PRESS RELEASE

PRABHU INSURANCE LIMITED

November 2026

Rating

Instruments/ Facilities	Amount (NPR Mn)	Rating	Rating Action
Issuer Rating	NA	IRN BBB+ (Is)	Reaffirmed and removed from watch with negative implications

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has reaffirmed the issuer rating of IRN BBB+ (Is) [Triple B Plus (Issuer)] as well as removed the rating from watch with negative implications. Issuers with this rating are considered to have the moderate degree of safety regarding timely servicing of financial obligations. Such issuers carry moderate credit risk.

Detailed Rationale

The reaffirmation of ratings assigned to Prabhu Insurance Limited (PRIN) along with removal from 'Watch with Negative Implications' reflects improved visibility into the company's capacity to absorb losses arising from major riots in September 2025 both in terms of liquidity and balance sheet strength. As of November 2026, the company reported gross claims of around 211 Mn from 111 claims with a retention ranging at ~34% with management estimating finalized cost to company at around NPR 46 Mn (including reinsurer's share) following final valuation by valuators and surveyors. Majority of the claims have been settled with minimal ~NPR 3 Mn left to be settled. Furthermore, the recent Bhotekoshi floods in August 2026 are estimated to have resulted in insurance claims of ~NPR 403 Mn for PRIN. However, the claim payment is expected to be supported by healthy liquidity position of the company as evident in high solvency margin of 5.48x as of mid-July 2026 as against regulatory requirement of 1.3x owing to healthy accretion of profit into reserves as evident by increasing underwriting surplus of ~NPR 272 Mn in FY26, rise from ~NPR 179 Mn in FY25, stemming from lower claim ratio of ~31% in FY26 (~40% in FY25). The existing reinsurance arrangements, together with sufficient on-balance sheet liquidity, are expected to enable the company to meet its obligations without major strain.

Likewise, the rating continues to derive comfort from PRIN's long track record of operations (since 1995), strong promoter profile with major shareholder being government owned pension fund-Employee Provident Fund and Prabhu Bank Limited (an A-class commercial bank of Nepal). PRIN has demonstrated a stable claims performance, maintaining a low net claim ratio, indicating a positive trend toward operational stability and sustainable business growth. This stability, despite adverse events such as severe floods and protest related damage, reflects the company's prudent risk selection strategy, supported by steady growth in gross premium written (GPW). The rating also continues to consider PRIN's adequate reinsurance arrangements including catastrophic provisions.

However, these rating strengths are partially offset by the company's moderate scale of operations (PRIN continues to occupy ~4% of GPW and NPE in the industry as of FY26). The rating also remains constrained by the increasing concentration of PRIN's portfolio towards Motor and Property Segment (both sectors combined contribute ~54% of GPW and ~72% of NPE). The future underwriting performance of PRIN continues to be influenced by the performance of these segments. The rating also remains constrained due to reduced investment yield (2.54% in FY26 vis-à-vis 3.24% in FY25 and 4.82% in FY24) owing to industry wide decrease in investment returns. Rating concerns also continues to arise from intense competition within the industry and uncertainties surrounding changes in insurance laws and regulations mandated by the NIA, impacting profitability. Rating concern also arises from inherent volatility in claims and thereon profitability indices prevalent in non-life insurance businesses on occurrences of insured peril.

Going forward, the company's capability to upscale proportionally while upholding financial metrics and solvency standards will remain key rating sensitivities. Also, the timely completion of right issuance and utilization of the proceeds as envisaged will remain key monitorable.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Improved financial profile

PRIN's financial performance improved in FY25 and FY26, supported by steady growth in Gross Premium Written (GPW), improved underwriting performance and cost rationalisation measures. GPW increased from NPR 1,778 Mn in FY24 to NPR 1,869 Mn in FY25 and further to NPR 2,023 Mn in FY26, translating into a CAGR of ~7% over FY24–FY26. However, the growth trajectory remains moderate, with the company maintaining a relatively limited market share of ~4% in the non-life insurance industry. The retention ratio (NPE/GPW) remained broadly stable at 35% in FY25 and 34% in FY26, indicating consistency in the company's risk retention strategy. Meanwhile, the claim ratio declined significantly, supported by prudent risk selection and underwriting practices, while management expenses also moderated following ongoing cost rationalisation measures. Consequently, the combined benefit of a lower claims ratio and management expense ratio, along with growth in net premium earned (NPE), led to a significant improvement in underwriting surplus, which increased to NPR 179 Mn in FY25 and further to NPR 272 Mn in FY26 from NPR 111 Mn in FY24, registering growth of ~61% and ~51%, respectively. The improved underwriting performance also supported growth in profitability despite a decline in investment income, with PAT increasing from NPR 152 Mn in FY24 to NPR 206 Mn in FY25 and NPR 247 Mn in FY26. Ability of management to improve its combined ratio along with investment profile remains key rating monitorable.

Lower claim ratio and healthy solvency ratio

PRIN has demonstrated an improved claim performance, maintaining a low net claim ratio of ~40% in FY25 which further improved to ~31% in FY26, compared to 38% in FY24 which is far below the industry average. This stability, despite adverse events such as severe floods and Gen-Z Protest, reflects the company's prudent risk selection strategy, supported by adequate reinsurance agreement, and is considered a credit positive. The solvency margin has strengthened significantly to 5.48x, well above the regulatory minimum of 1.30x, indicating strong capital adequacy. The retention ratio remained relatively stable at 34% during FY26. These practices reflect PRIN's strategic approach to maintaining financial stability and maximizing profitability within the reinsurance market through prudent underwriting and risk management strategies.

Long track record of operation and strong promoter profile with well-seasoned management team

Incorporated in 1995 AD, PRIN boasts over three decades of operational history, making it one of the oldest insurance companies in Nepal. Over its long tenure, PRIN has navigated and adeptly responded to numerous shifts in the environmental, industrial, and political landscapes. Similarly, PRIN has strong promoter profile with Employee Provident Fund and Prabhu Bank Limited being top promoters of the company. Employee Provident Fund, a government sponsored pension fund brings large volume of experience with it and alongside other institutional and natural promoters provide strong backing in operations of PRIN. Alongside strong promoter group, PRIN have well- seasoned and experienced management team led by its board of directors. BOD is chaired by Mr. Rajendra Malla, who brings in decades' worth of experience in banking and insurance sectors. He is well supported by other directors and management personnel. The management team is led by Mr. Sanchit Bajracharya, CEO having more than 29 years of experience in insurance sectors and Mr. Samir Tamang, Assistant General Manager, having more than 27 years of professional experience in banking and insurance sectors. He is further supported by group of well experienced and qualified personnel.

Key Rating Weaknesses

Portfolio concentration in motor and property segment

PRIN operates across seven of the eight insurance segments, with a notable absence in the Micro segment and limited exposure in Cattle Crop (~1%), and Marine (~2% of NPE) segment as of FY26. The portfolio remains highly concentrated in the Motor segment, which accounts for ~59% of Net Premium Earned (NPE) and 41% of Gross Premium Written (GPW) as of mid-July 2026. Together, the Motor and Property segments contribute ~54% of GPW and ~72% of NPE, underscoring portfolio concentration risk. NIL's liquidity position is significantly dependent on premium retention in these key segments, with retention levels at ~48% for Motor and ~36% for Property and claim ratio at ~31% and ~32% respectively. This portfolio composition and retention strategy highlight PRIN's exposure to segment-specific risks, particularly in Motor, which could impact overall profitability and liquidity.

Reduction in investment portfolio along with yield

PRIN has maintained a relatively stable investment portfolio over the years, although a marginal contraction was observed in FY26. The investment portfolio stood at NPR 2,488 Mn at the end of FY26, compared to NPR 2,644 Mn in FY25 and NPR 2,591 Mn in FY24. The ~3% decline in FY26 was primarily attributable to the settlement of claims arising from the Gen-Z protests, coupled with delays in the receipt of reinsurance recoveries, necessitating the temporary liquidation of short-term liquid investments to meet claim settlement obligations and manage liquidity requirements. Meanwhile, the investment yield has witnessed a declining trend, reducing to 3.24% in FY25 and further to 2.54% in FY26 from 4.82% in FY24 and 6.24% in FY23, primarily reflecting the prevailing low-interest-rate environment amid excess liquidity in the Nepalese banking system. Nevertheless, the investment portfolio remains well diversified. Going forward, the effective deployment and management of the incremental investment portfolio following the proposed right issuance, particularly in the context of the prevailing low-yield environment, remains a key rating monitorable.

Fragmented market with intense competition

In Nepal's non-life insurance sector, the competitive landscape presents significant challenges for companies, particularly in retaining customers and ensuring profitability. The market is crowded with numerous insurance companies with growth opportunities being limited, leading to intense competition. Companies are aggressively striving to retain their existing customer base, resulting in pricing pressures and difficulties in distinguishing their products. Moreover, since the motor segment serves as a primary revenue source for non-life insurers in Nepal, any slowdown in the automobile industry or changes in vehicle financing regulations could hinder growth prospects. Currently, there are 14 insurance companies in Nepal, down from 20. These companies collectively generated a Gross Premium Written (GPW) of ~NPR 42,993 Mn during FY26, with PRIN holding ~4% of the total GPW, indicative of a stable position in the industry.

Changes in operating environment because of new regulations

The players in the general insurance industry have been facing frequent changes in regulatory environment, especially those related to tariff and risk cover. An increase in third-party motor insurance cover, starting FY2017, has led to an industry-wide rise in motor claims, pressurizing the segment's profitability. The new 'property insurance directive' introduced with effect from FY19 has increased the claims ratio for the companies because of the comprehensive risk coverage at relatively lower premium tariff. The Insurance Board mandated companies to waive off renewal fees in major segments for Q4 FY20 (during the period of Covid-19 lockdowns), impacting the overall profit margins. Further, with effect from January 2021, the regulator has subdued the prospects of third-party motor business by limiting the number of offices of Department of Transportation that can be catered to by a single player. While all these changes are likely to increase the insurance sector penetration and eventually aid in industry growth, these could impact the underwriting profits of all players over short to medium term, including PRIN.

Infomerics Credit Rating Nepal Limited

Analytical Approach: Standalone

Applicable Criteria:
Issuer Rating Methodology & Insurance company Credit Rating Methodology

Link to past rating rationale:
Prabhu Insurance Limited: Issuer Rating Reaffirmed
Credit Rating Placed on watch with negative implications

About the Company:
Established in 1995 AD, Prabhu Insurance Limited (PRIN) is one of the oldest general insurers in Nepal. PRIN is a medium-sized company with ~4% of the market share in terms of the general insurance industry's gross premium written in FY24-FY26. As of mid-July 2026, the company is in operation with 57 branches spread across the nation for procuring business and extending after-sales services. The paid-up capital and the net worth of the company as of mid-July 2026 is ~NPR 1,849 Mn and NPR 3,571 Mn respectively. PRIN has a 51:49 promoter–public shareholding ratio. The major shareholders as on mid-July 2026 include Employee Provident Fund (16.85%), Prabhu Bank Limited (10.91%) and Devi Prakash Bhattacharan (6.03%) among others.

Financial Indicators (Standalone)

Amount in NPR Mn	FY22	FY23	FY24	FY25	FY26
	Audited				Unaudited
Gross Premium Written (GPW)	1,429	1,659	1,778	1,869	2,023
Net Premium Written (NPW)	531	661	645	691	480
Net Premium Earned (NPE)	517	571	573	653	680
Retention (NPE/GPW)	36%	34%	32%	35%	34%
Underwriting Surplus	136	202	111	179	272
Net Claims Incurred / NPE (Claims Ratio)	48%	35%	38%	40%	31%
Management Expenses / NPE (Expense Ratio)	46%	62%	63%	52%	48%
Net Commission Expenses / NPE	-21%	-32%	-20%	-19%	-19%
Combined Ratio (A)	74%	65%	81%	73%	60%
Investment Income / NPW	13%	16%	17%	12%	14%
PAT/ Total Asset Base	6%	6%	4%	5%	5%
PAT/ Reported Net Worth	8%	8%	5%	6%	7%
Profit After Tax	186	225	152	206	247

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About Infomerics Credit Rating Nepal Limited:

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