

Bajaj FinServ | BUY

All engines firing

Bajaj Finserv's insurance subsidiaries reported strong 3QFY26 results (refer to [First cut](#)). Management attributed the improving opex ratio to cost control while remaining aggressive in retail businesses. In life insurance, management is confident of negating ~325bps (out of 450bps) gross impact from GST 2.0 by the beginning of FY27E. 4QFY27E should see growth returning at Bajaj Finserv Health, with software migration completed. We are raising FY26E VNB margin for the life subsidiary to 18% (up 50bps from earlier estimate; +350bps YoY), and broadly maintaining estimates for the general insurance subsidiary. Reiterate BUY with a revised SotP-based TP of INR 2,480 (up from INR 2,444).

- **Margin expansion to come off incrementally; expect VNB compounding with volumes:** APE grew 26% YoY in 3Q off a weak base. Despite GST 2.0, margin expanded further to 19% (+190bps QoQ/+390bps YoY). The company was looking for full-year margin expansion of 4–6pps in FY26; however, with GST impact, the targets stand delayed by two–three quarters. During the 2Q con-call, management had called out a 450bps gross impact on annual VNB margins—in case ITC impact was not to be passed on to distributors. The company managed to negate ~175bps impact in 3Q, and expects to contain another 150bps of impact in 4Q. With the 325bps impact negated, the company would begin FY27E with negative impact of ~125bps. We build in 350bps expansion in FY26 to 18%, which gradually rises to 20% by FY28E. With growth of 18%/15% over FY27E/28E, we expect VNB to compound at 23% over FY26–28E. The company does not disclose its EV in 3Q, so, we largely maintain EV estimates, and value the subsidiary at 1.7x Mar'28E EV of INR 365, which yields a value of INR 281 in BJFIN's SotP.
- **Bajaj General Insurance: Growing retail business steadily even as opex under control:** Bajaj General had reported 12% GDPI growth for the quarter. However, the motor segment grew strongly at 23% YoY—supported by GST 2.0 tailwinds. NEP growth was weak at (2% YoY/2% QoQ) against 5% JMFe—attributable to reinsurance support. We expect NEP growth to pick up hereon. Claims ratio was in line at 75.1%, but the positive surprise was on opex—with EOM to NWP at 22.8%, in a quarter wherein all peer general insurers missed estimates. Management attributed this to cost control as the company remains focused on growing its retail lines—health and motor. Broadly speaking, we maintain headline estimates, and reckon the insurer would compound earnings at a 15% over FY26–28E; this along with 27x FY27E PAT of INR 26.5bn yields a value of INR 331 per share.
- **New businesses steady:** Bajaj Finserv Direct reported flat revenue of just under INR 0.9bn, management expects new business to grow hereon with the software migration in frontline sales completed. Bajaj AMC scaled up incrementally, crossing the AUM threshold of INR 300bn (+5% QoQ), with equity AUM up a strong 12% QoQ. The AMC plans to launch AIF and SIF products in FY27E while expanding MF product offerings.
- **Valuations and view: Maintain BUY; TP revised up to INR 2,480 (earlier INR 2,444 earlier):** All constituents of the financial services behemoth are now firing, with marketplaces expected to grow hereon. In our SotP, we value the consolidated lending business at a 20% (holding company) discount to our target price of INR 1,125. Scaling up the new initiatives and listing of insurance subs will add value to the combined entity. We maintain BUY with a revised SotP-based TP of INR 2,480 (up from INR 2,444).



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	2,480
Upside/(Downside)	22.8%
Previous Price Target	2,444
Change	1.5%

Key Data – BJFIN IN

Current Market Price	INR2,020
Market cap (bn)	INR3,226.9/US\$35.7
Free Float	34%
Shares in issue (mn)	1,592.8
Diluted share (mn)	1592.8
3-mon avg daily val (mn)	INR2,554.8/US\$28.3
52-week range	2,195/1,727
Sensex/Nifty	83,448/25,654
INR/US\$	90.4

Price Performance

%	1M	6M	12M
Absolute	-0.9	4.4	11.4
Relative*	1.4	1.0	4.4

* To the BSE Sensex

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

SOTP

Entity	Holding (%)	Valuation	Value/ share	Contribution to TP (%)
Bajaj Life	74.0%	1.7x Mar'28e EV	281	11.3%
Bajaj General	74.0%	27x FY28e EPS	331	13.4%
Bajaj Finance	51.3%	Target Price -20% holdco discount	1,791	72.2%
New initiatives	-	10% Dec'25 AUM for AMC, 7x rev for dig. businesses	77	3.1%
Total			2,480	100%

Source: Company data, JM Financial. Note: Valuations as of 4th Feb 2026

3QFY26 conference call takeaways

■ Update on Allianz's exit from insurance JVs

- Bajaj Group completed the acquisition of Allianz's 23% stake on 8 Jan'26, effectively terminating the Allianz JV.
- Remaining 3% Allianz stake to be bought back, subject to approvals. Post-buyback shareholding: Bajaj Finserv 77.33%, Bajaj Holdings 18.1%, Jamnalal Sons 4.57%.
- The Bajaj group now holds 97% in the insurance subs.
- Name change was already effected to Bajaj General Insurance and Bajaj Life Insurance post-CCI and IRDAI approvals.
- The insurance subs are offering a buyback – with approvals in place, Bajaj group will take 100% stake in both the entities.
- Buyback expected to enhance RoE /RoEV of both insurance subsidiaries.

■ Bajaj General Insurance – Growth and profitability

- The company remains focused on retail lines of business – in health and motor.
- Motor premium growth has been weak for the industry, despite GST 2.0 kick to auto volumes, since IDV (Insured's Declared Value) has fallen post-GST cut.
- Bajaj, meanwhile, has seen strong growth in the motor segment – 23% YoY in 3Q.
- Despite elevated Claims Ratio in the motor segment, management remains confident that the industry Claims Ratio will revert to reduced levels.
- The company remains focused on growth in retail segments.
- Weak NEP growth was attributed to reinsurance arrangements, should improve hereon.

■ Bajaj General insurance – Other aspects

- GDPI growth 18% ex-tender driven businesses, led by motor & health, partly offset by crop contraction.
- Underwriting loss of INR 1,370mn, includes INR 420mn one-off labour code impact.
- Motor loss ratios elevated industry-wide due to:
 - lower IDVs post-GST;
 - rising repair & spare costs; and
 - higher upfront commissions due to market share gains in new motor (2W and 4W).
- Management expects cyclical correction via pricing and underwriting discipline.
- RoE >22% (excluding surplus capital); solvency at ~344%.
- Fire & commercial lines pricing currently soft, reflecting benign loss experience; viewed as cyclical.

■ Bajaj Life Insurance – VNB margins

- Against 16.1% margins for 9MFY26, ex-GST VNB margin would have been 18.1%.
- For 3QFY26, against reported margin of 20%, ex-GST margin would stand at an even healthier 21.3%.

- During the 2Q con-call, the company called out a 450bps gross impact on annual VNB margins in case if ITC impact was not to be passed on to distributors.
- The company managed to negate ~175bps impact in 3Q and expects to contain another 150bps of impact in 4Q.
- With the 325bps impact negated, the company will begin FY27 with negative impact of ~125bps.
- Against the guided 125bps for FY27, 9MFY26 has already seen an impact of ~106bps. With mitigation over 3Q and 4Q of FY26, we expect the company to improve its margins next year owing to rising underlying margins on products and an accretive product mix.
- VNB margin guidance – The company was looking for a full-year margin expansion of 4–6pps in FY26E; however, with the GST impact, the targets stand delayed by two–three quarters.

■ Bajaj Life insurance – Other aspects

- Life 2.0 strategy on track with focus on profitable growth.
- Retail weighted received premium +20% YoY; in line with industry.
- Retail protection up 47%, group protection up 29%.
- GST impact estimated at ~450bps, with ~325bps mitigated; residual ~125bps becomes as base reset.
- Agency turnaround: Agency VNB doubled in 9MFY26.
- Focus remains on bottom line over top line.
- Profitable ULIPs, improving term & rider mix.
- Product mix stable: ULIPs 44%, PAR 23%, Non-PAR 14%, Term 9%, Annuities 11%.
- Annuity mix increased due to new product launches.
- Solvency strong at 333%; AUM at INR 1.380 lakh mn (+13% YoY).
- Setting up pension fund management and GIFT City presence.

■ New initiatives

- Bajaj AMC looking at launch of AIF and SIF products in FY27 while expanding MF product offerings.
- Bajaj Finserv Direct has completed migration of frontline sales software, expects to return to growth in 4Q.
- Bajaj Life has established a presence in GIFT City and sought approval for Pension Fund Management.

■ One-off impact

- New Labour Code: Gross impact ~INR 3,800mn; net consolidated PAT impact INR 1,670mn.

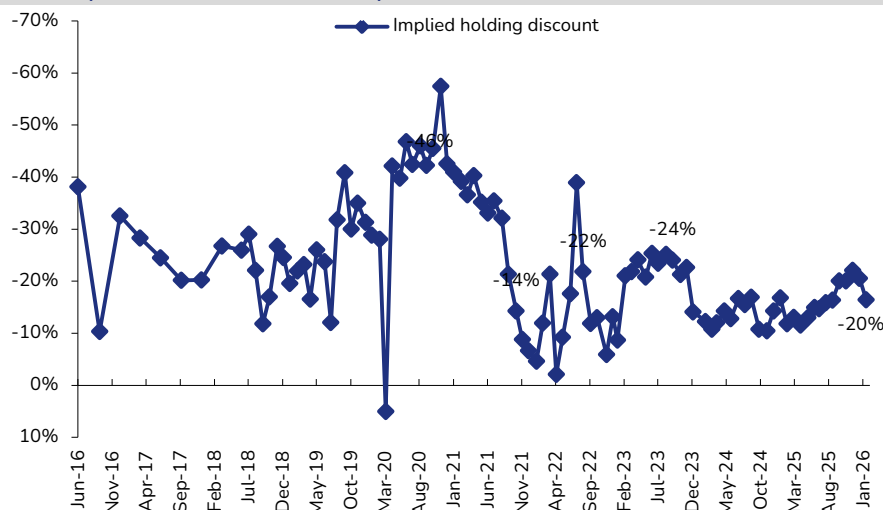
Bajaj Finserv – Quarterly highlights

Exhibit 1. Bajaj Finserv 3QFY26: Performance of insurance subsidiaries

Bajaj Gen. INR mn	3QFY25	2QFY26	3QFY26	YoY (%)	QoQ (%)	3QFY26E	A/E
GWP	66,260	64,130	73,890	12%	15%	73,549	0%
NEP	24,030	24,040	24,560	2%	2%	25,242	-3%
Underwriting Profits	(430)	(920)	(1,370)	219%	49%	(600)	128%
Claims Ratio (%)	77.7%	75.8%	75.1%	-2.6%	-0.7%	75.0%	0.1%
EOM to NWP (%)	23.4%	26.5%	22.8%	-0.6%	-3.7%	26.2%	-3.4%
Combined Ratio (%)	101.1%	102.3%	97.9%	-3.2%	-4.4%	101.2%	-3.3%
PAT	4,000	5,170	3,990	0%	-23%	5,165	-23%
Bajaj Life (INR mn)	3QFY25	2QFY26	3QFY26	YoY (%)	QoQ (%)	3QFY26E	A/E
RWRP	15,490	18,500	18,560	20%	0%	18,278	2%
Total APE	16,850	21,490	21,310	26%	-1%	19,937	7%
VNB	2,540	3,670	4,050	59%	10%	3,489	16%
VNB margins (%)	15.1%	17.1%	19.0%	3.9%	1.9%	17.5%	1.5%

Source: Company, JM Financial

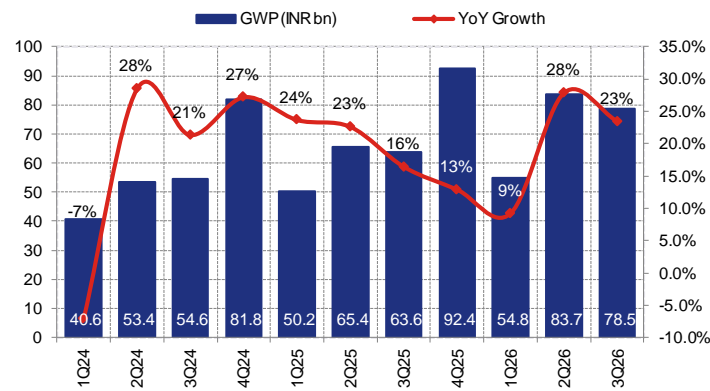
Exhibit 2. Implied holdco discount has crept to 20%



Source: JM Financial, Bloomberg

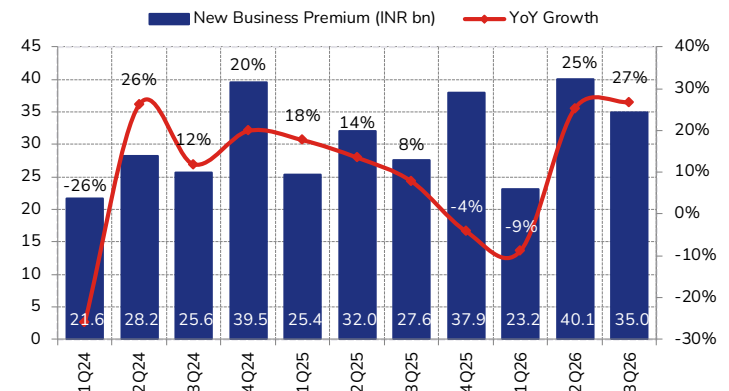
Life Insurance – Key quarterly trends

Exhibit 3. Bajaj Life – GWP growth strong



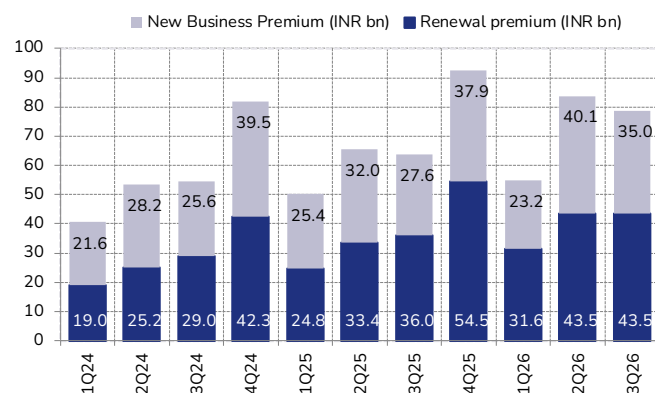
Source: Company, JM Financial

Exhibit 4. Bajaj Life – NBP growth steady at 27%



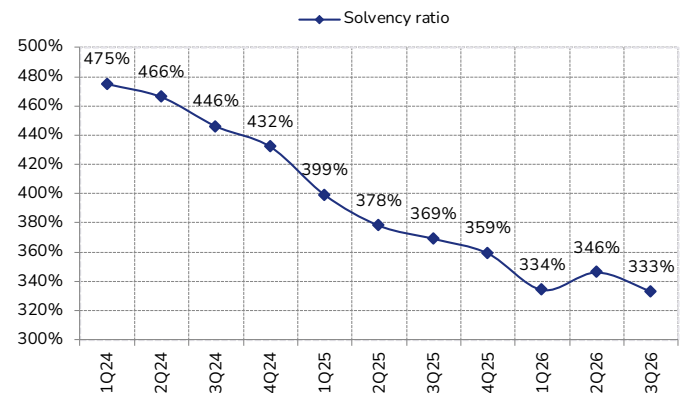
Source: Company, JM Financial

Exhibit 5. Bajaj Life – Renewal to new business trending at 44:35



Source: Company, JM Financial

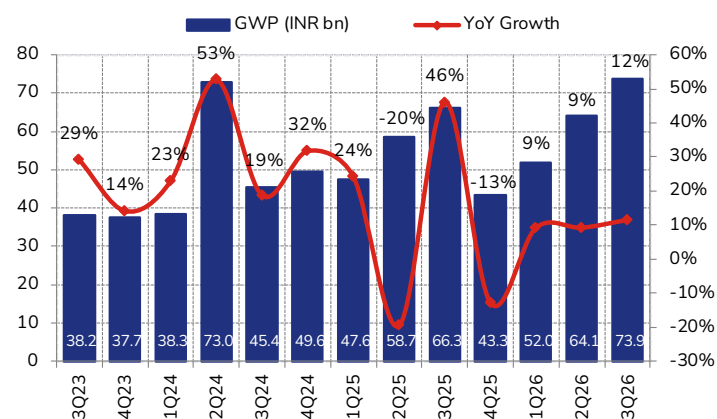
Exhibit 6. BALIC – Solvency ratio remains healthy



Source: Company, JM Financial

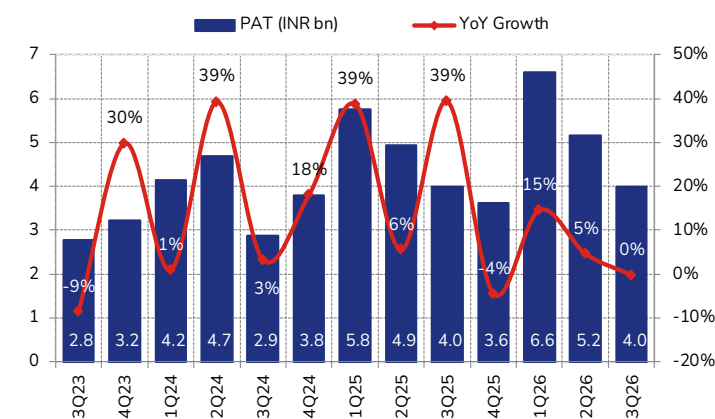
General Insurance – Key quarterly trends

Exhibit 7. Bajaj General – Steady growth, ex-crop, government health



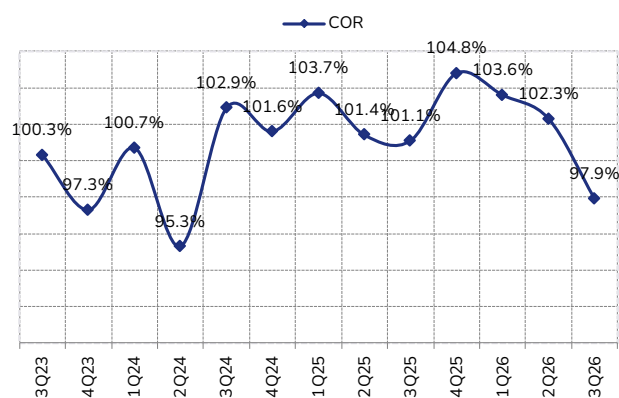
Source: Company, JM Financial

Exhibit 8. Bajaj General – PAT has been stable



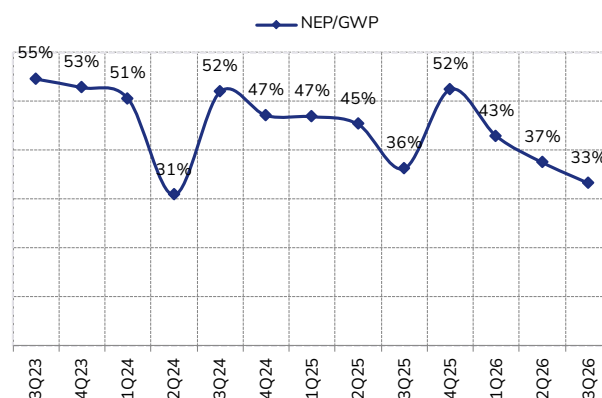
Source: Company, JM Financial

Exhibit 9. Bajaj General – COR has improved drastically



Source: Company, JM Financial

Exhibit 10. Bajaj General – NEP/GWP reduces in 3Q, with crop

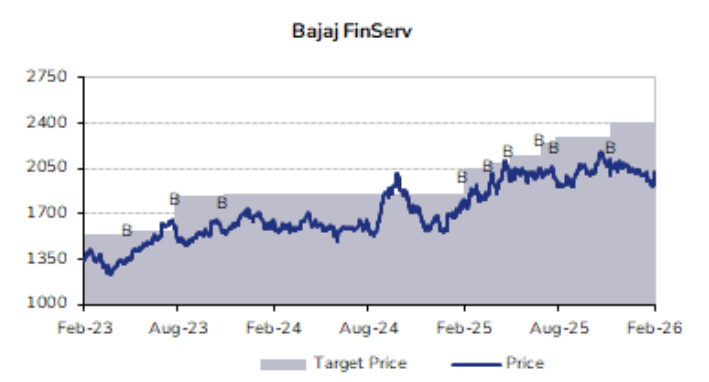


Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
29-Jan-20	Buy	1,100	
22-May-20	Buy	587	-46.6
22-Jul-20	Buy	870	48.2
22-Sep-20	Buy	870	0.0
22-Oct-20	Buy	867	-0.3
21-Jan-21	Buy	1,185	36.7
28-Apr-21	Buy	1,233	4.1
22-Jul-21	Buy	1,415	14.8
29-Oct-21	Buy	1,800	27.2
21-Jan-22	Buy	1,835	1.9
4-May-22	Buy	1,700	-7.4
31-Jan-23	Buy	1,535	-9.7
28-Apr-23	Buy	1,575	2.6
28-Jul-23	Buy	1,840	16.8
30-Oct-23	Buy	1,860	1.1
2-Feb-25	Buy	2,050	10.2
20-Mar-25	Buy	2,100	2.4
1-May-25	Buy	2,150	2.4
29-Jun-25	Buy	2,250	4.7
27-Jul-25	Buy	2,300	2.2
11-Nov-25	Buy	2,412	4.9
8-Jan-26	Buy	2,444	1.3

Recommendation History



APPENDIX I

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