

Insurance

India

Sector View: **Attractive** NIFTY-50: **22,904**

April 04, 2025

Weak quarter for insurance

4QFY25E trends will likely remain weak for life and non-life players. The slowdown in ULIPs weighs in on growth for life players, while non-life players are impacted by the implementation of the 1/n rule. Trends in VNB margins are mixed, driven by product mix and base period adjustments.

Weak VNB trends for most listed life insurers

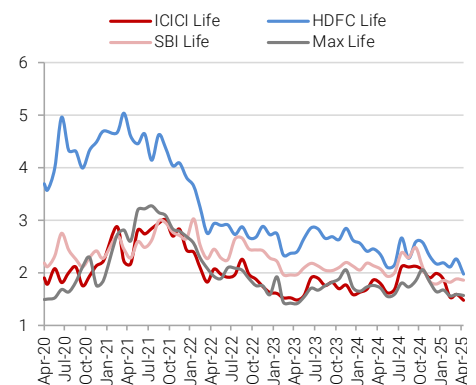
VNB trends will likely remain weak for most players in 4QFY25E, reporting (-)9% to +3% yoy growth. HDFC Life will likely remain an outlier, reporting strong 16% VNB growth during the quarter; trends between players are divergent.

- ▶ **Axis Max Life (VNB up 3% yoy) to report moderate growth and sharp yoy decline in margins.** APE growth of Axis Max Life will likely moderate to 11% from 17% in 3QFY25 and 31% during 1QFY25-2QFY25, likely following a slowdown at the parent bank. VNB margins will likely improve qoq to 26% from 23% in 3QFY25, reflecting seasonal trends, though down 200 bps yoy. The company apportions fixed costs equally across quarters, leading to seasonality in margins. High ULIPs and surrender value guidelines drive lower yoy margins.
- ▶ **HDFC Life (VNB up 16% yoy) to fare better than peers.** HDFC Life will likely report mid-teen APE growth and 40 bps yoy expansion in margins to 27%. The company has reported 15% yoy APE growth in January and February, which will likely sustain in March 2025. Margins remain rangebound for the company; the share of ULIPs will likely decline a bit qoq.
- ▶ **Muted (1%) VNB growth for ICICI Prudential Life.** ICICI Prudential Life reported flat APE trends yoy in the first two months of the quarter. High base (March 2024) will likely weigh in, leading to a 5.5% yoy APE decline in 4QFY25E. Margins remain rangebound at ~22-23%, a low base leading to ~150 bps yoy expansion.
- ▶ **LIC remains weak; VNB down 9% yoy.** LIC's APE will likely decline for the second consecutive quarter, down 17% yoy in 4QFY25E and 24% in 3QFY25. The product mix shift will likely continue to support margins, leading to ~175 bps yoy expansion to 19%.
- ▶ **Muted growth and flat margins for SBI Life; VNB up 2% yoy.** SBI Life will likely report muted APE growth of 5.5% yoy and flat VNB margins of 27% qoq. SBI Life reported flat APE numbers in the first two months of the quarter. With a low base in March 2024, we pen down 15% APE growth for the month.

Regulatory changes impact growth and profitability of non-life players

Gross written premium (GWP) growth of non-life players will likely be muted at 3-5% yoy during 4QFY25E due to the impact of the 1/n rule. Growth in net earned premium (NEP) will be higher at 11% yoy for Star Health and 13% yoy for ICICI Lombard. Elevated medical claims inflation and the impact of the 1/n rule will lead to muted profitability for Star Health during the quarter. ICICI Lombard will fare better, reporting a combined ratio of 103.2% and 18% yoy PAT growth.

Company data and valuation summary



Source: Bloomberg, Company data, Kotak Institutional Equities estimates

Prices in this report are based on the market close of April 04, 2025

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We expect moderate APE growth and stable margins for most players in 4QFY25E

Exhibit 1: APE, VNB and VNB margins, March fiscal year-ends, 4QFY24-4QFY25E

	Key metrics					YoY (%)					Key metrics				YoY (%)			
	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25E	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25E	2024	2025E	2026E	2027E	2024	2025E	2026E	2027E
APE (Rs bn)																		
Axis Max Life	29	15	22	21	32	13.2	30.5	31.3	17.4	11.0	74	89	103	120	19.0	20.0	16.0	16.0
HDFC Life	47	29	39	36	54	(8.4)	23.1	26.7	11.8	14.0	133	157	183	215	(0.3)	18.0	17.0	17.0
ICICI Prudential Life	36	20	25	24	34	9.6	34.4	21.4	27.8	(5.5)	90	103	118	135	4.7	14.1	14.0	15.0
LIC	212	116	165	100	176	10.7	21.3	25.7	(24.4)	(17.0)	570	555	522	533	0.5	(2.5)	(6.0)	2.0
SBI Life	53	36	54	69	56	16.6	20.1	3.1	13.2	5.5	197	216	248	291	17.3	9.5	15.0	17.0
VNB margin (%)																		
Axis Max Life	29	17	24	23	26	-175 bps	-471 bps	-157 bps	-404 bps	-212 bps	27	24	24	25	-465 bps	301 bps	64 bps	40 bps
HDFC Life	26	25	24	26	27	-317 bps	-115 bps	-199 bps	-77 bps	40 bps	26	26	26	27	-121 bps	-74 bps	60 bps	30 bps
ICICI Prudential Life	21	24	23	21	23	-1052 bps	-593 bps	-458 bps	-166 bps	152 bps	25	23	25	25	-738 bps	175 bps	178 bps	48 bps
LIC	17	14	18	19	19	-201 bps	27 bps	257 bps	-65 bps	176 bps	17	18	17	17	67 bps	84 bps	-96 bps	-20 bps
SBI Life	28	27	27	27	27	-321 bps	-200 bps	-168 bps	-40 bps	-103 bps	28	27	27	28	-202 bps	120 bps	31 bps	45 bps
VNB (Rs bn)																		
Axis Max Life	8.2	2.5	5.1	4.9	8.4	6.6	2.8	23.1	-	2.8	20	21	25	29	1.2	6.4	19.2	17.9
HDFC Life	12.3	7.2	9.4	9.3	14.3	(18.3)	17.7	17.1	8.6	15.8	35	40	48	57	(4.7)	14.7	19.7	18.3
ICICI Prudential Life	7.8	4.7	5.9	5.2	7.9	(26.4)	7.8	1.6	18.6	1.2	22	24	29	34	(19.5)	6.0	22.9	17.2
LIC	36.5	16.1	29.4	19.3	33.3	(0.9)	23.7	46.9	(26.9)	(8.5)	96	98	87	88	4.7	2.4	(11.1)	0.8
SBI Life	15.0	9.8	14.4	18.8	15.2	4.7	11.8	(3.0)	11.6	1.6	56	58	68	80	9.5	4.8	16.3	18.9

Source: Company, Kotak Institutional Equities

We expect moderate margin expansion for most players over FY2026-27E

Exhibit 2: APE, VNB and VNB margins, March fiscal year-ends, 2019-2027E

	Key metrics (Rs bn/%)										YoY (%)							
	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
APE (Rs bn)																		
HDFC Life	63	74	84	97.6	133	133	157	183	215	13	18	13	17	37	(0)	18	17	17
ICICI Prudential Life	78	74	65	77.3	86	90	109	128	150	0	(5)	(12)	20	12	5	21	17	17
LIC			422	504	567	570	555	522	533				19	12	1	(3)	(6)	2
Max Life	40	41	50	55.9	62	74	89	103	120	22	5	19	13	12	19	20	16	16
SBI Life	97	107	115	143.0	168	197	216	248	291	13	11	7	25	18	17	10	15	17
VNB margin (%)																		
HDFC Life	24.6	25.9	26.1	27.4	27.5	26.3	25.6	26.2	26.5	141 bps	136 bps	19 bps	131 bps	14 bps	-121 bps	-74 bps	60 bps	30 bps
ICICI Prudential Life	17.0	21.7	25.1	28.0	32.0	24.6	22.9	24.6	25.1	52 bps	472 bps	334 bps	289 bps	403 bps	-738 bps	-175 bps	178 bps	48 bps
LIC			9.9	15.1	16.2	16.8	17.7	16.7	16.5				524 bps	103 bps	67 bps	84 bps	-96 bps	-20 bps
Max Life	21.7	21.6	25.2	27.3	31.2	26.5	23.5	24.2	24.6	147 bps	-5 bps	358 bps	215 bps	385 bps	-465 bps	-301 bps	64 bps	40 bps
SBI Life	17.8	18.7	20.3	25.9	30.2	28.1	26.9	27.3	27.7	147 bps	96 bps	163 bps	555 bps	426 bps	-202 bps	-120 bps	31 bps	45 bps
VNB (Rs bn)																		
HDFC Life	15	19	22	27	37	35	40	48	57	20	25	14	22	37	(5)	15	20	18
ICICI Prudential Life	13	16	16	22	28	22	24	29	34	3	21	1	33	28	(19)	6	23	17
LIC			42	76	92	96	98	87	88				83	20	5	2	(11)	1
Max Life	9	9	12	15	19	20	21	25	29	30	5	39	22	28	1	6	19	18
SBI Life	17	20	23	37	51	56	58	68	80	24	17	16	59	37	9	5	16	19

Source: Company, Kotak Institutional Equities estimates

Muted APE growth for top-4 players in the first two months of the quarter

Exhibit 3: Overall APE yoy growth, February 2024-February 2025 (%)

	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25
Aditya Birla Sun Life	16	(20)	13	15	34	42	25	68	34	25	24	46	26
Axis Max Life	35	(8)	34	30	17	44	20	38	15	24	10	13	9
Bajaj Allianz	30	6	23	16	33	50	19	25	12	(12)	3	6	1
Canara HSBC	(6)	(14)	123	65	37	21	21	21	14	260	(43)	(8)	(17)
HDFC Life	25	(27)	23	21	28	54	9	22	24	5	9	25	5
ICICI Prudential Life	35	1	63	52	26	32	27	30	23	58	8	10	(10)
India First	(48)	(51)	(42)	(33)	(28)	(21)	(21)	(5)	5	(14)	25	59	111
Reliance Life	1	13	(23)	1	10	(1)	1	36	(23)	1	(15)	4	(7)
SBI Life	28	(1)	22	19	20	9	0	8	7	9	16	3	(5)
Star Union Daichi	23	(3)	14	14	7	14	77	19	(18)	(4)	(24)	118	(37)
Tata AIA	(0)	(19)	30	21	18	13	14	61	6	6	16	13	7
Private sector	22	(10)	23	22	21	25	13	26	13	18	11	16	2
Top 4	30	(11)	30	26	23	28	9	20	15	17	13	12	(0)
Private (ex-Top 4)	12	(9)	14	16	19	22	19	35	10	19	7	22	6
Select tier-II players	13	(9)	26	19	25	30	16	44	9	(3)	10	10	4
LIC	32	(2)	45	12	14	6	14	33	(5)	(20)	(27)	(11)	(21)
Total	25	(7)	32	17	18	17	13	29	6	3	(2)	5	(7)

Note:

(1) Top-4 players are HDFC Life, ICICI Prudential Life, SBI Life and Max Life.

(2) Tier-II players include Bajaj Allianz and Tata AIA.

Source: LI Council, Kotak Institutional Equities

SA growth strong for private sector at 32-35% in January-February 2025

Exhibit 4: Growth in individual sum assured yoy, February 2024-February 2025 (%)

	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25
Aditya Birla Sun Life	30	1	12	67	90	85	141	221	162	109	80	105	70
Axis Max Life	18	12	54	25	28	74	38	28	12	40	21	19	19
Bajaj Allianz	19	27	18	43	104	126	97	125	111	57	93	66	54
Canara HSBC	8	(18)	211	141	36	(4)	(9)	(25)	(33)	145	(59)	(25)	(34)
HDFC Life	64	17	86	47	24	31	15	21	15	10	8	11	6
ICICI Prudential Life	55	11	15	40	11	31	38	49	39	52	76	57	30
India First	(56)	(54)	(44)	(35)	(41)	(23)	59	194	291	86	232	596	411
Kotak	38	4	(12)	(14)	(4)	38	13	84	59	22	58	34	(4)
Reliance Life	(3)	(0)	(28)	1	3	4	7	44	(10)	(1)	(20)	3	(13)
SBI Life	33	0	9	19	19	18	11	41	70	56	37	60	55
Star Union Daichi	10	(1)	44	29	17	14	14	17	4	25	2	194	(31)
Tata AIA	52	40	40	85	78	63	53	58	19	36	37	23	28
Private sector	38	17	34	45	41	50	40	51	35	39	37	35	32
LIC	1	(22)	9	6	4	(3)	(6)	70	(37)	(33)	(26)	(9)	(22)
Total	28	4	29	36	33	37	29	55	19	23	24	25	20

Source: IRDA, Kotak Institutional Equities

Muted individual APE growth for top-4 players in February 2025

Exhibit 5: Individual APE yoy growth, February 2024-February 2025 (%)

	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25
Aditya Birla Sun Life	9	(25)	16	18	22	36	30	65	34	29	27	50	30
Axis Max Life	34	(8)	32	31	22	45	20	38	15	25	11	14	10
Bajaj Allianz	34	5	22	18	35	47	22	34	10	(13)	2	8	0
Canara HSBC	(2)	(14)	136	92	37	28	38	18	21	268	(44)	(9)	(18)
HDFC Life	28	(28)	30	23	34	58	10	25	21	3	12	25	1
ICICI Prudential Life	34	(1)	72	57	28	40	29	33	22	28	9	9	(13)
India First	(50)	(53)	(50)	(35)	(38)	(22)	(21)	(7)	0	(14)	28	61	105
Reliance Life	2	12	(24)	1	10	(0)	1	35	(22)	1	(15)	4	(7)
SBI Life	26	(7)	20	25	18	21	4	9	10	9	16	18	(1)
Star Union Daichi	7	(3)	26	20	17	17	20	22	(21)	(3)	(26)	108	(35)
Tata AIA	0	(19)	30	22	18	12	15	60	6	5	15	13	5
Private sector	20	(12)	25	25	22	30	15	28	12	15	11	20	1
Top 4	30	(13)	32	30	25	36	12	22	15	12	14	18	(1)
Private (ex-Top 4)	10	(11)	15	19	18	22	19	36	7	20	7	22	5
Select tier-II players	14	(9)	26	20	26	28	18	48	8	(4)	10	11	3
LIC	13	(16)	18	7	13	0	1	48	(15)	(12)	(13)	(7)	(17)
Total	18	(13)	22	19	19	19	10	34	3	7	5	11	(4)

Note:

(1) Top-4 players are HDFC Life, ICICI Prudential Life, SBI Life and Max Life.

(2) Tier-II players include Bajaj Allianz and Tata AIA.

Source: LI Council, Kotak Institutional Equities

Market share of top-4 players is 41-43% in the individual segment during January-February 2025

Exhibit 6: Trends in individual APE market share, February 2024-February 2025 (%)

	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25
Aditya Birla Sunlife	2.8	3.2	2.6	3.0	3.2	2.7	3.1	3.1	3.4	3.5	3.5	3.6	3.8
Axis Max Life	6.7	8.0	5.2	5.7	6.4	6.4	6.7	6.5	7.0	7.2	6.9	6.2	7.7
Bajaj Allianz	6.3	6.7	6.0	5.7	6.3	6.6	6.2	5.6	6.3	4.8	5.0	5.3	6.6
Canara HSBC	1.6	1.9	1.6	1.7	1.6	1.6	1.5	1.7	1.8	5.8	0.8	1.4	1.4
HDFC Life	12.2	10.5	11.1	11.1	11.9	11.1	11.4	9.7	10.8	10.5	10.2	12.3	12.8
ICICI Prudential	8.6	8.5	7.3	7.5	7.1	7.1	7.1	6.2	7.5	6.7	5.5	6.5	7.8
Kotak	3.6	4.0	1.6	1.6	1.9	2.0	1.8	2.2	2.3	2.0	2.6	2.7	3.5
Met Life	2.2	2.2	1.9	1.9	1.7	1.8	3.1	1.5	1.6	2.3	2.0	1.9	2.3
Reliance Life	0.9	1.1	1.5	0.8	1.0	0.8	0.8	0.9	0.7	0.8	0.8	0.8	0.9
SBI Life	12.2	9.2	14.9	15.6	14.6	17.1	16.6	13.6	18.3	17.9	27.1	17.5	12.6
Tata AIA	6.4	7.9	7.1	6.9	6.9	6.1	6.5	7.7	6.7	6.1	7.9	6.6	7.0
Private sector	69.2	69.1	65.2	66.7	68.3	69.0	70.6	65.2	72.4	74.0	77.7	72.0	73.4
Top 4 players	39.6	36.3	38.4	40.0	40.0	41.8	41.8	36.0	43.6	42.3	49.7	42.5	41.0
Private (ex-top 4)	29.5	32.8	26.8	26.7	28.2	27.2	28.8	29.1	28.8	31.6	28.0	29.5	32.4
Select tier-II players	12.7	14.6	13.2	12.7	13.2	12.7	12.6	13.3	13.0	10.9	12.9	11.9	13.6
LIC	30.8	30.9	34.8	33.3	31.7	31.0	29.4	34.8	27.6	26.0	22.3	28.0	26.6

Note:

(1) Top-4 players are HDFC Life, ICICI Prudential Life, SBI Life and Max Life.

(2) Tier-II players include Bajaj Allianz and Tata AIA.

Source: LI Council, Kotak Institutional Equities

Exhibit 7: Change in estimates of Axis Max Life, March fiscal year-ends, 2025-27E (Rs mn)

	New estimates (Rs bn)			Old estimates (Rs bn)			Change (%)		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Opening embedded value	195	254	298	195	254	299	—	(0.1)	(0.3)
VNB	21	25	29	21	25	30	(1.6)	(1.6)	(1.6)
Expected return in force	16	21	24	16	21	24	—	(0.1)	(0.3)
Operating variance	0.2	0.0	0.0	0.2	0.0	0.0	NM	NM	NM
Investment varinace	5.5	0.5	0.5	5.5	0.5	0.5	—	—	—
Dividend payout / capital issuance	16.0	(2.0)	(2.0)	16.0	(2.0)	(2.0)	NM	NM	NM
Closing embedded value	254	298	350	254	299	352	(0.1)	(0.3)	(0.4)
EVOP	37	46	54	38	46	54	(0.9)	(1.0)	(1.0)
RoEV (%)	30	17	18	30	18	18	-18 bps	-15 bps	-14 bps
Operating RoEV (%)	19	18	18	19	18	18	-18 bps	-15 bps	-14 bps
APE (Rs bn)	89	103	120	91	105	122	(1.6)	(1.6)	(1.6)
VNB margin	24	24	25	24	24	25	0 bps	0 bps	0 bps

Source: Company, Kotak Institutional Equities estimates

Exhibit 8: Change in estimates of HDFC Life, March fiscal year-ends, 2025-27E (Rs mn)

	New estimates			Old estimates			New versus old (%)		
	2025E	2026E	2027E	2025E	2026E	2026E	2025E	2026E	2027E
Opening EV	475	557	650	475	557	649	0.0	0.0	0.1
VNB	40	48	57	40	48	56	0.5	0.9	0.9
Expected return in force	39	45	52	39	45	52	0.0	0.0	0.1
Closing EV	557	650	758	557	649	756	0.0	0.1	0.2
APE	157	183	215	156	182	213	0.9	0.9	0.9
EVOP	81	94	111	81	94	110	0.2	0.4	0.5
VNB margin (%)	25.6	26.2	26.5	25.7	26.2	26.5	-10 bps	0 bps	0 bps
RoEV (%)	17.4	16.6	16.6	17.4	16.5	16.5	4 bps	7 bps	7 bps
Operating RoEV (%)	17.0	16.9	17.0	17.0	16.9	17.0	4 bps	7 bps	7 bps
EV/share (Rs)	259	302	352	259	305	305	0.3	(0.7)	15.7

Source: Company, Kotak Institutional Equities estimates

Exhibit 9: Change in estimates of ICICI Prudential Life, March fiscal year-ends, 2025-27E (Rs mn)

	New estimates			Old estimates			New versus old (%)		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Opening Embedded value (EV)	423	485	555	423	491	565	—	(1.3)	(1.7)
Methodology/ assumption changes	0	0	0	0	0	0			
VNB	24	29	34	26	31	37	(9.2)	(7.6)	(8.8)
Expected return in force	36	40	46	36	41	47	—	(1.3)	(1.7)
Operating variance	(2)	0	2	(2)	0	2	NM	—	—
Economic/investment variance	5	2	2	9	2	2	(44.4)	—	—
Dividend payout	(1)	(1)	(1)	(1)	(1)	(1)	NM	NM	NM
Closing EV	485	555	638	491	565	651	(1.3)	(1.7)	(2.1)
EVOP	57	70	82	60	72	86	(4.0)	(4.0)	(4.8)
RoEV (%)	14.5	14.5	14.9	16.0	15.0	15.4	-151 bps	-41 bps	-48 bps
Operating RoEV (%)	13.6	14.3	14.7	14.1	14.8	15.2	-57 bps	-41 bps	-48 bps
Unwind (%)	8.5	8.3	8.3	8.5	8.3	8.3	0 bps	0 bps	0 bps
APE	103	118	135	109	128	150	(5.7)	(8.1)	(9.7)
APE growth (%)	14.1	14.0	15.0	21.0	17.0	17.0	-690 bps	-300 bps	-200 bps
VNB post overrun	23.6	29.0	34.0	26.0	31.4	37.3	(9.2)	(7.6)	(8.8)
VNB margins post overrun (%)	22.9	24.6	25.1	23.8	24.5	24.9	-89 bps	13 bps	23 bps

Source: Company, Kotak Institutional Equities estimates

Exhibit 10: Change in estimates of LIC, March fiscal year-ends, 2025-27E (Rs mn)

	New estimates			Old estimates			Change (%)		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Opening EV	7,273	7,918	8,524	7,273	7,914	8,517	—	0.0	0.1
VNB	98	87	88	94	84	84	4.1	4.2	4.2
Expected return in force	596	570	614	596	570	613	—	0.0	0.1
Operating variance	50	0	0	50	0	0	—	NM	NM
Others	(100)	(50)	(50)	(100)	(50)	(50)	—	—	—
Closing EV	7,918	8,524	9,176	7,914	8,517	9,164	0.0	0.1	0.1
APE	555	522	533	541	509	519	2.6	2.6	2.6
EVOP	745	657	702	741	653	698	0.5	0.6	0.6
VNB margin (%)	17.7	16.7	16.5	17.4	16.5	16.3	25 bps	25 bps	25 bps
RoEV (%)	8.9	7.7	7.6	8.8	7.6	7.6	5 bps	4 bps	4 bps
Operating RoEV (%)	10.2	8.3	8.2	10.2	8.3	8.2	5 bps	4 bps	4 bps
Unwinding rate (%)	8.2	7.2	7.2	8.2	7.2	7.2	0 bps	0 bps	0 bps
EV/share (Rs)	1,257	1,354	1,457	1,257	1,352	1,455	0.0	0.1	0.1

Source: Company, Kotak Institutional Equities estimates

Exhibit 11: Change in estimates of SBI Life, March fiscal year-ends, 2025-27E (Rs mn)

	New estimates			Old estimates			(% change)		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
APE	216	248	291	220	253	296	(1.8)	(1.8)	(1.8)
Opening EV	583	707	834	583	708	836	—	(0.2)	(0.3)
VNB	58	68	80	59	69	82	(1.8)	(1.8)	(1.8)
Expected return	48	58	68	48	58	69	—	(0.2)	(0.3)
Operating variance									
Expenses	2.0	0.0	0.0	2.0	—	—	NM	NM	NM
Persistency	2.0	2.0	2.0	2.0	2.0	2.0	—	—	—
Others	—	—	—	—	—	—	NM	NM	NM
EVOP	113	128	151	114	129	153	(0.9)	(1.0)	(1.1)
Non-operating variance									
Economic assumption change	15.0	2.0	2.0	15.0	2.0	2.0	—	—	—
Dividend payouts	(2.8)	(3.2)	(3.6)	(2.8)	(3.2)	(3.6)	NM	NM	NM
Closing EV	707	834	983	708	836	987	(0.2)	(0.3)	(0.4)
RoEV (%)	21.4	17.9	17.9	21.6	18.0	18.0	-18 bps	-16 bps	-15 bps
Operating RoEV (%)	19.3	18.0	18.1	19.5	18.2	18.2	-18 bps	-16 bps	-15 bps
VNB margin (%)	26.9	27.3	27.7	26.9	27.3	27.7	0 bps	0 bps	0 bps

Source: Company, Kotak Institutional Equities estimates

Current market prices imply growth rates of 5-9% over the next 20 years

Exhibit 12: CMP implied multiples and long-term estimates, March fiscal year-ends, 2026E

	FV (Rs)	AV/EV (X)	EV/share (Rs)	NBM (X)	VNB/share (Rs)	Long term growth (%)	Cost of equity (%)
Axis Max Life							
Kotak estimates	1,410	2.0	706	11.7	60	8.2	13.5
CMP implied	1,165	1.7	706	7.6	60	4.6	13.5
HDFC Life							
Kotak estimates	850	2.5	339	20.2	25	10.0	13.0
CMP implied	689	2.0	339	13.9	25	6.6	13.0
ICICI Pru Life							
Kotak estimates	825	1.9	432	16.2	24	9.8	13.5
CMP implied	557	1.3	432	5.1	24	1.0	13.5
SBI Life							
Kotak estimates	1,800	1.9	949	10.8	79	8.2	13.0
CMP implied	1,513	1.6	949	7.2	79	4.2	13.0

Source: Company, Bloomberg, Kotak Institutional Equities estimates

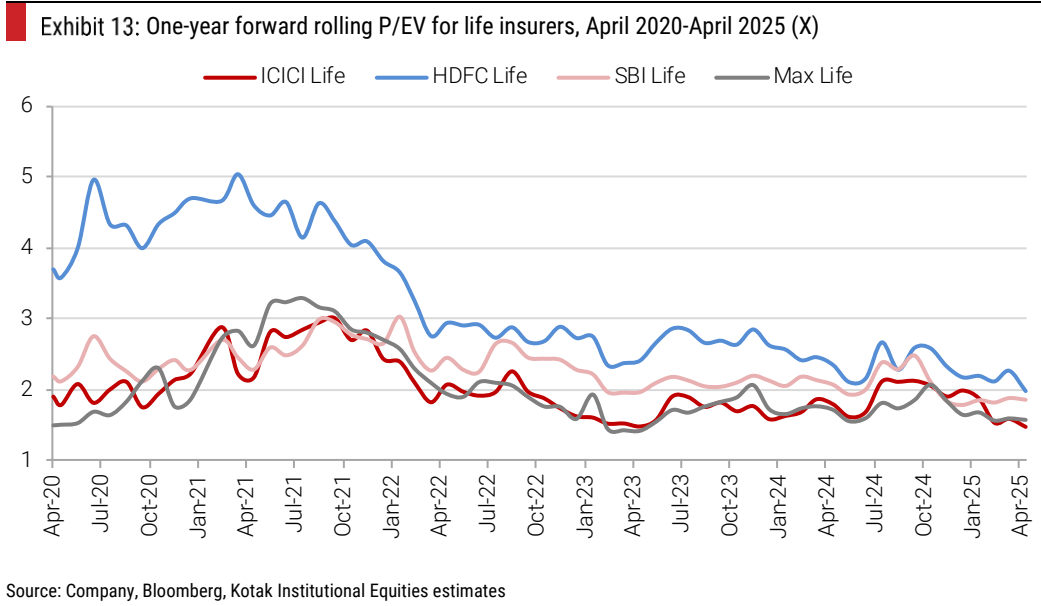


Exhibit 14: Valuation summary of life insurers, March fiscal year-ends, 2023-2026E

	Rating	FV (Rs)	Market			Price/EV (X)			Price/VNB (X)			EVOP CAGR (2024-27E) (%)	Price/EVOP (X)			Operating RoEV (%)		
			Price (Rs)	cap. (Rs bn)	2025E	2026E	2027E	2025E	2026E	2027E	2025E		2026E	2027E	2025E	2026E	2027E	
HDFC Life	BUY	850	689	1,484	2.7	2.3	2.0	37	31	26	17	18	16	13	17.0	16.9	17.0	
ICICI Prudential Life	BUY	825	557	805	1.7	1.4	1.3	34	28	24	18	14	12	10	13.6	14.3	14.7	
LIC	BUY	1,175	792	5,010	0.6	0.6	0.5	51	57	57	9	7	8	7	10.2	8.3	8.2	
LIC core			563	3,560	0.9	0.8	0.7	36	41	41	9	5	5	5	NA	NA	NA	
Max FS	BUY	1,425	1,165	402	2.2	1.9	1.6	27	22	19	18	15	12	10	19.1	18.1	18.1	
SBI Life	ADD	1,800	1,513	1,516	2.1	1.8	1.5	26	22	19	14	13	12	10	19.3	18.0	18.1	

Source: Company, Bloomberg, Kotak Institutional Equities estimates

Exhibit 15: Quarterly estimates of non-life insurance companies, March fiscal year-ends, 4QFY25E

	4QFY24	3QFY25	4QFY25E	Change (%)		Comments
				YoY	QoQ	
ICICI Lombard						
Key P&L items						
Gross direct premium	62,631	64,745	65,646	5	1	
Net earned premium	43,683	50,452	49,447	13	(2)	
Underwriting profit	(2,319)	(1,523)	(2,577)	NM	NM	We build in moderate 5% yoy gross written premium growth in 4QFY25E. We model investment yield of 8.3% compared 8.6% in 3QFY25 and 8.3% in 4QFY24.
Investment income	9,988	11,159	10,996	10	(1)	
Profit before tax	6,978	9,601	8,291	19	(14)	
Profit after tax	5,195	7,244	6,129	18	(15)	
Key ratios (%)						
Combined ratio	102.2	102.7	103.2	95 bps	46 bps	We expect combined ratio to inch up to 103.2% from 102.7% in 3QFY25. Motor TP and commercial lines reported low claims ratio of 50% in 3QFY25 this will likely normalize in 4QFY25E leading to rise in overall combined ratio.
Investment yield	8.3	8.6	8.3	2 bps	-30 bps	
Niva Bupa						
Key P&L items						
Gross direct premium	17,594	14,421	20,470	16	42	
Net earned premium	12,180	11,358	15,087	24	33	
Underwriting profit	668	(1,013)	510	(24)	NM	Niva Bupa will likely deliver 16% yoy GWP growth in 4QFY25E on the back of 21% growth reported during Jan-Feb 2025. Investment yield will likely inch up to 7.4% from 7.2% in 3QFY25.
Investment income	975	1,222	1,435	47	17	
Profit before tax	1,571	133	1,897	21	1,331	
Profit after tax	1,571	133	1,897	21	1,331	
Key ratios (%)						
Combined ratio	89.3	108.3	93.8	455 bps	-1446 bps	Combined ratio will likely moderate to 93.8% from 108.3% in 3QFY25, driven by sharp drop in commissions. Higher share of group health will likely drive the moderation in commission ratio.
Investment yield	7.0	7.2	7.4	48 bps	21 bps	
Star Health						
Key P&L items						
Gross direct premium	49,683	37,961	51,155	3	35	
Net earned premium	33,953	37,997	37,539	11	(1)	
Underwriting profit	(910)	(490)	(3,398)	NM	NM	We expect Star Health to muted 3% gross written premium growth in 4QFY25E. We model investments yield of 7.8% (8.2% in 3QFY25 and 7.6% in 4QFY24).
Investment income	2,932	3,463	3,395	16	(2)	
Profit before tax	1,897	2,870	(62)	(103)	(102)	
Profit after tax	1,423	2,151	(30)	(102)	(101)	
Key ratios (%)						
Combined ratio	92.8	103.3	100.3	757 bps	-295 bps	We expect the company to report 100.3% combined ratio in 4QFY25E (103.3% in 3QFY25 and 92.8% in 4QFY24). Claims ratio will likely remain elevated at 69.6% (64.1% in 4QFY24).
Investment yield	7.6	8.2	7.8	NM	-43 bps	

Source: Company, Kotak Institutional Equities estimates

Exhibit 16: Change in estimates of ICICI Lombard, March fiscal year-ends, 2025-27E (Rs mn)

	New estimates			Old estimates			Change (%)		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Key financials (Rs mn)									
Gross direct premium	279,184	321,514	374,435	282,547	325,391	378,958	(1.2)	(1.2)	(1.2)
Net earned premium	195,194	223,059	258,909	195,818	226,088	262,437	(0.3)	(1.3)	(1.3)
Net incurred claims	135,431	152,910	176,614	137,904	160,635	185,281	(1.8)	(4.8)	(4.7)
Net commission paid	39,313	39,759	46,490	34,195	34,696	40,622	15.0	14.6	14.4
Operating expenses	29,625	37,267	43,218	31,819	38,480	44,627	(6.9)	(3.2)	(3.2)
Underwriting profit/(loss)	(9,175)	(6,876)	(7,412)	(8,101)	(7,723)	(8,093)	NM	NM	NM
Investment income	44,347	47,879	54,004	43,968	48,803	55,151	0.9	(1.9)	(2.1)
Profit before tax	34,822	40,103	45,692	35,518	40,180	46,159	(2.0)	(0.2)	(1.0)
Profit after tax	26,116	30,077	34,269	26,638	30,135	34,619	(2.0)	(0.2)	(1.0)
Key ratios (%)									
Combined ratio	103.0	101.1	100.8	102.2	101.5	101.1	83 bps	-44 bps	-33 bps
Net incurred claims ratio	69.4	68.6	68.2	70.4	71.0	70.6	-104 bps	-250 bps	-239 bps
Commission ratio	19.2	16.8	16.9	16.4	14.5	14.5	273 bps	234 bps	234 bps
Operating expense ratio	14.5	15.7	15.7	15.3	16.0	16.0	-85 bps	-29 bps	-28 bps
Investment yield	8.6	8.4	8.4	8.5	8.5	8.5	10 bps	-9 bps	-9 bps
RoA (%)	3.9	4.1	4.1	4.0	4.0	4.1	-7 bps	2 bps	0 bps
RoE (%)	20.0	19.5	18.9	20.4	19.5	19.0	-36 bps	2 bps	-13 bps
EPS (Rs)	53.0	61.0	69.6	54.1	61.2	70.3	(2.0)	(0.2)	(1.0)
BVPS (Rs)	287.6	339.2	398.1	288.5	340.2	399.7	(0.3)	(0.3)	(0.4)

Source: Company, Kotak Institutional Equities estimates

Exhibit 17: Change in estimates of Star Health, March fiscal year-ends, 2025-27E (Rs mn)

	New estimates (Rs mn)			Old estimates (Rs mn)			Change (%)		
	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Income statement									
Gross written premium	167,588	192,458	229,925	170,771	196,314	234,481	(1.9)	(2.0)	(1.9)
Net premium	155,019	177,061	211,531	157,963	180,609	215,722	(1.9)	(2.0)	(1.9)
Net earned premium	147,778	168,748	193,286	148,997	172,034	197,138	(0.8)	(1.9)	(2.0)
Net incurred claims	103,784	116,436	129,501	104,894	118,704	132,082	(1.1)	(1.9)	(2.0)
Net commission	21,630	24,396	28,083	21,725	24,875	28,635	(0.4)	(1.9)	(1.9)
Operating expenses	26,795	30,542	35,212	27,321	31,142	35,904	(1.9)	(1.9)	(1.9)
Underwriting profit/(loss)	(4,431)	(2,626)	489	(4,944)	(2,687)	516	NM	NM	(5.3)
Investment income	13,356	14,898	16,700	13,426	15,058	16,901	(0.5)	(1.1)	(1.2)
Other income and expenses	(394)	(491)	(537)	(394)	(491)	(537)	NM	NM	NM
Profit before tax	8,532	11,781	16,651	8,088	11,880	16,879	5.5	(0.8)	(1.4)
Tax	2,133	2,945	4,163	2,022	2,970	4,220	5.5	(0.8)	(1.4)
Profit after tax	6,399	8,836	12,488	6,066	8,910	12,659	5.5	(0.8)	(1.4)
Balance sheet (Rs mn)									
Investments	173,664	197,340	229,480	175,419	199,684	232,427	(1.0)	(1.2)	(1.3)
Current assets	20,051	23,058	26,517	20,051	23,058	26,517	—	—	—
Other assets	5,683	6,104	6,608	5,683	6,104	6,608	—	—	—
Net assets	199,398	226,502	262,605	201,153	228,846	265,552	(0.9)	(1.0)	(1.1)
Shareholders' funds	69,815	78,651	91,139	69,482	78,392	91,052	0.5	0.3	0.1
Borrowings	4,700	4,700	4,700	4,700	4,700	4,700	—	—	—
Key ratios (%)									
Ceding ratio	7.5	8.0	8.0	7.5	8.0	8.0	0 bps	0 bps	0 bps
Net incurred claims ratio	70.2	69.0	67.0	70.4	69.0	67.0	-17 bps	0 bps	0 bps
Net commission ratio	14.0	13.8	13.3	13.8	13.8	13.3	20 bps	1 bps	0 bps
Operating expense ratio	17.3	17.2	16.6	17.3	17.2	16.6	-1 bps	1 bps	0 bps
Combined ratio	101.5	100.0	96.9	101.4	100.0	96.9	2 bps	1 bps	0 bps
Investment yield	7.9	7.8	7.6	7.9	7.8	7.6	0 bps	0 bps	0 bps
Investment leverage	2.4	2.4	2.5	2.5	2.5	2.5	-4 bps	-4 bps	-3 bps
ROA	3.4	4.1	5.1	3.2	4.1	5.1	19 bps	1 bps	-1 bps
ROE	9.6	11.9	14.7	9.1	12.1	14.9	48 bps	-15 bps	-23 bps
Solvency ratio	193	190	182	189	185	179	364 bps	430 bps	371 bps
Other key data (Rs/share)									
EPS	11	15	21	10	15	22	5.5	(0.8)	(1.4)
BVPS	119	134	156	119	134	156	0.5	0.3	0.1

Source: Company, Kotak Institutional Equities estimates

Exhibit 18: Valuation summary of non-life insurers, March fiscal year-ends, 2024-2027E

	Rating	FV (Rs)	CMP (Rs) 4/4/2025	Market cap. (Rs bn)	EPS (Rs)				PER (X)				BVPS (Rs)				PBR (X)				RoE (%)			
					2024	2025E	2026E	2027E	2024	2025E	2026E	2027E	2024	2025E	2026E	2027E	2024	2025E	2026E	2027E	2024	2025E	2026E	2027E
ICICI Lombard	ADD	2,150	1,830	907	39	52	60	70	47	36	30	26	243	286	337	397	7.5	6.4	5.4	4.6	17	19	19	19
Niva Bupa	ADD	85	74	136	1	1	2	3	119	66	38	28	13	18	20	22	5.8	4.2	3.8	3.3	7	8	10	13
Star Health	REDUCE	425	348	205	14	18	22	28	24	19	15	13	108	127	149	177	3.2	2.7	2.3	2.0	14	16	16	17
PB Fintech	ADD	1,525	1,504	691	1	7	14	22	NA	218	110	67	130	142	156	186	11.5	10.6	9.6	8.1	1	4	9	13
GIC Re	NC		405	711	3	7	37	42	149	56	11	10	220	320	350	384	1.8	1.3	1.2	1.1	17	NA	NA	NA
NIA	NC		155	255	1	6	7	7	131	24	23	23	128	133	140	221	1.2	1.2	1.1	0.7	5	NA	NA	NA

Source: Company, Bloomberg, Kotak Institutional Equities estimates

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This report has been updated since it was released in the India Daily of April 7, 2025.

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BUY. We expect this stock to deliver more than 15% returns over the next 12 months.

ADD. We expect this stock to deliver 5-15% returns over the next 12 months.

REDUCE. We expect this stock to deliver -5+5% returns over the next 12 months.

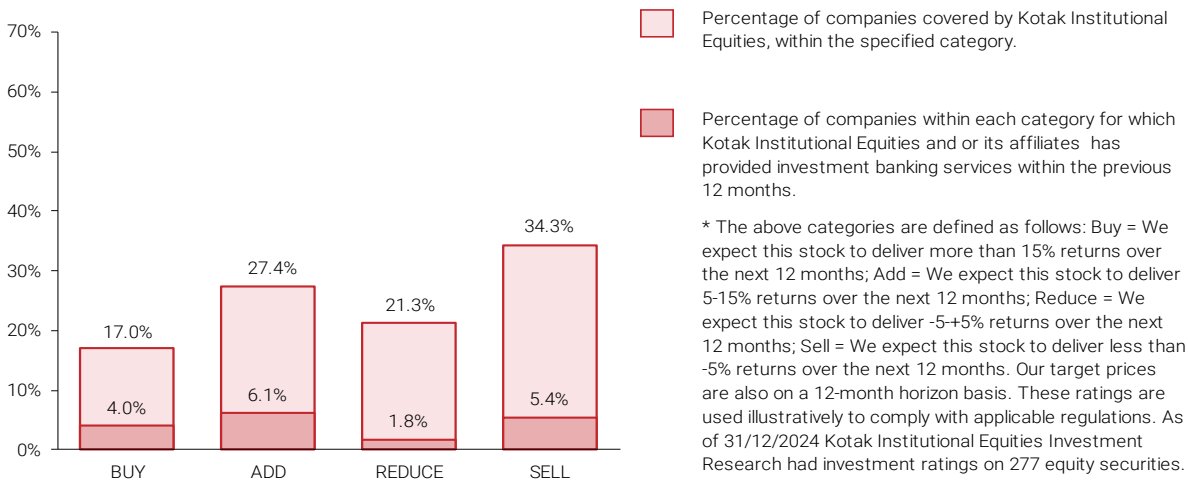
SELL. We expect this stock to deliver <-5% returns over the next 12 months.

Our Fair Value estimates are also on a 12-month horizon basis.

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