

## Oct-Dec'25 Earnings Preview

### Uptick in growth; loss of ITC credit to drag margin

*Private life insurers are seeing a pick-up in Oct/ Nov-25 volumes (+21% YoY) with GST exemption kicking in. We expect the boost in retail protection volume to provide a strong tailwind for growth in Q3. Expect 3QFY26E VNB margin to be subdued due to the loss of Input Tax Credit. Valuations continue to remain undemanding. Maintain BUY on Max FS (TP of Rs 1,925 at 2.1x FY27E P/EV) and HDFC Life (TP of Rs 900 at 2.6x FY27E P/EV). Key monitorable from 3QFY26E results are: (1) Growth guidance for Q4FY26/ FY27E (2) Margin outlook and impact of GST exemption.*

Private life insurers have seen a pick-up in Oct and Nov-25 volumes (+21% YoY) as pent-up demand due to the GST exemption kicks in. Max FS and SBI Life have seen a robust growth of 21%/ 26% YoY while growth for HDFC Life and IPRU Life remains modest (+11%/ 8% YoY). We expect the boost in retail protection volume to provide a strong tailwind for growth in Q3. This, coupled with a pick-up in credit protect and steady NPAR volume to drive growth in the quarter.

- **HDFC Life** has reported an APE growth of 11% YoY on YTD basis; we expect ~12% in Q3. While uptick in term volumes and recovery in the Credit life segment to drive growth, it is likely to be offset by muted growth in ULIP and NPAR. The company has indicated a gross impact of ~300 bps on FY26 margin due to the loss of Input Tax Credit on GST. However, it is engaging with distributors to mitigate the same over the next 2-3 quarters. We build a VNB margin of 22.5% in Q3.
- **IPRU Life** has seen a de-growth (-6% YoY YTD) impacted by a slowdown in ULIP and flat growth in protection; we expect the de-growth to continue. Company is evaluating several cost optimisation measures to mitigate the impact of the recent GST exemption on FY26 VNB. Higher sum assured/ rider attachment and favourable movement of the yield curve are likely to offset the drag on profitability. We factor in the same with a VNB Margin of 23% for Q3.
- **Axis Max Life** has outperformed peers with APE growth of 18% YoY on a YTD basis. We expect the outperformance to continue (+16% YoY) with strong growth in retail protection volume and recovery in credit life disbursements. Newly launched products - Smart VIBE (NPAR), SWAG 2.0 (PAR) and SWAG Pension (Annuity) are seeing strong traction. On the margin front, we build a VNB margin of 22.5% in Q3, considering the drag from GST exemption.
- **SBI Life:** SBI Life has seen a strong recovery in Oct and Nov-25 volumes (+14% YoY on a YTD basis); we build a growth of 5% YoY in Q3, factoring in a high-base from last year. Expect margin to remain intact (vs. Q3FY25), with a negligible impact of GST exemption.

**Loss of Input Tax Credit to impact Q3 margin:** With the benefit of Input Tax Credit not available to insurers, we expect a drag of 200-300 bps on FY26E VNB Margin across players. In our view, covered companies are likely to mitigate the drag with commission cuts. Moreover, strong growth in retail protection volume in H2, improved margin profile in ULIP and repricing in NPAR is likely to offset some of the drag.

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#### Exhibit 1: PL Universe

Companies	Rating	CMP (Rs)	TP (Rs)
HDFC Life Insurance Company	Buy	755	900
ICICI Prudential Life Insurance Company	Hold	679	710
Max Financial Services	Buy	1,672	1,925
SBI Life Insurance Company	Hold	2,067	1,950

Source: PL

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**Exhibit 2: Q3FY26 Result Preview**

(Rs mn)	3Q FY26E	3Q FY25	YoY gr. (%)	2Q FY26	QoQ gr. (%)	Remarks
<b>HDFC Life Insurance Company</b>						
APE	39,965	35,690	12.0	41,880	-4.6	Expect APE growth of 12% YoY in Q3 driven by term business and recovery in credit life segment
VNB	8,992	9,300	-3.3	10,090	-10.9	
VNB Margin (%)	22.5	26.1	-360 bps	24.1	-160 bps	VNB margin to be at 22.5% due to impact in margin on account of loss of ITC
<b>ICICI Prudential Life Insurance Company</b>						
APE	22,476	24,390	-7.8	24,220	-7.2	Expect de-growth in APE to continue in Q3
VNB	5,169	5,170	0.0	5,920	-12.7	VNB margin to be at 23% for Q3 with higher sum assured, rider attachment and favourable movement in yield curve to offset ITC loss
VNB Margin (%)	23.0	21.2	180 bps	24.4	-140 bps	
<b>Max Financial Services</b>						
APE	24,427	21,080	15.9	25,070	-2.6	Expect 16% YoY growth in APE due to growth in retail protection and recovery in credit life disbursements
VNB	5,496	4,890	12.4	6,390	-14.0	
VNB Margin (%)	22.5	23.2	-70 bps	25.5	-300 bps	VNB margin to be at 22.5% factoring the drag from GST exemption
<b>SBI Life Insurance Company</b>						
APE	72,850	69,400	5.0	59,400	22.6	Expect an APE growth of 5% YoY factoring high base of last year
VNB	19,524	18,700	4.4	16,600	17.6	
VNB Margin (%)	26.8	26.9	-10 bps	27.9	-110 bps	VNB margin to remain intact vs. last year with negligible impact of loss of ITC

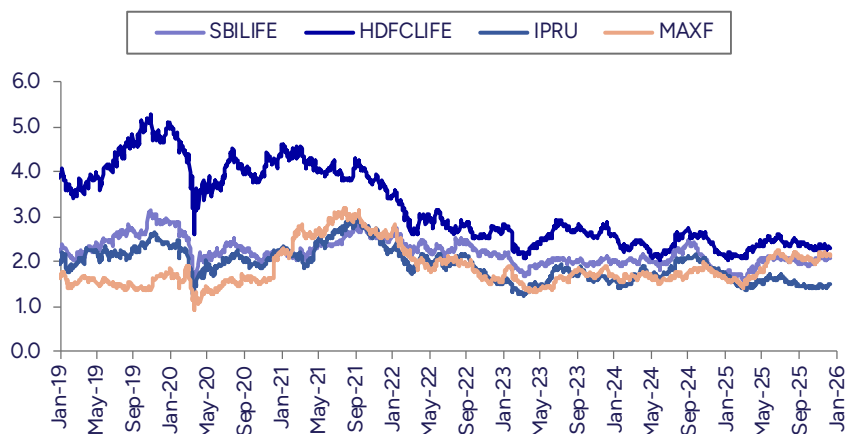
Source: Company, PL

**Exhibit 3: Valuation Summary**

Company	CMP (Rs.)	TP (Rs)	Rating	MCap (Rs bn)	Upside / Downside	P/EV (x)				APE (Rs bn)				VNB (Rs bn)			
						FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E
HDFCLIFE IN	755	900	Buy	1,647	19%	3.0	2.6	2.2	1.9	150.1	170.4	194.8	224.5	38.4	40.9	47.7	55.7
IPRU IN	679	710	Hold	991	5%	2.1	1.8	1.6	1.4	104.1	108.7	120.6	135.7	23.7	25.9	29.3	33.2
MAXF IN	1,672	1,925	Buy	593	15%	2.9	2.5	2.1	1.8	87.7	101.9	117.6	135.3	21.1	24.6	28.9	33.8
SBILIFE IN	2,067	1,950	Hold	2,089	-6%	3.0	2.5	2.2	1.8	214.1	240.8	272.5	307.0	59.5	65.0	74.1	84.1
Company	CMP (Rs.)	TP (Rs)	Rating	MCap (Rs bn)	Upside / Downside	VNB Margin (%)				Embedded Value (Rs bn)				RoEV (%)			
						FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E
HDFCLIFE IN	755	900	Buy	1,647	19%	25.6	24.0	24.5	24.8	554.3	642.6	746.8	868.4	16.7	15.6	15.7	15.7
IPRU IN	679	710	Hold	991	5%	22.8	23.8	24.3	24.5	479.5	544.4	618.6	703.2	13.1	13.6	13.6	13.7
MAXF IN	1,672	1,925	Buy	593	15%	24.0	24.2	24.6	25.0	204.1	241.4	285.0	335.8	19.1	18.3	18.1	17.8
SBILIFE IN	2,067	1,950	Hold	2,089	-6%	27.8	27.0	27.2	27.4	702.5	825.2	966.7	1,131.4	20.2	18.6	17.9	17.5

Source: Company, PL

**Exhibit 4: Insurers under coverage are trading at an average P/EV of 2.0x**



Source: Company, PL

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bajaj Finance	Accumulate	1,125	1,048
2	Cholamandalam Investment and Finance Company	Accumulate	1,850	1,724
3	HDFC Life Insurance Company	BUY	900	761
4	ICICI Prudential Life Insurance Company	BUY	710	597
5	Mahindra & Mahindra Financial Services	Accumulate	375	353
6	Max Financial Services	BUY	1,925	1,702
7	SBI Life Insurance Company	Hold	1,950	1,903
8	Shriram Finance	BUY	1,150	956
9	Sundaram Finance	Hold	5,000	4,691

**PL's Recommendation Nomenclature**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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