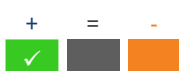




3R MATRIX

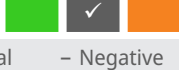
Right Sector (RS)



Right Quality (RQ)



Right Valuation (RV)



+ Positive

= Neutral

- Negative

What has changed in 3R MATRIX

	Old		New
RS	Green	↔	Green
RQ	Green	↔	Green
RV	Grey	↔	Grey

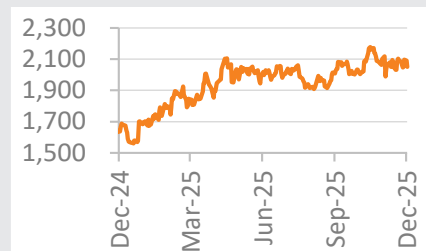
Company details

Market cap:	Rs. 3,28,000 cr
52-week high/low:	Rs. 1,555 / 2,195
NSE volume: (No of shares)	12.0 lakh
BSE code:	532978
NSE code:	BAJAJFINSV
Free float: (No of shares)	57.0 cr

Shareholding (%)

Promoters	58.8
FII	8.1
DII	10.5
Others	22.6

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-2.3	2.2	3.2	25.4
Relative to Sensex	-4.4	-2.9	-0.2	21.2

Source: Mirae Asset Sharekhan Research, Bloomberg

Bajaj Finserv Ltd

On a strong growth path

NBFC	Sharekhan code: BAJAJFINSV		
Reco/View: Buy	↔	CMP: Rs. 2,058	Price Target: Rs. 2,450 ↑

Summary

- Bajaj Finserv's FY30 guidance looks ambitious; revenue and PAT to clock healthy CAGR of 19-21% and 18-22%, respectively during FY25-30E.
- New lines of business to contribute as Bajaj Finserv Health eyes profitability by FY28. Bajaj Markets, the digital marketplace, likely to break even by H2FY27, while Bajaj AMC eyes a slot among top 15 AMCs.
- Company plans to list its general and life Insurance subsidiaries in 4-5 years to unlock value.
- Overall, the outlook is positive due to company's plans to diversify revenue mix with a comprehensive bouquet of financial products and strong group fundamentals; we revise PT to Rs. 2,450 and maintain a Buy on the stock.

Five-year plan attractive: Bajaj Finserv has announced a medium to long-term plan at its latest investor meet. Bajaj FinServ looks to reach an annual revenue of ~Rs. 3.1 - 3.4 lakh crore by FY30 by growing its topline at a 19-21% CAGR during FY25-FY30E. Net profit is targeted to grow at 18-22% CAGR to reach Rs. 21,000 - 24,000 crore by FY30E. Healthy growth in revenues and net profit would be driven by strong AUM growth, doubling client size from current levels, cost optimization through digitalization and AI in its core businesses and beyond its traditional lending and insurance engines to a mix of health-tech, digital marketplaces, asset management and alternatives. The company also intends to grow its total customer franchisee to 22 crore by FY30 from currently over 10 crore customer base. The lending arm Bajaj Finance aims to become a fintech lending business leader with leading to 10 crore loans, it also targets a 3.2-3.5% credit market share, 3.6-4% retail market share, 6.5 - 7.5 product per customer.

Non-traditional businesses to contribute meaningfully: Bajaj Finserv Health, a digital health platform, is expected to become a meaningful contributor to total business as the company intends to position itself as comprehensive health management ecosystem. The company has built the entire technological capability and an extensive network of 100,000 doctors and 15,000 hospitals ground up and with 1.7 million monthly health claims and partnerships with 10 insurers, business is eyeing profitability by FY28. Bajaj AMC that currently is at Rs. 31,000 crore of assets under management (AUM), is positioning to break even at Rs. 1.2 lakh crore and climb into India's top 15 managers. Bajaj FinServ Direct also known as Bajaj Markets is a digital marketplace that offers wide range of financial products like loans, insurance, mutual funds, and investments, etc and helps customers to compare and choose from 34 financial products sourced from over 100 banks and financial institutions. Bajaj Markets is expected to break even by H2FY27. In 2026, the company also plans to enter pension and wealth management business, this should further help it to widen its product offerings and to push overall business growth.

Listing of insurance subsidiaries to unlock value: Bajaj Finserv aims to list its insurance business i.e. General and Life Insurance in coming 4-5 years. The company said changing regulations, full ownership after the Allianz buyout, and improving profitability are creating the right conditions for a future float. The completion of the Allianz buyout by early next calendar year and becoming a 100% Bajaj company will enable the management deploy excess capital to use and it will also give the flexibility to pursue some of the other aspirations such as focus on NRIs through GIFT City. The general insurance business has grown at ~11% CAGR in past 5 years which was above industry average, the combined ratio for the company also has also remained healthy at five-year average of 99.9% versus industry average of 116.8%. Gross written premiums for H1FY26 was up 9% Y-o-y and again was above industry average of 6%. Bajaj Life insurance business is well capitalised (solvency of 346% for H1FY25) and also has shown 23% CAGR in gross written premium versus industry growth of 9% during FY20-FY25, in Q2FY26 the VNB grew at a healthy pace aided by margin expansion due to shift in product mix, going ahead the growth is expected to pick up further and VNB margins to remain above 15% mark. GST related impact due to absence of input tax credit (ITC) is expected to be transient and will be mitigated by product mix and cost rationalisation. Listing of these subsidiaries will help unlock value and could reflect positively on overall valuations.

Our Call

Valuation – Bajaj Finserv's medium-to long term aspiration to offer a comprehensive bouquet of financial products under one umbrella is enticing and given the fact that the company aims to add non-traditional offerings (Bajaj Markets and Bajaj Direct) will add and diversify revenue sources. Recent quarterly results in core lending business (Bajaj Finance) and insurance business saw good momentum, though there was some impact on profitability due to higher credit cost in lending, acquisition cost in general insurance and some impact of GST. Overall fundamentals of the group remain strong with, steady growth, comfortable solvency and capitalization and structural story across business segments remains intact. We rollover valuations to average FY27-28E, thus we revise our SOTP-based target price to Rs. 2450 and maintain Buy rating on the stock.

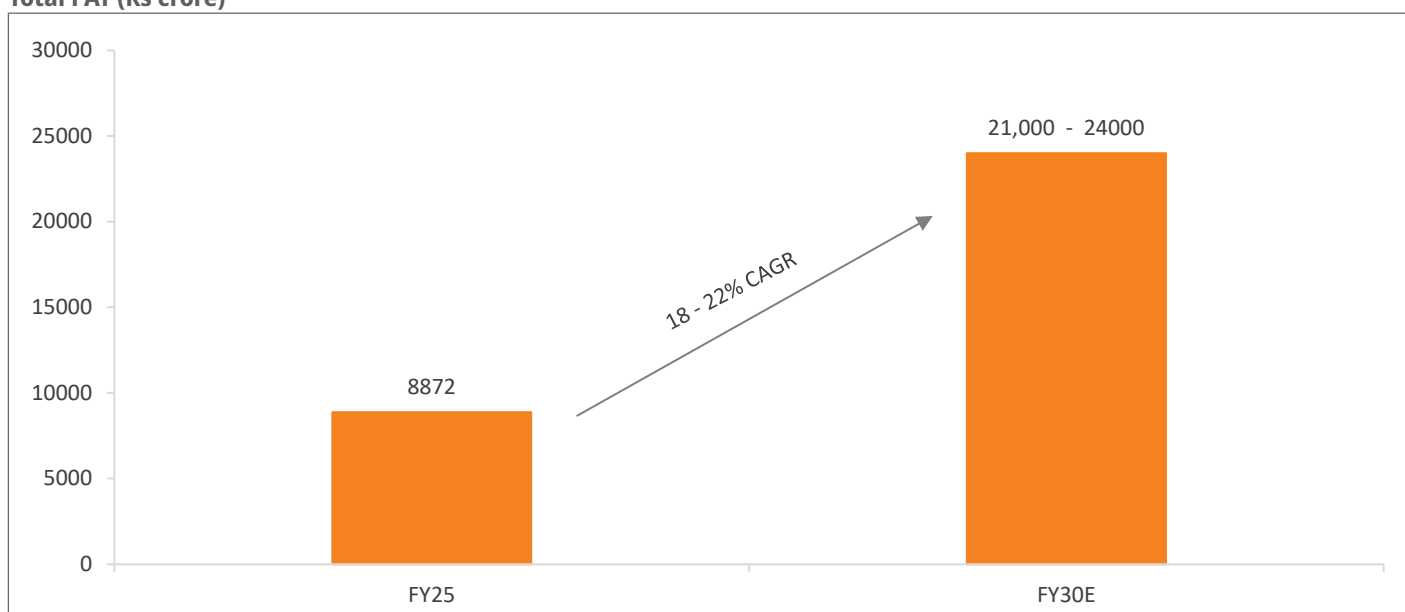
Key Risks

Deterioration in the performance of its subsidiaries may pose a risk to earnings growth and profitability.

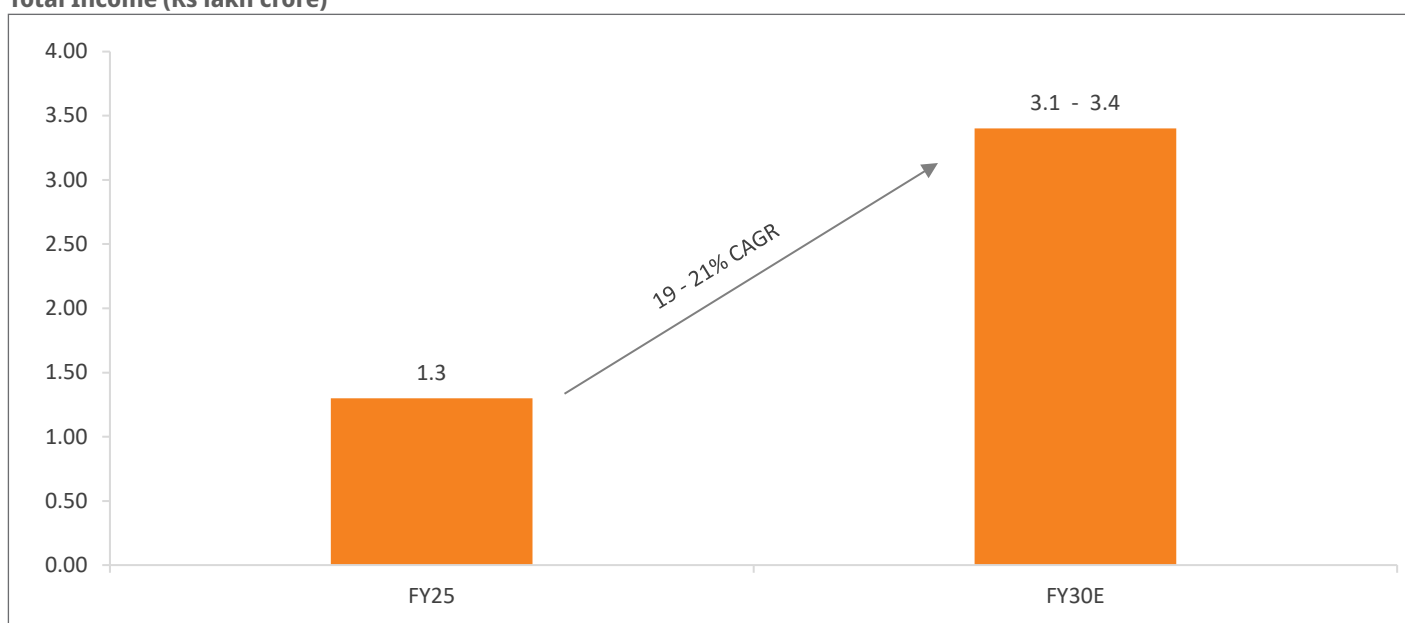
SOTP-based valuation metrics

Particulars	Holding	Rationale	Value per share (Rs.)
BALIC	74%	2.1x Average EV for FY27-28E	335
BAGIC	74%	30x Average EPS for FY27-28E	299
Bajaj Finance	51%	4.7x Average BVPS for FY27-FY28E	2,247
Less: Holding Co Discount			432
Total			2,450

Source: Company; Mirae Asset Sharekhan Research

Total PAT (Rs crore)


Source: Company; Mirae Asset Sharekhan Research

Total Income (Rs lakh crore)


Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector View – Long runway for growth

We believe 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

Bajaj Finserv's medium-to long term aspiration to offer a comprehensive bouquet of financial products under one umbrella is enticing and given the fact that the company aims to add non-traditional offerings (Bajaj Markets and Bajaj Direct) will add and diversify revenue sources. Recent quarterly results in core lending business (Bajaj Finance) and insurance business saw good momentum, though there was some impact on profitability due to higher credit cost in lending, acquisition cost in general insurance and some impact of GST. Overall fundamentals of the group remain strong with, steady growth, comfortable solvency and capitalization and structural story across business segments remains intact. We rollover valuations to average FY27-28E, thus we revise our SOTP-based target price to Rs. 2450 and maintain Buy rating on the stock.

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.

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Bajaj Holdings & Investment Ltd	38.35
2	Jamnalal Sons Pvt Ltd	8.56
3	Jaya Hind Industries Pvt Ltd	3.93
4	SBI Funds Management Ltd	2.63
5	Maharashtra Scooters Ltd	2.37
6	Life Insurance Corp of India	1.84
7	Bajaj Sevashram Pvt Ltd	1.67
8	Bachhraj & Co Pvt Ltd	1.46
9	Bajaj Niraj	1.33
10	ICICI Prudential Asset Management	1.27

Source: Bloomberg

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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

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