

INSURANCE

Q2FY26 Preview

09 October 2025

Resilient 2Q growth amid GST impact

- For our coverage companies including LIC, APE is likely to grow at 2% YoY in Q2FY26
- During the quarter, VNB margins are likely to expand for all players, except for IPru
- HDFC Life is expected to witness the strongest growth in terms of APE and margins. Our top picks are HDFC Life and LIC

Vijiya Rao
Research Analyst
Niraj Jalan
Research Analyst
research@bobcaps.in

Q2FY26 growth and margins in focus: Overall, life insurance companies under our coverage including LIC are expected to witness 2% YoY APE growth in Q2FY26, on a higher base of last year (growth of ~20% YoY). Absolute VNB is likely to see a growth of ~4% YoY. Further, private players may see APE growth of 6% YoY. Absolute VNB for private players is expected to rise by 8% YoY in Q2FY26. Gross premium income for all the life insurance companies under our coverage is expected to increase by 6% YoY. We expect the product mix to continue to shift in favour of non-par and protection for most of the companies. Additionally, ULIPs too would continue to have a higher share in the overall product mix. VNB margin is likely to expand in the range of 40-50bps YoY for HDFC Life, SBI Life and LIC. For ICICI Pru Life, VNB margin is likely to contract by 28bps YoY in Q2FY26.

HDFC Life: HDFC Life is likely to see the highest APE growth of ~12% YoY in Q2FY26 and 12% YoY in H1FY26. Absolute VNB is expected to grow 14% YoY in Q2FY26 and 13% YoY H1FY26. VNB margin will likely be at 24.8% in Q2FY26 vs 24.3% in Q2FY25 vs 25.1% in Q1FY26, aided by rider attachments and steady protection mix. Gross premium income would grow by 11.3% YoY in Q2FY26.

ICICI Pru Life: ICICI Pru Life may see a soft quarter on a higher base with APE to decline by 2% YoY in Q2FY26 and 3% in H1FY26. VNB is likely to decline by 3% YoY in Q1FY26 and in H1FY26. VNB margin is likely to be at 23.1% in Q2FY26 vs 23.4% in Q2FY25 vs 24.5% in Q1FY26. Gross premium income is expected to grow at 10% YoY in Q2FY26.

SBI Life: SBI Life is expected to witness APE growth of 6% YoY in Q2FY26 and 7% YoY in H1FY26. VNB may grow at 8% YoY in Q2FY26 and 10% YoY in H1FY26. VNB margin may see improvement at 27.3% in Q2FY26 vs 26.9% in Q2FY25 vs 27.5% in Q1FY26. Gross premium income will likely grow at 13% YoY in Q2FY26.

Recommendation snapshot

Ticker	Price	Target	Rating
HDFCLIFE IN	754	918	BUY
IPRU IN	593	801	BUY
LICI IN	895	1,100	BUY
SBILIFE IN	1,810	2,144	BUY

Price & Target in Rupees | Price as of 9 Oct 2025



LICI: LICI is expected to report APE growth of 2% YoY in Q2FY26 and 3% YoY in H1FY26. VNB growth is likely to remain steady at 1% YoY in Q2FY26 and 8% YoY in H1FY26. VNB margin is likely to be at 18.4% in Q2FY26 vs. 17.9% in Q2FY25 vs. 15.4% in Q1FY26, owing to continued shift in the product mix towards non-par products.

Fig 1 – HDFC Life Q2FY26 estimates

(Rs mn)	Q2FY26E	Q2FY25	Q1FY26	YoY (%)	QoQ (%)
Gross Premium	1,88,363	1,69,275	1,48,751	11.3	26.6
Growth (YoY %)	11.3	13.3	16.1		
APE	43,108	38,580	32,250	11.7	33.7
Growth (YoY %)	11.7	26.7	12.5		
VNB	10,701	9,380	8,090	14.1	32.3
Growth (YoY %)	14.1	17.1	12.7		
VNB Margins	24.8	24.3	25.1		
Change in Margins (bps)	51	(199)	3		

Source: Company, BOBCAPS Research

Fig 2 – ICICI Pru Q2FY26 estimates

(Rs mn)	Q2FY26E	Q2FY25	Q1FY26	YoY (%)	QoQ (%)
Gross Premium	1,23,296	1,11,752	89,540	10.3	37.7
Growth (YoY %)	10.3	7.2	8.1		
APE	24,569	25,030	18,640	(1.8)	31.8
Growth (YoY %)	(1.8)	21.5	(5.0)		
VNB	5,684	5,860	4,570	(3.0)	24.4
Growth (YoY %)	(3.0)	1.6	(3.2)		
VNB Margins	23.1	23.4	24.5		
Change in Margins (bps)	(28)	(460)	47		

Source: Company, BOBCAPS Research

Fig 3 – SBI Life Q2FY26 estimates

(Rs mn)	Q2FY26E	Q2FY25	Q1FY26	YoY (%)	QoQ (%)
Gross Premium	2,30,227	2,04,132	1,78,139	12.8	29.2
Growth (YoY %)	12.8	1.2	14.4		
APE	57,173	53,900	39,700	6.1	44.0
Growth (YoY %)	6.1	3.1	9.1		
VNB	15,612	14,500	10,900	7.7	43.2
Growth (YoY %)	7.7	(2.7)	12.4		
VNB Margins	27.3	26.9	27.5		
Change in Margins (bps)	40	(159)	81		

Source: Company, BOBCAPS Research

Fig 4 – LICI Q2FY26 estimates

(Rs mn)	Q2FY26E	Q2FY25	Q1FY26	YoY (%)	QoQ (%)
Gross Premium	12,35,858	12,00,475	11,93,330	2.9	3.6
Growth (YoY %)	2.9	11.7	4.8		
APE	1,62,039	1,64,650	1,26,520	(1.6)	28.1
Growth (YoY %)	(1.6)	25.7	9.4		
VNB	29,747	29,410	19,440	1.1	53.0
Growth (YoY %)	1.1	46.9	20.7		
VNB Margins	18.4	17.9	15.4		
Change in Margins (bps)	50	257	144		

Source: Company, BOBCAPS Research

Fig 5 – Bajaj Finance Q2FY26 estimates

(Rs mn)	Q2FY26E	Q2FY25	Q1FY26	YoY (%)	QoQ (%)
Net Interest Income	1,08,150	88,377	1,02,270	22.4	5.7
Growth (YoY %)	22.4	22.8	22.3		
Other Income	24,136	21,084	23,831	14.5	1.3
Growth (YoY %)	14.5	27.8	16.1		
Operating Expenses	42,458	36,390	41,230	16.7	3.0
Growth (YoY %)	16.7	20.9	18.8		
Pre-Provisioning Profit (PPOP)	89,828	73,071	84,871	22.9	5.8
Growth (YoY %)	22.9	25.2	22.2		
PAT	50,289	40,137	47,653	25.3	5.5
Growth (YoY %)	25.4	12.9	21.9		
AUM	46,68,080	37,39,240	44,14,500	24.8	5.7
Growth (YoY %)	24.8	28.8	24.6		
NIMs	9.5	9.7	9.5		
Change in NIMs (bps)	(18)	(56)	(24)		

Source: Company, BOBCAPS Research

In 2025, government announced that effective 22 Sept'25, GST on life insurance premiums will be reduced from 18% to 0%. This change is expected to boost demand through lower final premiums, making life insurance products more affordable for customers. However, life insurers will no longer be able to claim input tax credit (ITC) on related expenses. Listed insurance companies have indicated a potential impact of 0.2%–1% on embedded value (EV), due to the GST rate cuts.

Fig 6 – Expected impact of GST on EV of all listed companies

Particulars	Impact of GST on EV
Axis Max Life	< 1%
HDFC Life	< 0.5%
ICICI Pru	~1%
SBI Life	< 0.2%
LICI	< 0.5%

Source: Company, BOBCAPS Research

Key factors to watch out from the results and management commentaries would be the impact of GST rate cuts on margins and EV and the measures taken by the companies to mitigate the impact. This can be in the form of re-negotiations of the distributor's commissions and product repricing.

Fig 7 – Coverage universe valuations

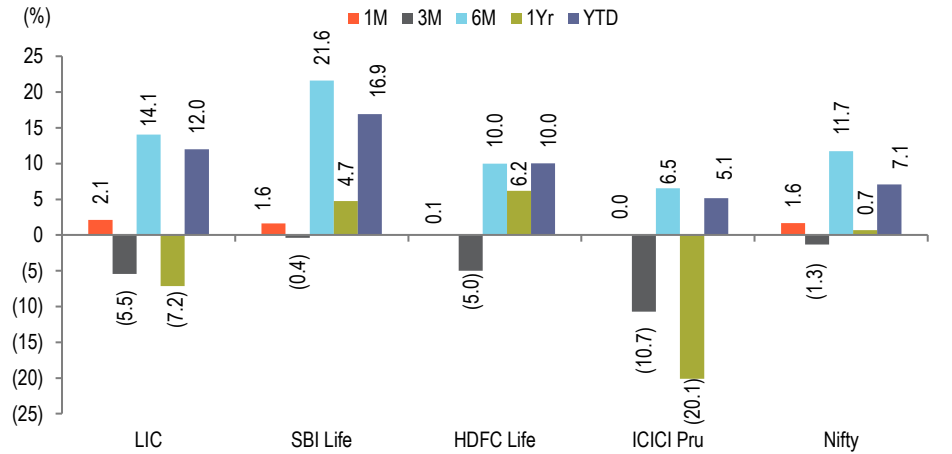
	Rating	CMP (Rs)	TP (Rs)	M Cap (Rs bn)	Embedded Value (Rs bn)			P/EV (x)			RoEV (%)		
					FY25A	FY26E	FY27E	FY25A	FY26E	FY27E	FY25A	FY26E	FY27E
HDFC Life	BUY	754	918	1,625	554	642	745	2.9	2.5	2.2	16.7	16.6	16.8
ICICI Pru	BUY	593	801	859	480	545	620	1.8	1.6	1.4	13.0	13.8	13.9
SBI Life	BUY	1,810	2,144	1,818	703	821	959	2.6	2.2	1.9	20.2	16.5	16.5
LIC	BUY	895	1,100	5,672	7,769	8,554	9,407	0.7	0.7	0.6	7.3	10.8	10.6

Source: Company, BOBCAPS Research | CMP as of 9 Oct 2025

Healthy price movement

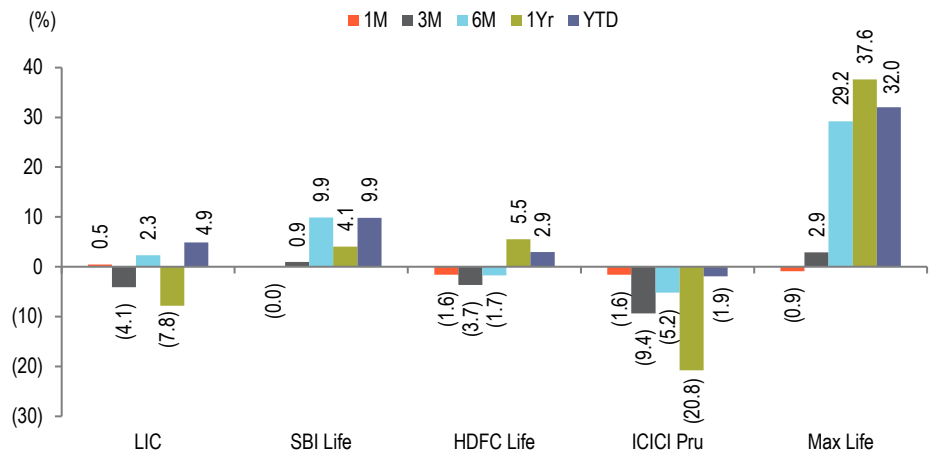
Life insurance stocks witnessed healthy absolute performance in the 5-7% range on YTD basis, reflecting an optimistic outlook.

Fig 8 – Absolute performance



Source: Company, BOBCAPS Research, CMP as of 9th Oct 2025

Fig 9 – Relative performance



Source: Company, BOBCAPS Research, CMP as of 9th Oct 2025

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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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SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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