

**RESEARCH****HDFC LIFE | TARGET: Rs 918 | +21% | BUY**

A steady quarter

**ICICI PRUDENTIAL LIFE | TARGET: Rs 801 | +20% | BUY**

Margin expansion a positive surprise

**BANKING | Q1FY26 PREVIEW**

Muted credit uptake and NIMs squeeze to weigh on Q1FY26 PAT

**SUMMARY****HDFC LIFE**

- HDFCLIFE reported healthy APE growth of 13% YoY in Q1FY26, stronger than industry growth (up 7%)
- VNB margins witnessed expansion of 9bps YoY, aided by higher average ticket sizes, and ULIPs with higher rider attachments
- We maintain BUY on HDFCLIFE with TP to Rs 918 (earlier Rs 900), implying 2.5x in its Jun'27 P/EV. HDFCLIFE remains our top pick

[Click here](#) for the full report.

**ICICI PRUDENTIAL LIFE**

- VNB margin expands to 24.5% YoY, up ~50 bps, aided by favourable product mix
- APE declined 5% YoY in Q1FY26; management maintains a positive outlook for FY26
- Maintain BUY with TP of Rs 801 (earlier Rs 674), 1.8x its June'27 P/EV, on stable performance in future

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## **BANKING: Q1FY26 PREVIEW**

- Credit growth remains muted, mainly driven by weak demand from corporates; advance growth likely to be back-ended in FY26
- Profitability to witness margin pressure but partially aided by treasury income; asset quality remains monitorable
- Overall performance to stay modest; Top picks: ICICIBC, HDFCB and SBIN in large caps, while FB and IDFCFB in midcaps

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**BUY****TP: Rs 918 | ▲ 21%****HDFC LIFE**

| Insurance

| 16 July 2025

## A steady quarter

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- **VNB margins witnessed expansion of 9bps YoY, aided by higher average ticket sizes, and ULIPs with higher rider attachments**
- **We maintain BUY on HDFCLIFE with TP to Rs 918 (earlier Rs 900), implying 2.5x in its Jun'27 P/EV. HDFCLIFE remains our top pick**

**Vijiya Rao | Niraj Jalan**

research@bobcaps.in

**Healthy APE growth:** APE grew 13% YoY to Rs 32.3bn, on a higher base (for Q1FY25 APE was up 23% YoY) vs our estimate of Rs 32.6bn. The company continued to demonstrate a steady APE growth despite the volatile/challenging external environment. Further, it outperformed industry growth during the quarter. Overall, industry APE growth, including LIC, was at 7% YoY in Q1FY26 and APE for private players grew 10% YoY during the quarter. Thus, HDFC Life outperformed the industry growth, in terms of the overall industry as well as private APE growth. Consequently, market share gains stood at 70bps YoY, in terms of new business premiums.

**VNB margin expansion:** VNB margin expanded by 9bps YoY to 25.09% in Q1FY26 vs our expectation of 26.1%. This was primarily aided by higher average ticket sizes, supported by traction in select unit linked and par products, coupled with enhanced rider attachments to ULIPs. Contrary to initial expectations, ULIPs remained strong, aided by buoyant equity markets. ULIPs' share currently stands at 33% in the product mix vs 32% in Q1FY25 vs 40% in Q4FY25. Management anticipates a more balanced contribution from both ticket size and policy volumes. Further, absolute VNB increased 13% YoY to Rs 8.1bn vs our estimate of Rs 8.5bn. The company foresees a gradual shift towards traditional products, thereby lending support to margins.

**Maintain BUY:** We believe HDFCLIFE is well placed to achieve its APE growth outlook of 18-21% and VNB margin of 26-27% in FY26-28E, aided by better product mix and strong APE growth momentum. Incremental focus on the agency channel growth, along with increasing penetration in Tier-2 and -3 cities bode well. Further, regulatory concerns are beginning to recede while some competitive intensity persists. Hence, we maintain BUY on HDFCLIFE with TP to Rs 918 (earlier Rs 674), implying 2.5x in its Jun'27 P/EV and continue to prefer HDFCLIFE as our top pick.

## Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	HDFCLIFE IN/Rs 757
Market cap	US\$ 18.8bn
Free float	50%
3M ADV	US\$ 26.8mn
52wk high/low	Rs 821/Rs 584
Promoter/FPI/DII	50%/25%/13%

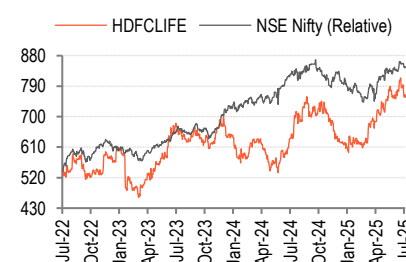
Source: NSE | Price as of 15 Jul 2025

## Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
NBP (Rs mn)	3,33,653	3,92,346	4,55,121
APE (Rs mn)	1,54,790	1,86,522	2,20,096
VNB (Rs mn)	39,626	46,589	56,248
Embedded Value (Rs mn)	5,54,230	6,43,744	7,50,258
VNB margin (%)	25.6	25.9	26.5
EVPS (Rs)	257.4	299.0	348.5
EPS (Rs)	8.4	10.3	11.4
Consensus EPS (Rs)	-	-	-
P/EV (x)	2.9	2.5	2.2

Source: Company, Bloomberg, BOBCAPS Research

## Stock performance



Source: NSE



**BUY**

TP: Rs 801 | ▲ 20%

ICICI PRUDENTIAL LIFE

| Insurance

| 16 July 2025

## Margin expansion a positive surprise

- VNB margin expands to 24.5% YoY, up ~50 bps, aided by favourable product mix
- APE declined 5% YoY in Q1FY26; management maintains a positive outlook for FY26
- Maintain BUY with TP of Rs 801 (earlier Rs 674), 1.8x its June'27 P/EV, on stable performance in future

Vijiya Rao | Niraj Jalan  
research@bobcaps.in

**VNB margin expansion a surprise:** For Q1FY26, margin expanded by ~50bps YoY to 24.5% vs our estimate of 23.4%. This was primarily aided by a shift towards the high margin non-linked products in the mix, led by volatile equity markets and higher protection composition in the product mix (mix up 22% vs 18% in Q1FY25), coupled with ongoing cost optimisation measures. In line with expectations, VNB de-grew 3% YoY, on a higher base vs our expectations of decline of 6% YoY. The company continues to focus on absolute VNB growth.

**APE growth muted:** APE de-grew 5% YoY while group APE grew 19% YoY. However, individual APE de-grew by 9% YoY on a very high base (growth of 42% YoY). APE stood at Rs 18.6bn vs our estimate of Rs 19.1bn in Q1FY26. Q1FY25 witnessed a very strong overall APE growth of 34% YoY (with individual APE growth of 42% and group APE growth of 3% YoY), driven by strong linked business growth aided by buoyancy in the equity market and new product offering linked growth in the annuity segment. Management indicated APE growth to normalise in the 2H with linked products regaining popularity, coupled with guaranteed products and protection growth. Despite a moderate quarter in terms of APE growth, management maintained a positive outlook for FY26.

**Protection share gains traction:** Protection share in the mix increased significantly to 21.9% vs 18.1% in Q1FY25. Within protection, retail grew 24% YoY and group protection rose 11% YoY with mix increasing to 7.5%:14.5% vs 5.7%:12.4% in Q1FY25.

**Maintain BUY on IPRU:** The company witnessed pressure on business growth, owing to a higher base in the previous year, which is an industry-wide phenomenon this quarter. However, management anticipates a better 2H with linked products regaining popularity, coupled with guaranteed products and protection growth. IPRU is undergoing cost optimisation measures, which are likely to aid margins coupled with a favourable product mix. Further, it continues to focus on the absolute VNB growth over product mix. Hence, we maintain BUY on IPRU with TP of Rs 801 (earlier Rs 674), implying 1.8x its June'27 P/EV.

## Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	IPRU IN/Rs 670
Market cap	US\$ 11.2bn
Free float	27%
3M ADV	US\$ 9.3mn
52wk high/low	Rs 797/Rs 526
Promoter/FPI/DII	73%/15%/17%

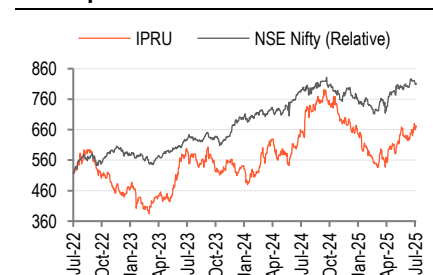
Source: NSE | Price as of 15 Jul 2025

## Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
NBP (Rs mn)	2,32,306	2,41,085	2,77,248
APE (Rs mn)	1,04,070	1,19,160	1,35,247
VNB (Rs mn)	23,700	28,479	32,459
Embedded Value (Rs mn)	4,79,510	5,46,437	6,22,831
VNB margin (%)	22.8	23.9	24.0
EVPS (Rs)	332.3	379.1	433.3
EPS (Rs)	8.2	11.0	14.2
Consensus EPS (Rs)	-	-	-
P/EV (x)	2.0	1.8	1.5

Source: Company, Bloomberg, BOBCAPS Research

## Stock performance



Source: NSE



## BANKING

Q1FY26 Preview

16 July 2025

**Muted credit uptake and NIMs squeeze to weigh on Q1FY26 PAT**

- Credit growth remains muted, mainly driven by weak demand from corporates; advance growth likely to be back-ended in FY26
- Profitability to witness margin pressure but partially aided by treasury income; asset quality remains monitorable
- Overall performance to stay modest; Top picks: ICICIBC, HDFCB and SBIN in large caps, while FB and IDFCB in midcaps

Niraj Jalan | Vijiya Rao  
 research@bobcaps.in

**Credit growth remains muted, likely to improve from 2HFY26:** System credit growth moderated to 9.5% as of June 27, 2025 vs 11% YoY in Q4FY25. Muted advances growth was mainly due to weak demand from large corporates (+1% YoY) and slowdown in unsecured retail (+8% YoY), as per RBI's sectoral deployment data, as on May 30, 2025. Large corporates are largely funding their needs through raising bonds (~23% of total funding as of Dec'24) and retained earnings. MSME credit growth remains healthy at ~15% YoY, as of May'25. We expect system credit offtake to stay moderate and back-ended at 11-12% YoY in FY26, largely supported by the retail and MSME segments. Credit growth for our coverage is expected to be at ~10.5% YoY/~1.4% QoQ for Q1FY26.

**Profitability to get hit by NIMs pressure, but partially offset by treasury gains:**

Most of our coverage banks are expected to report margin contraction on a sequential basis by 5-31bps in Q1FY26. With the RBI reducing repo rates by 100bps in CY2025 till date, lending yields are expected to decline. In the last couple of months, banks have reduced their savings and term deposit rates in the range of ~20-100bps. However, the cost of deposit is expected to reduce with a lag as liability repricing takes place. In addition, low-cost CASA deposits accretion remains a challenge for banks, which is expected to further pressurise margins. However, margins are expected to gradually benefit in 2HFY26 from 100bps CRR cut, from Sep'25 in a phased manner. Profitability pressure will likely be partially offset by trading profits, given the fall in g-sec yields in Q1FY26.

**Asset quality to stay monitorable:** We expect large private banks and PSU banks to witness largely stable credit costs in Q1FY26, though partially impacted by seasonally higher agri slippages. However, the slippage and credit cost for lenders with higher share of unsecured MFI book to remain elevated till H1FY26. We expect the asset quality stress in unsecured segments to peak out and credit costs to normalise from 2HFY26 onwards. We estimate coverage banks to report a decline in PAT by 6.3% YoY in Q1FY26. This will be mainly driven by moderation in loan growth, NIMs pressure, and higher credit costs for banks with a higher share of unsecured retail and MFI loans which will be partially offset by higher treasury income.



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Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**

SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**

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**BUY** – Expected return >+15%

**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

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