

ICICI Prudential Life Insurance | BUY

Strong results

ICICI Prudential Life Insurance reported strong 24.5% VNB margins for 1QFY26 (+170bps QoQ, +50bps YoY, +50bps JMFe). With 5% decline in total APE for 1QFY26, in line with JMFe, VNB declined 3% to INR 4.5bn, +2% JMFe. Margin expansion was led by an improvement in cost structures, with cost to premiums at 21.2%, down 280bps YoY, and strong growth in non-linked savings products at the expense of lower-margin ULIPs. Amongst other products, annuity APE declined 53% on a strong base of 1QFY25 while retail protection delivered another quarter of steady growth, at 24% YoY. We had noted the reducing average ticket sizes and high Sum Assured growth for IPRU to be margin accretive. Further, the controlled cost structure provides a structural tailwind for margins. Hence, we raise our margin estimates for FY26-FY27e by upto 100bps, resulting in VNB growth of 18%/13% for FY26/FY27e, ahead of APE growth of 11%/12% (unchanged). With this, we raise our Target Price to INR 760 (from INR 730 earlier), valuing the insurer at 1.8x FY27e EVPS (against 1.7x earlier) of INR 430. We reiterate BUY.

- **Topline contracts YoY with a strong base and easing demand for ULIPs:** ICICI Prudential Life Insurance reported 5.0%/9.3% YoY degrowth in total APE/individual APE in 1Q26, in-line with JMFe. Launch of GIFT Select in non-par supported growth in traditional non-linked segment resulting in 20.8% YoY growth with a 50:50 par:non-par split in 1QFY26. Individual protection growth was strong 24.1% YoY which aided margin improvement. Annuity business halved YoY to INR 1.0 bn in 1Q26 (had launched GPP Flexi in 4Q24) group savings business continued growth momentum at 50% YoY.
- **VNB decline restricted to 3.2% 1QFY26 as VNB margins improve 50bps YoY:** In 1Q26, ICICI Prudential Life insurance reported VNB of INR 4.57bn, -3.2% YoY (+2.4% beat on JMFe) even as APE declined 5%YoY as VNB margins improved 50bps to 24.5% YoY. Improvement in margins can be attributed to decline in share of ULIP (at 47% vs 51% YoY) and pickup in non-linked savings business. In addition, reducing average ticket sizes and high Sum Assured growth for the insurer proved to be margin accretive in 1Q26. Controlled cost structure should aid margins in FY26 YoY in our view. Mgmt. highlighted that the focus remains on absolute VNB growth instead of margins going ahead.
- **Valuation and view:** At CMP, the stock trades at inexpensive valuations of 1.8x/1.6x FY26e/FY27e EV, implying 15/12x FY26/FY27e EVOP. The stock trades at a significant discount to HDFC Life and SBI Life and trades >1 SD below its mean valuations since listing. With growth improving to industry levels as the base effect eases in 2HFY26 and margins near 1Q levels, we see a sharp rerating in the stock. With this, we raise our Target Price to INR 760 (from INR 730 earlier), valuing the insurer at 1.8x FY27e EVPS (against 1.7x earlier) of INR 430. We reiterate BUY, maintaining IPRU as the preferred pick in the life insurance space.

Financial Summary

INR bn	FY24A	FY25A	FY26E	FY27E	FY28E
Total APE	90.5	104.1	115.6	129.5	146.1
Growth YoY (%)	4.7%	15.0%	11.1%	12.0%	12.8%
Individual APE	76.8	87.1	96.6	108.1	122.2
Opex + Commissions	78.6	88.3	98.9	113.7	130.8
VNB	22.3	23.7	27.9	31.7	36.6
Growth YoY (%)	-19.5%	6.4%	17.8%	13.6%	15.2%
VNB margins	24.6%	22.8%	24.2%	24.5%	25.0%
Core EVOP (%)	14.9%	13.6%	13.9%	14.0%	14.0%
Embedded Value (EV)	423.4	479.5	542.1	618.0	703.1
P/EVx	2.28	2.01	1.78	1.56	1.37

Source: Company, JM Financial. Note: Valuations as of 15/July/2025



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(We acknowledge the support services of **Dev Jogani** in preparation of this report)

Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	760
Upside/(Downside)	+13.4%
Previous Price Target	730
Change	4.1%

Key Data – IPRU IN

Current Market Price	INR670
Market cap (bn)	INR968.4/US\$11.3
Free Float	25%
Shares in issue (mn)	1,435.5
Diluted share (mn)	1435.5
3-mon avg daily val (mn)	INR816.3/US\$9.5
52-week range	797/517
Sensex/Nifty	82,571/25,196
INR/US\$	85.8

Price Performance

%	1M	6M	12M
Absolute	6.4	5.8	2.3
Relative*	5.4	-1.3	0.0

* To the BSE Sensex

JM Financial Research is also available on: Bloomberg - JMFR <GO>, Thomson Publisher & Reuters, S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Key concall takeaways

■ FY26 growth and margins

- ULIPs should come back only by 2nd half – people become conservative when they see a market bounce back, thereafter growth should normalise for the product;
- Guaranteed return products, especially single premium, will continue to do well as long as FD card rates remain low;
- **Endeavour remains growing topline above peers;**
- Relevant 1QFY26 margin comparison is with FY25 margins as it captured the impact of variances and assumptions,
 - Product-level margins largely in line with FY25 – for same term, rider attachment and Sum Assured multiple;
- Do not have a margin guidance, focus remains growth of absolute VNB.

■ New products

- **Smart Insurance Plan Plus (ULIP)**
 - Offers affordable wealth creation with a minimum monthly premium of INR 1,000.
- **iProtect Plan Plus (protection)**
 - Offers higher customisation to customers - for instance, can convert from regular to limited pay;
 - Immediate death benefit on claim registration.

■ Products

- **Protection**
 - Credit life flattish YoY; Group term continues to grow
 - Within protection, broadly, 1/3rd share of retail, group credit life and group term.
- **Annuity declined 53% YoY on a very high base of +135% YoY in 1QFY25**
 - Continues to be a focus area;
 - Increasing shift towards single premium annuity, led by FD rates cut;
 - Challenge in FY25 was higher FD rates sticker price in banks, hence, single premium products saw lower offtake;
 - New non-par product in 4Q also took some business off regular pay annuity;
 - All products remain on the shelf – no specific comment on persistency or growth of GPP Flexi with benefit Enhancer;
- Within **Non-linked savings**, mix of 50:50 between par and non-par;

■ Channels

- **Agency down 19% YoY on the base of 62% growth in 1QFY25**
 - Agency will not give additional costs if it starts to grow from 2Q/3Q onwards (after a 19% YoY decline in 1Q);
- **Direct channels** declined 15% YoY due to high annuity base and high preference for ULIPs in the channel – which has seen growth contraction YoY,
 - 78% APE from direct channel in FY25 was composed of ULIPs;
- **Bancassurance**
 - 50% of banca is ICICI Bank, 15% of the banca channel – which does not focus on non-linked savings, hence, the growth was muted

- ICICI Bank continues to deliver an individual APE run rate of INR 1bn per month.
- Protection roughly 1/3rd retail protection, Credit Life and Group term.
- **Cost structure**
 - **Seen an improvement in costs ratios with rationalisation of manpower**
 - Cost to premium at 21.2%, down 280bps YoY,
 - Cost to premiums 14.1% in savings LOB, down 270bps YoY;
 - In line with EOM guidelines in FY25 in both linked and non-linked lines of business (LOBs);
 - Product-level margins increased by,
 - Longer term products,
 - Higher Sum Assured multiples,
 - Increased rider attachment;
 - PAT of INR 3.0bn, up 34% YoY, due to lower NB strain and higher investment income
- **Persistency**
 - 61st month persistency down 300bps YoY since customers can now continue to enjoy life cover in ULIPs even if they don't pay the 6th annual premium;
 - Jun'24 persistency was higher due to higher persistency of the book acquired just before taxation was introduced on higher ticket policies – Mar'22 book has elevated persistency;
- **Mortality trends**
 - Early claims have increased to 21% in some products, hence, focused on preventing fraudulent practices;
 - No change in assumptions beyond those undertaken in FY24-FY25 on the credit life book.
- **Focus on customer centricity**
 - 54% policies issued on same date in savings Line of Business;
 - Industry leading Claims Settlement Ratio of 99.6%;
 - Risk management focus
 - Right selling, right sourcing, right onboarding.

Exhibit 1. IPRU 1QFY26: key quarterly trends

(INR mn)	1Q25	4Q25	1Q26	YoY (%)	QoQ (%)	1Q26e	Var (%)
Total APE (Quarterly)	19,630	35,020	18,640	-5.0%	-47%	18,558	0.4%
Individual Savings	13,400	25,210	12,720	-5.1%	-50%		
- ULIPs	10,090	15,200	8,720	-13.6%	-43%		
- Non Linked	3,310	10,010	4,000	20.8%	-60%		
Annuity	2,140	2,590	1,000	-53.3%	-61%		
Individual protection	1,120	1,720	1,390	24.1%	-19%		
Individual APE	16,660	29,520	15,110	-9.3%	-49%	14,994	0.8%
Group APE	2,970	5,500	3,530	18.9%	-36%		
- Group protection	2,430	2,990	2,700	11.1%	-10%		
- Group savings	554	2,510	830	49.8%	-67%		
Total Savings + Annuity	16,094	30,310	14,550	-9.6%	-52%		
Total protection	3,550	4,710	4,090	15.2%	-13%		
EV	-	479,510	-				
VNB margin (Quarterly)	24.0%	22.7%	24.5%	0.5%	1.8%	24.0%	0.47%
VNB growth, % (YoY)	7.8%	2.4%	-3.2%				
VNB (quarterly)	4,720	7,950	4,570	-3.2%	-42.5%	4,462	2.4%
Channel mix - Ind APE	16,660	29,520	15,110				
Banca	5,650	11,530	5,530	-2.1%	-52%		
Agency	5,770	9,270	4,650	-19.4%	-50%		
Others	5,240	8,720	4,930	-5.9%	-43%		
Savings mix, % (Quarterly)							
- ULIPs	75.3%	60.3%	68.6%	-6.7%	8.3%		
- Non linked savings	24.7%	39.7%	31.4%	6.7%	-8.3%		
Channel mix, % (Quarterly)							
Banca	33.9%	39.1%	36.6%	2.7%	-2.5%		
Agency	34.6%	31.4%	30.8%	-3.9%	-0.6%		
Others	31.5%	29.5%	32.6%	1.2%	3.1%		

Source: Company, JM Financial

Exhibit 2. EV walk

EV walk (INR bn)	FY24	FY25	FY26e	FY27e	FY28e
Opening EV	356.3	423.4	479.5	542.1	618.0
Unwind	30.7	33.9	38.9	44.2	50.2
VNB	22.3	23.7	27.9	31.7	36.6
Core EVOP	53	58	67	76	87
Operating variance	-2.8	-2.3	-2.3	2.5	1.3
Op EVOP	50.2	55.3	64.6	78.5	88.1
Economic variance	16.9	-0.2	1.0	1.0	1.0
EV, before capital changes	423.4	478.5	545.1	621.5	707.1
Dividends & capital injection	-0.1	1.0	-3.0	-3.5	-4.0
Closing EV	423.4	479.5	542.1	618.0	703.1

Source: Company, JM Financial

Exhibit 3. Key ratios in EV walk

As a %age of opening EV	FY24	FY25	FY26e	FY27e	FY28e
Unwind	8.6%	8.0%	8.1%	8.2%	8.1%
VNB	6.2%	5.6%	5.8%	5.9%	5.9%
Core EVOP	14.9%	13.6%	13.9%	14.0%	14.0%
Operating variance	-0.8%	-0.5%	-0.5%	0.5%	0.2%
Op EVOP	14.1%	13.1%	13.5%	14.5%	14.3%
Economic variance	4.7%	-0.1%	0.2%	0.2%	0.2%
EV growth, before capital changes	18.8%	13.0%	13.7%	14.7%	14.4%
Capital injection	0.0%	0.2%	-0.6%	-0.6%	-0.6%
EV growth	18.8%	13.3%	13.1%	14.0%	13.8%

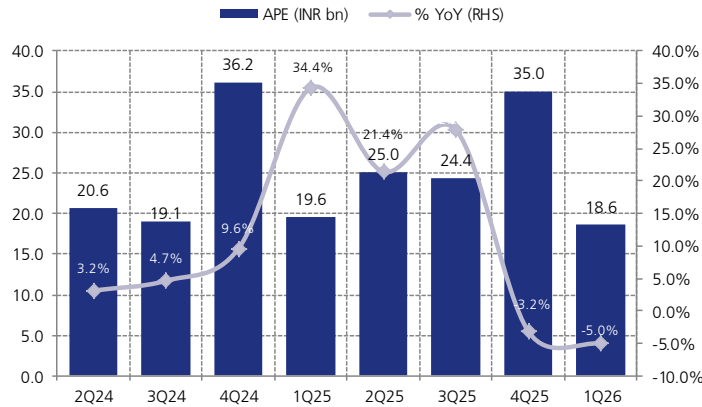
Source: Company, JM Financial

Exhibit 4. Change in estimates - JMFe

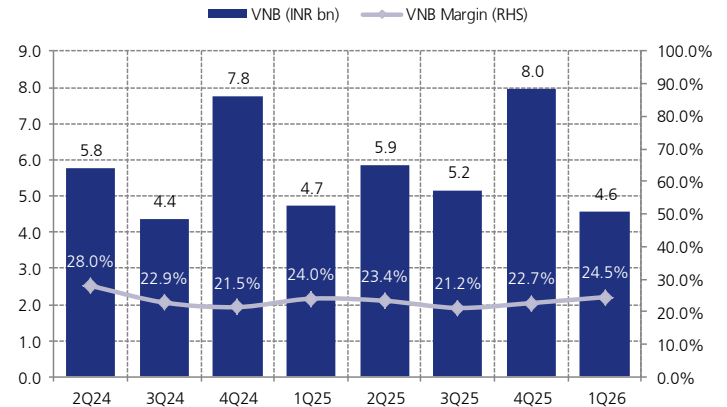
Particulars	FY26 old	FY26 new	Change %	YoY growth	FY27 old	FY27 new	Change %	YoY growth
Total APE (INR bn)	115.6	115.6	0.0%	11.1%	129.5	129.5	0.0%	12.0%
Ind APE (INR bn)	96.6	96.6	0.0%	10.9%	108.1	108.1	0.0%	12.0%
VNB (INR bn)	27	27.9	3.4%	17.8%	30.4	31.7	4.4%	13.6%
VNB margin %	23.3%	24.2%	0.9%	1.4%	23.5%	24.5%	1.0%	0.4%
EV (INR bn)	541.1	542.1	0.2%	13.1%	615.8	618.0	0.4%	14.0%

Source: Company, JM Financial

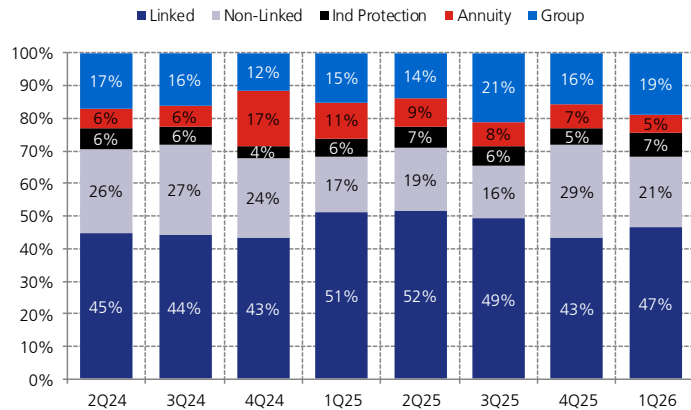
Quarterly Chart

Exhibit 5. Total APE declined by 5% YoY in 1QFY26


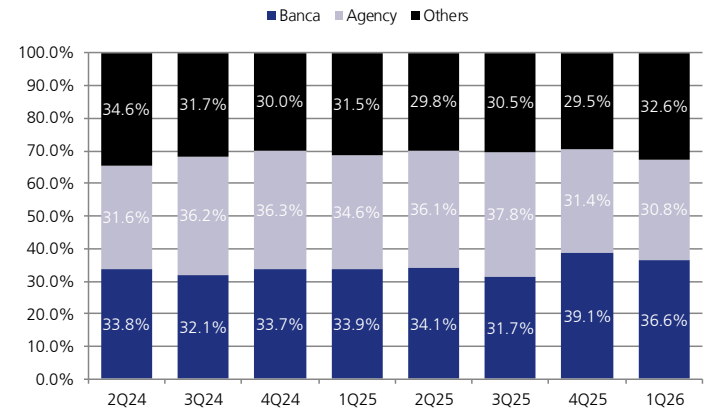
Source: Company, JM Financial

Exhibit 6. VNB margin up 50bps YoY to 24.5% in 1QFY26


Source: Company, JM Financial

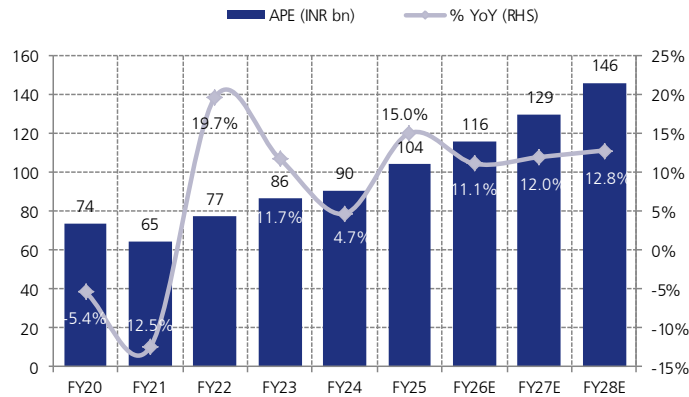
Exhibit 7. Share of non-linked improved vs decline in ULIPs YoY


Source: Company, JM Financial

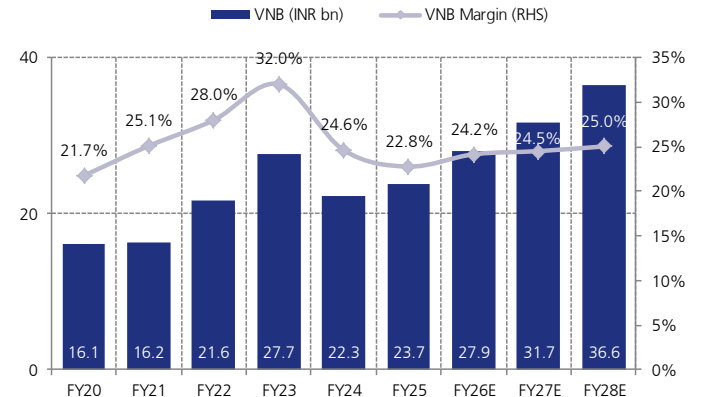
Exhibit 8. Channel mix remains balanced


Source: Company, JM Financial

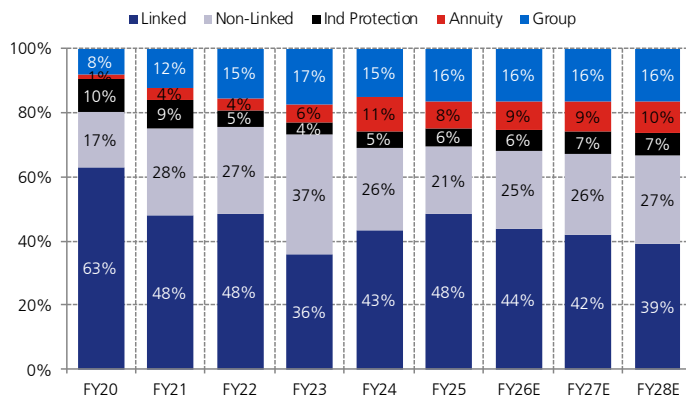
Yearly Charts

Exhibit 9. Total APE grew by 15% YoY in FY25


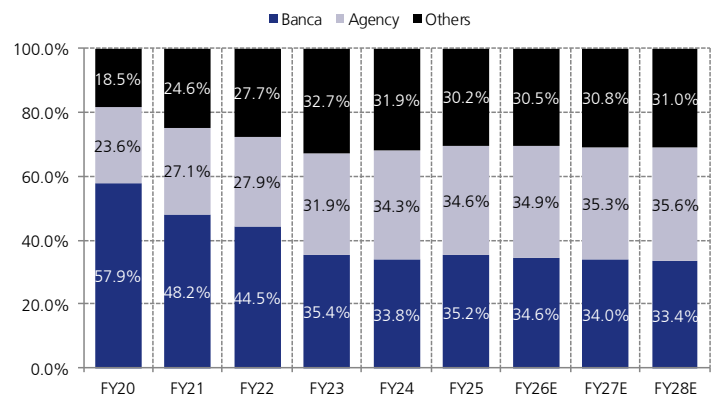
Source: Company, JM Financial

Exhibit 10. VNB grew 6.4% YoY in FY25, margins down to 22.8%


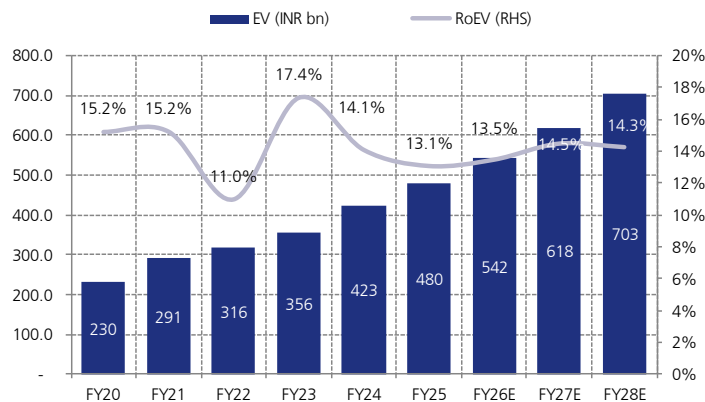
Source: Company, JM Financial

Exhibit 11. ULIPs dominated product mix in FY25


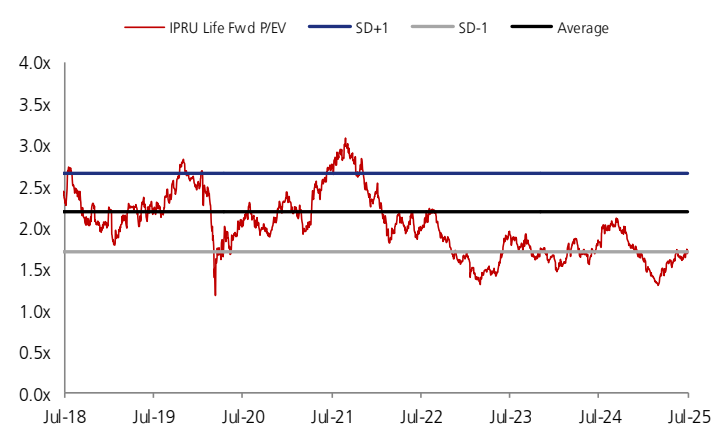
Source: Company, JM Financial

Exhibit 12. Channel mix remains balanced


Source: Company, JM Financial

Exhibit 13. EV to compound at 13.6% over FY25-FY28E


Source: Company, JM Financial

Exhibit 14. Stock is trading at 1SD below its historical mean


Source: Company, JM Financial

Financial Tables (Standalone)

Technical Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Gross premiums	432,356	489,507	545,645	611,456	690,032
Net premiums	417,597	472,594	525,646	587,950	662,606
Investment income	465,503	228,195	248,389	268,980	297,127
Other Income	20,069	5,410	5,410	5,410	5,410
Total Income	903,169	706,199	779,445	862,341	965,143
Commissions	37,220	48,594	54,425	62,589	71,977
Operating expenses	41,356	39,716	44,482	51,154	58,827
Provisions & Taxes	7,251	9,454	10,588	12,176	17,827
Total expenses	85,826	97,764	109,495	125,920	148,632
Benefits paid	400,060	461,825	508,007	557,792	613,571
Change in valuation of life reserves	406,391	135,714	149,286	164,214	180,636
Total Benefits	806,450	597,539	657,293	722,006	794,207
Surplus/(Deficit) for the year	10,892	10,897	12,657	14,415	16,893

Source: Company, JM Financial

Shareholder's Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Transfer from the Policyholders' Account	14,719	10,931	12,657	14,415	14,359
Investment income	13,692	6,960	8,433	9,095	13,152
Other income	143	28	-	-	-
Total income	28,554	17,918	21,090	23,510	27,511
Operating expenses	1,300	1,376	1,467	1,564	1,668
Contribution to the policyholders A/C	18,022	3,178	5,302	5,302	5,984
Profit before tax	9,232	13,364	14,320	16,643	19,859
Tax	708	1,474	286	333	397
Profit after tax	8,524	11,891	14,034	16,310	19,462

Source: Company, JM Financial

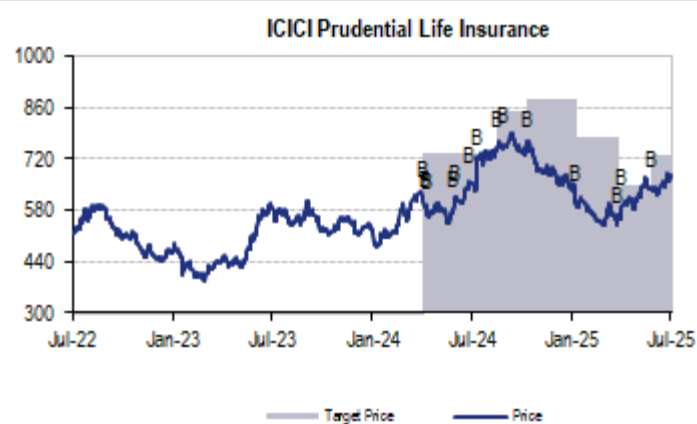
Balance Sheet					(INR mn)
Y/E March	FY24	FY25A	FY26E	FY27E	FY28E
Shareholders' Investments	105,755	140,550	151,584	164,394	180,833
Policyholders' Investments	1,143,182	1,286,988	1,415,686	1,585,569	2,187,468
Unit linked Investments	1,648,424	1,612,399	1,773,639	1,986,476	2,375,706
Loans	17,606	24,191	25,795	27,507	29,331
Fixed assets	7,180	8,451	8,731	9,020	9,320
Net Current Assets / (Liab)	13,122	15,892	-12,794	-15,801	-140,690
Total Assets	2,935,269	3,088,470	3,362,641	3,757,164	4,641,967
Borrowings	12,000	26,000	-	-	-
Fair Value Change Account	50,273	44,466	44,466	44,466	44,466
Policy Liabilities	1,170,872	1,329,182	1,408,608	1,577,641	2,165,593
Linked Liabilities	1,579,173	1,556,577	1,764,771	1,976,543	2,256,921
FFA	12,866	12,832	13,683	14,591	15,558
Total Liabilities	2,825,183	2,969,057	3,231,528	3,613,241	4,482,538
Share Capital	14,410	14,453	14,453	14,453	14,497
Reserves and surplus	92,223	105,626	116,660	129,470	144,932
Fair Value Change Account	3,453	-666	-	-	-
Shareholder's equity	110,086	119,413	131,113	143,923	159,429

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
17-Apr-24	Buy	736	
22-Apr-24	Buy	736	0.0
24-Apr-24	Buy	736	0.0
10-Jun-24	Buy	736	0.0
13-Jun-24	Buy	736	0.0
9-Jul-24	Buy	736	0.0
24-Jul-24	Buy	736	0.0
29-Aug-24	Buy	850	15.5
12-Sep-24	Buy	850	0.0
23-Oct-24	Buy	880	3.5
22-Jan-25	Buy	777	-11.7
7-Apr-25	Buy	630	-18.9
16-Apr-25	Buy	650	3.2
8-Jun-25	Buy	730	12.3

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

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Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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