	54,480	31,620	43,540	30.3	37.7
Gross written premium	65,440	63,610	92,370	54,780	83,660	27.8	52.7
<b>VNB</b>	<b>2,450</b>	<b>2,540</b>	<b>5,490</b>	<b>1,450</b>	<b>3,670</b>	<b>49.8</b>	<b>153.1</b>
<b>VNB Margin (%)</b>	<b>10.8</b>	<b>15.1</b>	<b>22.1</b>	<b>11.1</b>	<b>17.1</b>	<b>628bp</b>	<b>601bp</b>
<b>PAT</b>	<b>1,480</b>	<b>2,220</b>	<b>410</b>	<b>1,710</b>	<b>130</b>	<b>(91.2)</b>	<b>(92.4)</b>

Source: Nuvama Research, Company

**Exhibit 14: Protection business clocks growth of 400bp YoY**

<u>Individual APE mix (%)</u>	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	YoY(%)	QoQ(%)
ULIP	51.0	44.0	40.0	45.0	45.0	(600)bp	-
PAR	24.0	27.0	21.0	22.0	21.0	(300)bp	(100)bp
Non-PAR	17.0	17.0	27.0	19.0	19.0	200bp	-
Protection	4.0	7.0	6.0	9.0	8.0	400bp	(100)bp
Annuity	4.0	5.0	6.0	5.0	7.0	300bp	200bp
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>		
<b>Group NBP mix</b>							
Savings	45.7	44.9	51.1	23.9	62.1	1,647bp	3,823bp
Protection	54.3	55.1	48.9	76.1	37.9	(1,647)bp	(3,823)bp
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>		
<u>Individual APE mix (INR mn)</u>	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	YoY(%)	QoQ(%)
ULIP	9,665	6,816	9,312	5,648	8,325	(13.9)	47.4
PAR	4,548	4,182	4,889	2,761	3,885	(14.6)	40.7
Non-PAR	3,222	2,633	6,286	2,385	3,515	9.1	47.4
Protection	758	1,084	1,397	1,130	1,480	95.3	31.0
<b>Total</b>	<b>18,950</b>	<b>15,490</b>	<b>23,280</b>	<b>12,550</b>	<b>18,500</b>	<b>(2.4)</b>	<b>47.4</b>
<b>Group NBP mix</b>							
Savings	5,120	4,960	6,770	2,200	12,310	140.4	459.5
Protection	6,090	6,090	6,480	7,000	7,500	23.2	7.1
<b>Total</b>	<b>11,210</b>	<b>11,050</b>	<b>13,250</b>	<b>9,200</b>	<b>19,810</b>	<b>76.7</b>	<b>115.3</b>

Source: Company, Nuvama Research

**Exhibit 15: Agency channel declines 15.2% YoY, institutional channel grows 7.2% YoY**

<u>Distribution mix - Ind mix (INR mn)</u>	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	YoY(%)	QoQ(%)
Agency	7,520	5,480	7,050	4,680	6,380	(15.2)	36.3
Institutional	9,000	7,880	13,290	6,120	9,650	7.2	57.7
Others	2,420	2,130	2,940	1,750	2,470	2.1	41.1
<b>Total</b>	<b>18,940</b>	<b>15,490</b>	<b>23,280</b>	<b>12,550</b>	<b>18,500</b>	<b>(2.3)</b>	<b>47.4</b>
<u>Distribution mix - Ind mix (%)</u>	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	YoY(%)	QoQ(%)
Agency	39.7	35.4	30.3	37.3	34.5	(522)bp	(280)bp
Institutional	47.5	50.9	57.1	48.8	52.2	464bp	340bp
Others	12.8	13.8	12.6	13.9	13.4	57bp	(59)bp
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>		

Source: Company, Nuvama Research

**Exhibit 16: Share of linked AUM declines 195bp YoY to 39.2%**

<u>AUM (INR bn)</u>	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	YoY(%)	QoQ(%)
Linked	506.3	481.5	472.6	519.1	517.1	2.1	(0.4)
Non-linked	725.4	738.7	764.7	791.4	803.5	10.8	1.5
<b>Total</b>	<b>1,231.8</b>	<b>1,220.2</b>	<b>1,237.4</b>	<b>1,310.5</b>	<b>1,320.6</b>	<b>7.2</b>	<b>0.8</b>
<u>AUM mix (%)</u>	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	YoY(%)	QoQ(%)
Linked	41.1	39.5	38.2	39.6	39.2	(195)bp	(45)bp
Non-linked	58.9	60.5	61.8	60.4	60.8	195bp	45bp
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>		

Source: Company, Nuvama Research

**Exhibit 17: Persistency deteriorates except 25<sup>th</sup> and 61<sup>st</sup> months YoY**

Persistency (%)	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	YoY(%)	QoQ(%)
13th month	85	84	83	82	82	-310bps	0bps
25th month	73	73	74	75	75	210bps	0bps
37th month	65	65	64	64	65	-10bps	100bps
49th month	64	62	61	61	63	-70bps	200bps
61st month	52	52	52	52	55	310bps	300bps

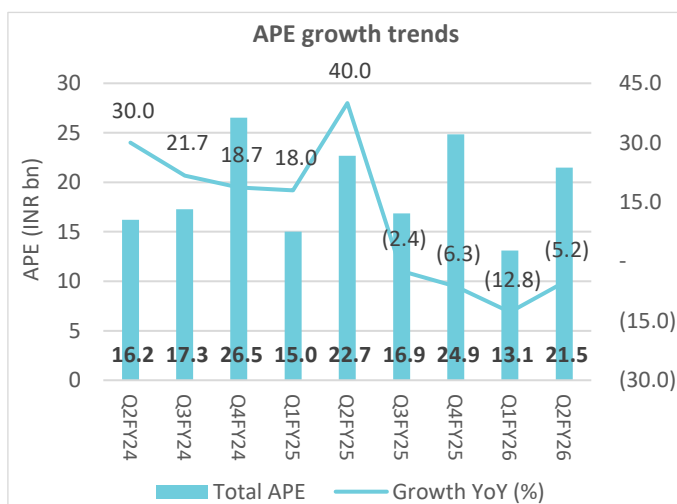
Source: Company, Nuvama Research

**Exhibit 18: BALIC Estimate change**

	Earlier			Revised			Change (%/bp)		
INR bn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
APE	85.1	97.3	110.3	86.3	98.8	112.0	1.4	1.5	1.6
VNB	12.9	15.0	17.4	12.8	16.7	19.4	(0.9)	11.1	11.2
VNB Margin (%)	15.2	15.5	15.8	14.8	16.9	17.3	-35bp	146bp	149bp
Embedded Value	266.1	303.0	345.3	268.4	307.1	351.7	0.8	1.4	1.9
Operating RoEV (%)	13.3	13.9	14.0	13.0	14.4	14.5	-26bp	58bp	56bp

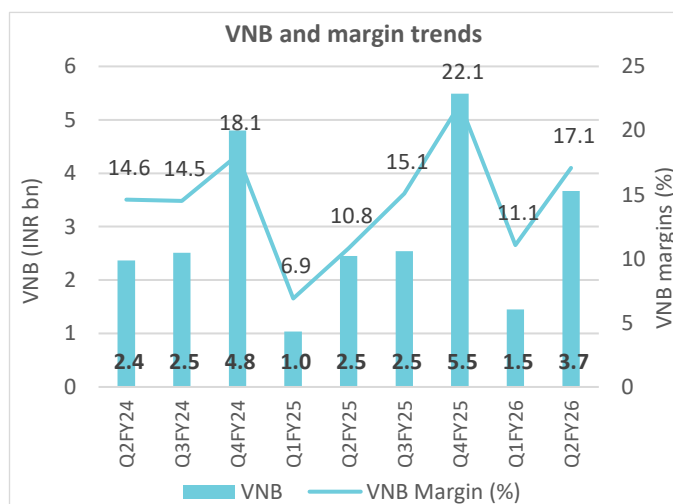
Source: Company, Nuvama Research

**Exhibit 19: Total APE shrinks 5.2% YoY**



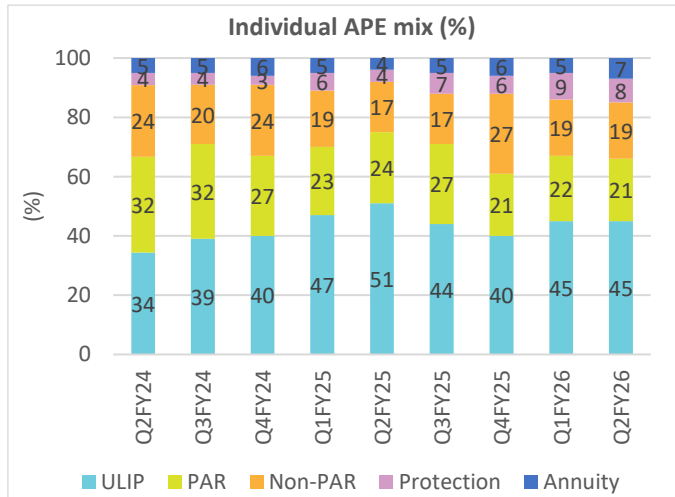
Source: Company, Nuvama Research

**Exhibit 20: VNB margin surges 628bp YoY to 17.1% YoY**



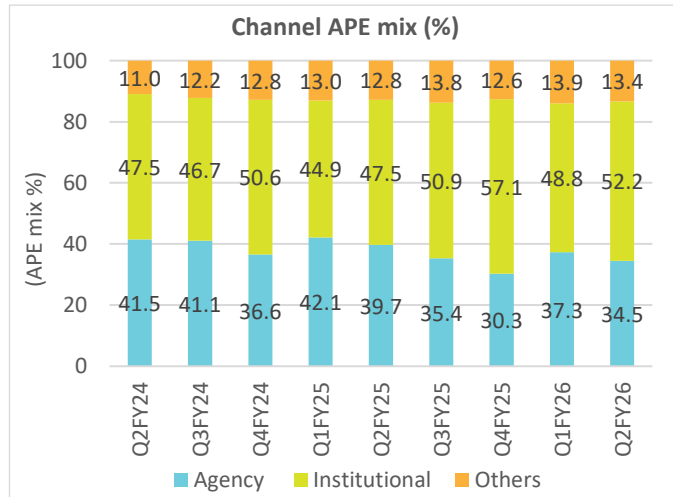
Source: Company, Nuvama Research

**Exhibit 21: ULIP share in APE mix declines YoY**



Source: Company, Nuvama Research

**Exhibit 22: Institutional channel share improves 464bp YoY**



Source: Company, Nuvama Research



## Q2FY26 earnings call: Key highlights

**Separate listing of life and general insurance companies:** Listing of life and general insurers unlikely in next two–three years; focus remains on completing Allianz acquisition in coming months. Review to follow post implementation of Insurance Act, RBC, and IND AS.

**Allianz exit** - CCI and IRDAI have approved the acquisition of Allianz's stake, expected to be completed in the coming months. Management sees this as an opportunity to leverage the Bajaj brand and scale up its insurance businesses.

### BAGIC

#### GWP:

The company aims to maintain market share across all business lines. TP market share has fallen below OD, and efforts are underway to improve it. Retail health growth was muted due to the impact of long-term policies (e.g., 1-year to multi-year shift). Excluding 1/n impact, growth in Q2 was 11% YoY and growth stood is at 15% YoY in October.

**Claim ratio and profitability:** Management noted that in two-wheelers, market share rose from 3% three years ago to ~13.5–14% in Q2 and upfront commission payments for 5-year policies pressurises profitability. Also, in four-wheelers, market share increased from 7.5% to 9% and the long-term nature of the business weighs on margins. Management said that Motor OD loss ratio stood at 70.9% in Q2FY26 and is expected to improve for the full year.

The company retains flexibility to offset the impact of ITC non-availability in retail health through other business segments.

**Business segments:** Management highlighted that BAGIC had outperformed industry growth in motor, retail health, and commercial segments. It stated that group health continues to witness pricing pressure and remains a tactical play. It stated that BAGIC had stopped pursuing the crop segment aggressively as competitive intensity had increased and pricing was not appropriate.

**Underwriting loss:** Underwriting losses remain elevated, driven by higher acquisition costs. The company is focusing on writing preferred and profitable business lines to improve underwriting performance.

**Combined ratio:** Management highlighted that the combined ratio stood at 102.3% in Q2FY26, well below the industry average of 115–120%, outperforming peers by 15–20%. The shift to long-term (1/n) policies added ~1% to the ratio, and efforts are underway to bring it below 100%.

### BALIC

**APE:** APE growth slowed recently as the company undertook a strategic overhaul of its product portfolio. Management expects topline growth to resume from H2FY26 onwards. The focus remains on driving VNB growth, which is likely to outpace APE growth in FY26. Further tailwinds from the GST exemption are likely to support growth momentum.

**VNB margin:** Management attributed the improvement in VNB margin to a structurally stronger cost framework, driven by cost optimisation (100–150bp), product mix shift (~400bp), and product repricing. Margins have also benefited from riders, operational efficiency, and operating leverage gains. The overall margin expansion journey remains on track. Management expects significant improvement ahead, with GST impact likely to fade over the next two quarters. Without the GST effect, margins would have expanded by 4–6%.

**GST impact:** Loss of ITC has weighed on profitability, though the full benefit of GST exemption will be passed on to customers. Management expects to offset the ITC loss over the next two–three quarters.

In H1, margins were hurt by ~140bp due to GST-50bp before and 90bp after the September 22. Post-exemption sales were skewed toward non-ULIP products. If unaddressed, the annualised impact of ITC non-availability would be ~450bp. However, the company has already taken mitigating actions, including product restructuring, mix optimisation and renegotiation with distributors and vendors to share the cost burden. Management expects the full impact to normalise within two quarters.

**Product mix:** Management see continued growth potential in the protection segment. Currently, 43% of new customers are term buyers, and an additional 17% have opted for riders. High–sum assured ULIPs account for ~8–10% of the overall mix.

Retail protection has shown steady growth over the past 18–24 months, and management expects its share to reach ~10% over the next two–three years. The company plans to maintain its current overall product mix in the medium term.

## Company Description

Bajaj Finserv Limited (BJFIN) is the holding company of the financial services business of Sanjiv Bajaj's Bajaj group, which houses three key businesses: i) lending through Bajaj Finance (BFL); ii) general insurance under Bajaj Allianz General Insurance Company (BAGIC); and iii) life insurance under Bajaj Allianz Life Insurance Company (BALIC).

Bajaj Direct – marketplace for financial products, Bajaj Health – a health ecosystem enabler, and Bajaj Asset management – asset management – are three emerging businesses under the company. Additionally, BJFIN operates wind farm assets in Maharashtra. The company is a Core Investment Company (CIC) under the regulations of the Reserve Bank of India (RBI).

## Key Subsidiaries:

**1. Bajaj Finance Limited (BFL):** Bajaj Finance Limited (BFL) is a leading retail-focused NBFC with a well-diversified product mix across consumer lending, personal loans, mortgages, commercial lending, LAS and SME lending. BFL has an AUM of INR 4.16 tn (as on Mar-25). Since inception, the company has leveraged technology to launch 22 product lines and 57 product variants across channels.

**2. Bajaj Allianz General Insurance Company (BAGIC):** BAGIC is a leading private multi-line general insurer offering key products in the motor, health, crop and commercial segments. BAGIC has a vast product portfolio, key retail focus and strong multi-line distribution mix. BAGIC's NEP increased at an FY20–25 CAGR of 3.1% and commands a market share of 7.0% in FY25. It generated a profit after tax of INR 18.3bn in FY25 with a solvency level of 325%.

**3. Bajaj Allianz Life Insurance Company (BALIC):** BALIC is a leading private life insurer having diversified product and channel mix. BALIC clocked a strong APE CAGR of 28.2% over FY20–25, commanding a individual APE market share of 8.3% among private players and 5.9% in the industry in FY25. The company generated net VNB of INR11.5bn at a margin of 14.6%.

## Key risks

Key risks include any sharp growth slowdown, increased competitive intensity as a large strong player is expected to enter financial services; any strong hit to underwriting profitability, change in regulations by RBI or IRDAI

## Additional Data

### Management

Chairman & MD	Sanjeev Bajaj
CFO	Ramandeep Singh
MD & CEO - BAGIC	Tapan Singhel
MD & CEO - BALIC	Tarun Chugh
Auditor	KKC & Associates LLP

### Holdings – Top 10\*

	% Holding		% Holding
Jaya Hind Indus	3.93	Bacchraj & Co.	1.46
SBI Funds Manag	2.57	ICICI Prudentia	1.40
Maharashtra Sco	2.37	Bajaj Niraj	1.33
LIC	1.84	Vanguard Group	1.03
Bajaj Sevashram	1.67	Blackrock	0.89

\*Latest public data

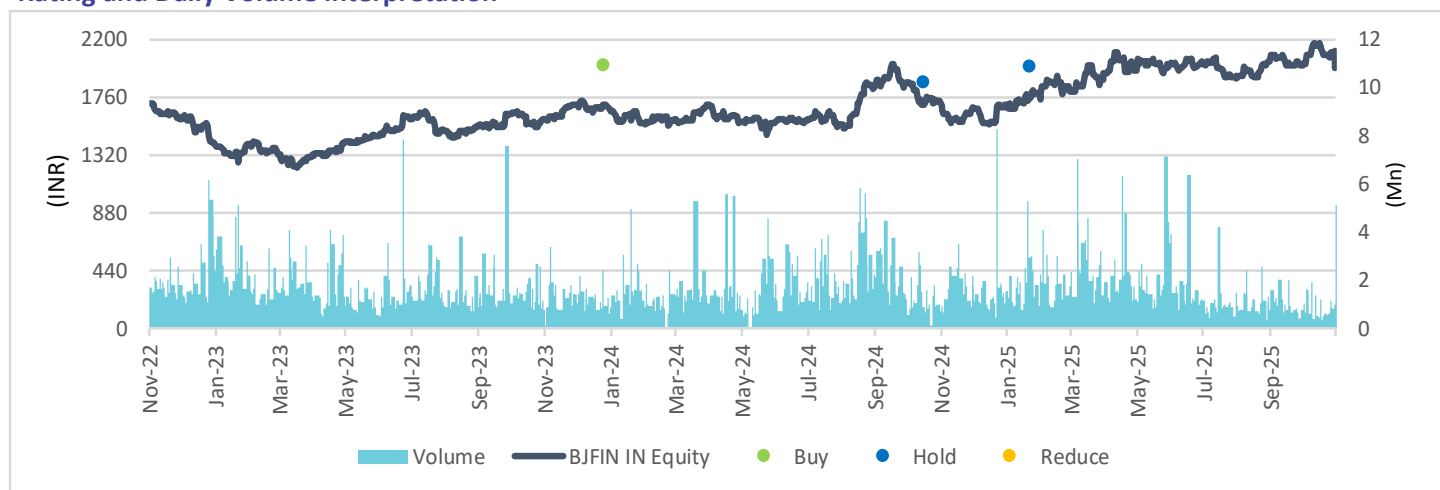
### Recent Company Research

Date	Title	Price	Reco
25-Jul-25	Profitability in focus; <i>Result Update</i>	2,032	Hold
30-Apr-25	Margin focus to drive earnings; <i>Result Update</i>	1,952	Hold
31-Jan-25	Focusing on profitability; <i>Result Update</i>	1,672	Hold

### Recent Sector Research

Date	Name of Co./Sector	Title
11-Nov-25	Other services financial	Oct-25: Strong SIP flows sustain; <i>Sector Update</i>
05-Nov-25	MEDI HEALTHCARE SERVICES ASSIST	Low growth; integration hurts margins; <i>Result Update</i>
01-Nov-25	CDSL (India)	Revenue growth-driven earnings beat; <i>Result Update</i>

### Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

### Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	205
Hold	<15% and >-5%	68
Reduce	<-5%	37

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Head of Research Committee

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