JM FINANCIAL

ICICI Prudential Life Insurance | BUY

Margins stable, all eyes on 2H growth

ICICI Prudential Life Insurance reported in line results, with a VNB of INR 2.4bn in 2Q, in line JMFe, +1% YoY. 2Q margins came in strong at 24.4%, flattish QoQ, +100bps YoY. The VNB includes the impact of loss of ITC benefits following GST 2.0. Going forward, the company expects stronger growth with GST 2.0 making products attractive, an uptick in ULIPs and a weaker base to grow on, starting from Dec'25. The insurer has disappointed on growth so far, with agency channel APE contracting 21% YoY and direct channel contracting 9% in 2Q. We cut our FY26e VNB estimate by 1% (with a 2% cut in individual APE growth). We believe IPRU will return to growth in latter half of 3Q, and believe current valuations offer a good entry point. We value IPRU at 1.7x FY27e EVPS (against 1.8x earlier) of INR 431 to get a target price of INR 730 (down from INR 760). We reiterate BUY.

- **While APE contracted 3% YoY, expect strong growth in 2H:** The insurer saw a 33% growth in individual APE in 1HFY25, after which growth fell to 2%/-8% in 2HFY25/1HFY26. We cut our FY26e growth in individual APE by 2pps to 9% YoY – this implies a 22% growth in 2H and a 11% growth on a two-year CAGR, against 10% in 1H. Growth in group APE has been strong at 20% in 1H, following a 46% growth in 2HFY26 – we expect this to normalise further to 11% in 2H. This decline in growth should come in with improving margins, as credit life picks up, with an improving macro in micro-finance lending.

- **VNB grows 1% after a 3% decline in 1Q, despite a 3% contraction in total APE:** VNB margins of 24.4% in 2Q were 40bps ahead of JMFe. This was led by a growth of 12% in non-linked savings, alongside a shift to non-par from par, and improving rider attachment and higher Sum Assured on the ULIPs. Within non-linked savings, non-par share improved from 1/3rd to a half, which along with the 12% growth in non-linked business, implies a 60%+ growth. Other than this, product mix was weak, with a contraction in annuity (-47% YoY) and an expansion in group savings (+88%). While individual protection (+2%) and group protection (-2%) were weak, protection segment performed better than company-level growth. Despite the impact of GST 2.0, we raise our margin estimate moderately to 24.3% for FY26e.

- **Valuations and view – expect rerating with a return to APE growth:** At CMP, the stock trades at inexpensive valuations of 1.6x/1.4x FY26e/FY27e EV, implying 13/11x 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. We cut our VNB estimates by 1% for FY26e and target price to INR 730. We remain positive on the stock with an expected growth uptick towards and steady VNB margins. We reiterate BUY.

Raghvesh
raghvesh@jmfl.com | Tel: (91 22) 66303099

Ajit Kumar
ajit.k@jmfl.com | Tel: (91 22) 66303489

Sunita Nayak
sunita.nayak@jmfl.com | Tel: (91 22) 66301889

Mayank Mistry
mayank.mistry@jmfl.com | Tel: (91 22) 62241877

Shubham Karvande
shubham.karvande@jmfl.com | Tel: (91 22) 66303696

Arun Nalkara
arun.nalkara@jmfl.com | Tel: (91 22) 66303696

Recommendation and Price Target	
Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	730
Upside/(Downside)	+22.1%
Previous Price Target	760
Change	-3.9%

Key Data – IPRU IN	
Current Market Price	INR598
Market cap (bn)	INR865.2/US$9.7
Free Float	25%
Shares in issue (mn)	1,435.5
Diluted share (mn)	1435.5
3-mon avg daily val (mn)	INR738.6/US$8.3
52-week range	797/517
Sensex/Nifty	82,030/25,146
INR/US$	88.8

Price Performance

%	1M	6M	12M
Absolute	-0.5	8.2	-19.1
Relative*	-0.8	1.2	-19.3

** To the BSE Sensex*

Financial Summary

INR bn	FY24A	FY25A	FY26E	FY27E	FY28E
Total APE	90.5	104.1	114.2	129.1	147.0
Growth YoY (%)	4.7%	15.0%	9.8%	13.0%	13.9%
Individual APE	76.8	87.1	94.8	107.3	122.6
Opex + Commissions	78.6	88.3	98.9	113.7	130.8
VNB	22.3	23.7	27.7	31.7	36.7
Growth YoY (%)	-19.5%	6.4%	17.0%	14.3%	15.9%
VNB margins	24.6%	22.8%	24.3%	24.5%	25.0%
Core EVOP (%)	14.9%	13.6%	13.9%	14.0%	14.1%
Embedded Value (EV)	423.4	479.5	541.9	617.8	703.1
P/EVx	2.48	2.19	1.94	1.70	1.49

Source: Company, JM Financial. Note: Valuations as of 14/October/2025

Key concall takeaways

- **GST 2.0 impact**

  - The insurer has not adjusted its commissions yet in response to the loss of ITC following GST 2.0 reforms of exemption on individual business;
  - Impact is the highest on non-par and protection, followed by ULIPs and par products;
  - The impact of changes in operating expenses and their assumptions, have been taken while reporting EV and VNB for the half-year;
  - The insurer is working with distributors to share the impact,
    - The company managed the surrender norms without affecting customer benefits, by sharing the impact with the distributors – looking for similar outcomes with GST 2.0 as well;
    - Negotiations include changing the commission on renewal business from previously written business to mitigate ITC losses.

- **FY26 growth and margins**

  - Focus remains growth of absolute VNB;
  - Even if VNB margins are compromised, growth with the positive sentiments around GST 2.0 should support absolute VNB growth;
  - Relevant 2QFY26 margin comparison is with FY25 and 1QFY26 margins as it captured the impact of variances and assumptions not there in 2QFY25,
    - Product-level margins are gradually improving from FY25 levels – with higher rider attachment and Sum Assured multiples.

- **Products**

  - **Annuity** declined 47% YoY on a very high base of +74% YoY in 2QFY25
    - There is an increasing shift towards single premium annuity, led by FD rate cuts;
  - **Non-linked savings** business grew 12% YoY with a balance between par and non-par, supporting margins
    - Within Non-linked savings, mix of 50:50 between par and non-par, in line with 1QFY26, an improvement over 1:2 par:non-par ratio in FY25.
    - Sustained pickup in non-par cannibalises annuity sales to some extent;
  - **ULIPs** contracted 9% YoY on a strong base of 40% growth in 2QFY25
    - ULIPs have started growing from September; the company expects a pickup in 2H.

- **Channels**

  - **Agency APE contracts 23% YoY on the base of 44% growth in 2QFY25**
    - Agency will not give additional costs if it starts to grow from 3Q onwards (after a 19% YoY decline in 1Q and 20% in 2Q) – highlighted in 1Q concall;
  - **Direct channel APE** contracted 12% YoY (after a 15% contraction in 1Q) 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 – highlighted in 1Q concall;
  - **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.
  - Channel-wise product mix is shared only on an annual basis.

- **Cost structure**

  - **Cost structures remained in line with improved 1QFY26 numbers, despite GST 2.0 impact**

    - Cost to premium at 17.7%, down 290bps YoY – in line with 280bps YoY improvement in 1Q,
    - Cost to premiums 11.8% in savings LOB, down 290bps YoY in line with 280bps YoY improvement in 1Q.

- **Persistency**

  - Sep'25 persistency in the 13th month was substantially (450bps) below Sep'24, however, largely in line with Jun'25 (70bps down).

    - Due to higher persistency of the book acquired just before taxation was introduced on higher ticket policies – Mar'22 book has elevated persistency.

Exhibit 1. IPRU 2QFY26: key quarterly trends

(INR mn)	2Q25	1Q26	2Q26	YoY (%)	QoQ (%)	2Q26e	Var (%)
Total APE (Quarterly)	**25,040**	**18,640**	**24,220**	-3.3%	30%	**24,989**	-3.1%
Individual Savings	17,750	12,720	17,220	-3.0%	35%		
- ULIPs	12,970	8,720	11,870	-8.5%	36%		
- Non Linked	4,780	4,000	5,350	11.9%	34%		
Annuity	2,190	1,000	1,160	-47.0%	16%		
Individual protection	1,670	1,390	1,700	1.8%	22%		
Individual APE	**21,610**	**15,110**	**20,080**	**-7.1%**	**33%**	**20,530**	-2.2%
Group APE	3,430	3,530	2,490	-27.4%	-29%		
- Group protection	2,540	2,700	2,490	-2.0%	-8%		
- Group savings	876	830	1,650	88.4%	99%		
Total Savings + Annuity	20,816	14,550	34,580	66.1%	138%		
Total protection	4,210	4,090	4,190	-0.5%	2%		
EV	**460,180**	**-**	**505,010**	**9.7%**			
VNB margin (Quarterly)	23.4%	24.5%	24.4%	1.0%	-0.1%	24.0%	0.48%
VNB growth, % (YoY)	1.6%	-3.2%	1.0%				
VNB (quarterly)	**5,860**	**4,570**	**5,920**	**1.0%**	**29.5%**	**5,988**	-1.1%
Channel mix - Ind APE	**21,610**	**15,110**	**20,080**				
Banca	7,360	5,530	7,410	0.7%	34%		
Agency	7,800	4,650	6,010	-22.9%	29%		
Others	6,450	4,930	6,660	3.3%	35%		
Savings mix, % (Quarterly)							
- ULIPs	73.1%	68.6%	68.9%	-4.1%	0.4%		
- Non linked savings	26.9%	31.4%	31.1%	4.1%	-0.4%		
Channel mix, % (Quarterly)							
Banca	34.1%	36.6%	36.9%	2.8%	0.3%		
Agency	36.1%	30.8%	29.9%	-6.2%	-0.8%		
Others	29.8%	32.6%	33.2%	3.3%	0.5%		

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	FY28 old	FY28 new	Change %	YoY growth
Total APE (INR bn)	115.6	114.2	-1.2%	9.8%	129.5	129.1	-0.3%	13.0%	146.1	147.0	0.6%	13.9%
Ind APE (INR bn)	96.6	94.8	-1.9%	8.9%	108.1	107.3	-0.8%	13.2%	122.2	122.6	0.4%	14.3%
VNB (INR bn)	27.9	27.7	-0.7%	17.0%	31.7	31.7	-0.1%	14.3%	36.6	36.7	0.5%	15.9%
VNB margin %	24.2%	24.3%	0.1%	1.5%	24.5%	24.5%	0.0%	0.3%	25.0%	25.0%	0.0%	0.4%
EV (INR bn)	542.1	541.9	0.0%	13.0%	618.0	617.8	0.0%	14.0%	703.1	703.1	0.0%	13.8%

Source: Company, JM Financial

Exhibit 5. We expect growth in Individual APE at 20% in 2HFY26

	2HFY24	2HFY25	2HFY26e	Implied 2HFY26 growth	Growth in 2HFY25	Implied 2 year CAGR
Total APE (YTD)	**55,230**	**59,400**	**71,369**	**20%**	**8%**	**14%**
Individual Savings	38,200	41,170	47,179	15%	8%	11%
- ULIPs	24,180	27,200	28,766	6%	12%	9%
- Non linked savings	14,020	13,970	18,413	32%	0%	15%
Annuity	7,360	4,420	8,165	85%	-40%	5%
Individual protection	2,400	3,190	4,236	33%	33%	33%
Individual APE	**47,960**	**48,780**	**59,580**	**22%**	**2%**	**11%**
Group APE	**7,280**	**10,620**	**11,790**	**11%**	**46%**	**27%**
- Group protection	5,510	5,430	6,458	19%	-1%	8%
- Group savings	1,770	5,190	5,332	3%	193%	74%
Total Savings + Annuity	47,330	50,780	60,676	19%	7%	13%
Total protection	**7,910**	**8,620**	**10,694**	**24%**	**9%**	**16%**

Source: Company, JM Financial

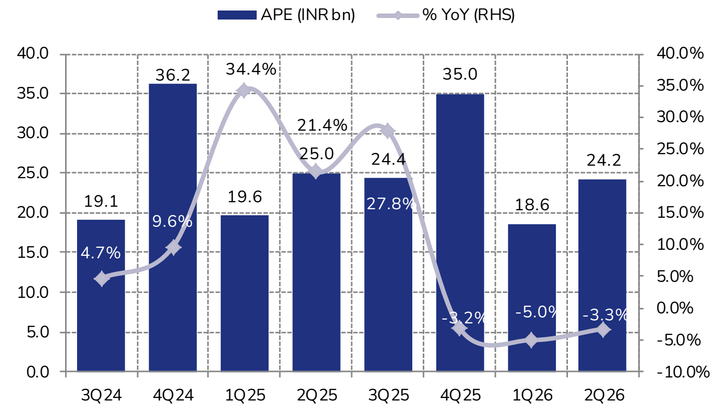
Exhibit 6. Individual APE : Implied 2 year CAGR stands at 10%

	1HFY24	1HFY25	1HFY26	Growth in 1HFY26	Growth in 1HFY25	2 year CAGR
Total APE (YTD)	**35,230**	**44,670**	**42,860**	**-4%**	**27%**	**10%**
Individual Savings	24,290	31,150	29,940	-4%	28%	11%
- ULIPs	14,930	23,060	20,590	-11%	54%	17%
- Non linked savings	9,360	8,090	9,350	16%	-14%	0%
Annuity	2,170	4,330	2,160	-50%	100%	0%
Individual protection	2,380	2,790	3,090	11%	17%	14%
Individual APE	**28,840**	**38,270**	**35,190**	**-8%**	**33%**	**10%**
Group APE	**6,390**	**6,400**	**7,670**	**20%**	**0%**	**10%**
- Group protection	4,960	4,970	5,190	4%	0%	2%
- Group savings	1,430	1,430	2,480	73%	0%	32%
Total Savings + Annuity	27,890	36,910	34,580	-6%	32%	11%
Total protection	**7,340**	**7,760**	**8,280**	**7%**	**6%**	**6%**

Source: Company, JM Financial

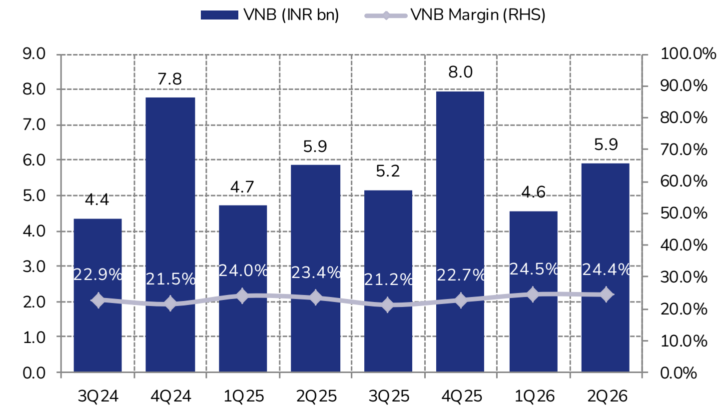
Quarterly Charts

Exhibit 7. Total APE declined by 3% YoY in 2QFY26



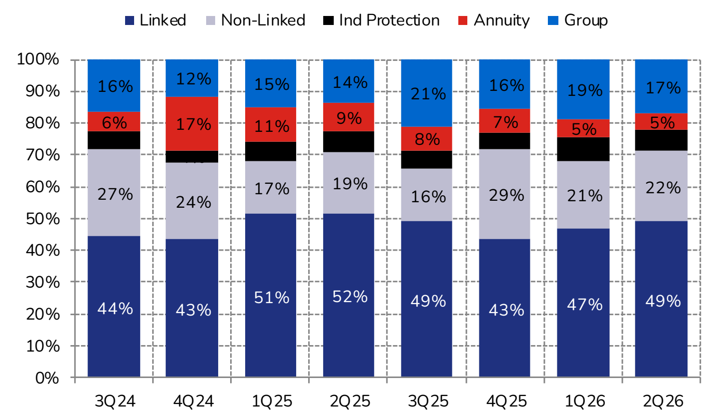
Source: Company, JM Financial

Exhibit 8. VNB margin down 10bps YoY to 24.4% in 2QFY26



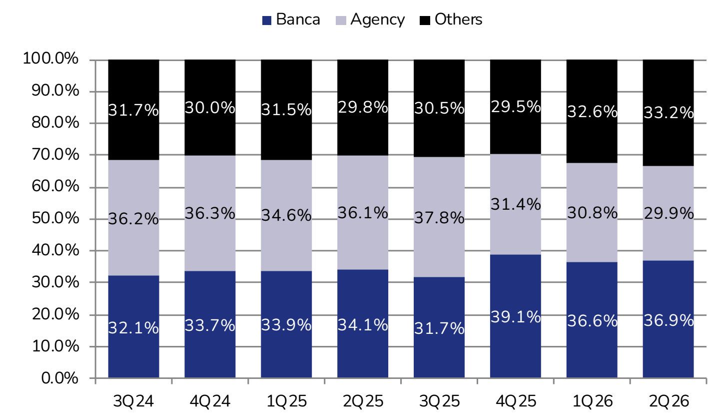
Source: Company, JM Financial

Exhibit 9. Share of ULIPs increased by 2% YoY



Source: Company, JM Financial

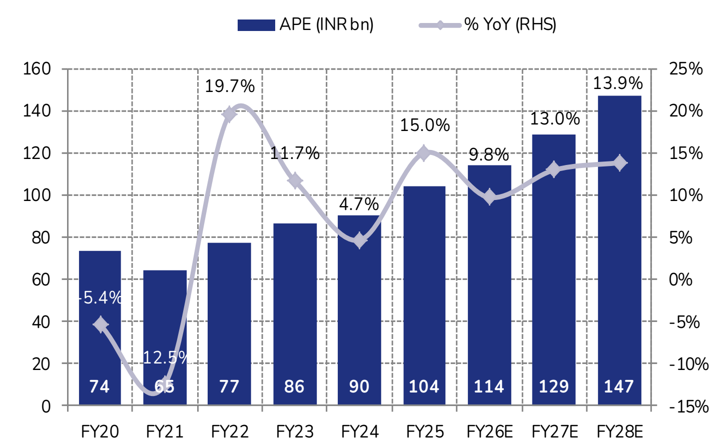
Exhibit 10. Channel mix remains balanced



Source: Company, JM Financial

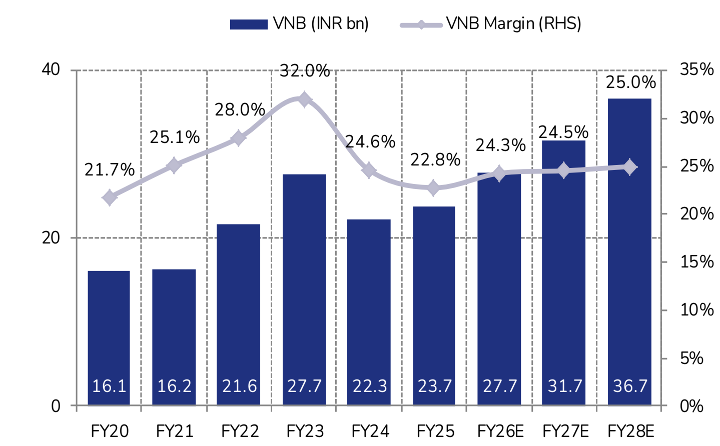
Yearly Charts

Exhibit 11. Total APE grew by 15% YoY in FY25



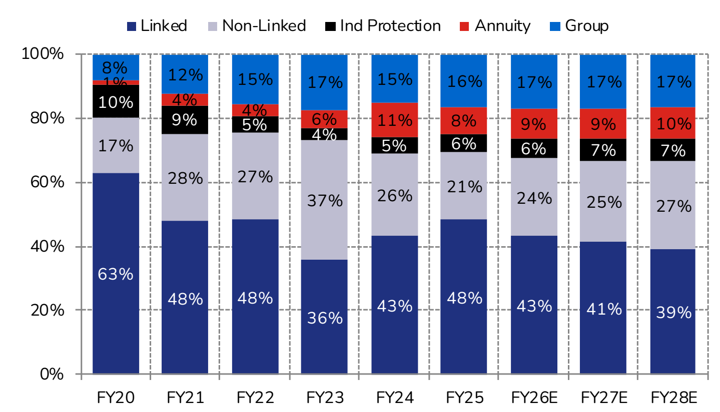
Source: Company, JM Financial

Exhibit 12. VNB grew 6.4% YoY in FY25, margins down to 22.8%



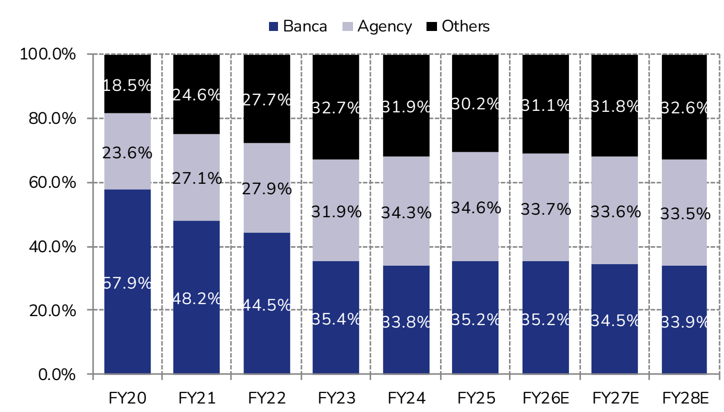
Source: Company, JM Financial

Exhibit 13. ULIPs dominated product mix in FY25



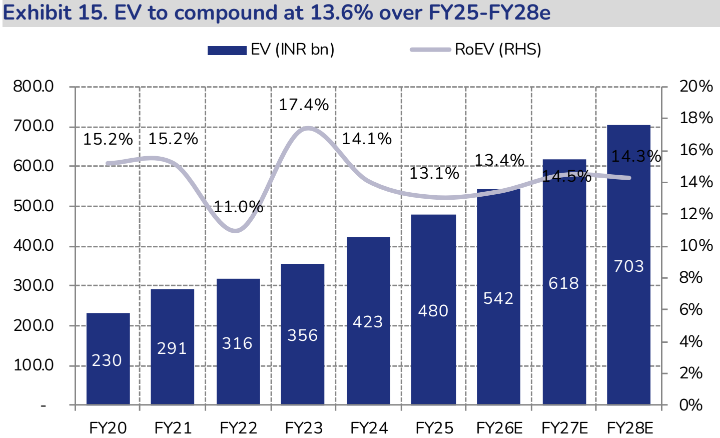
Source: Company, JM Financial

Exhibit 14. Channel mix remains balanced



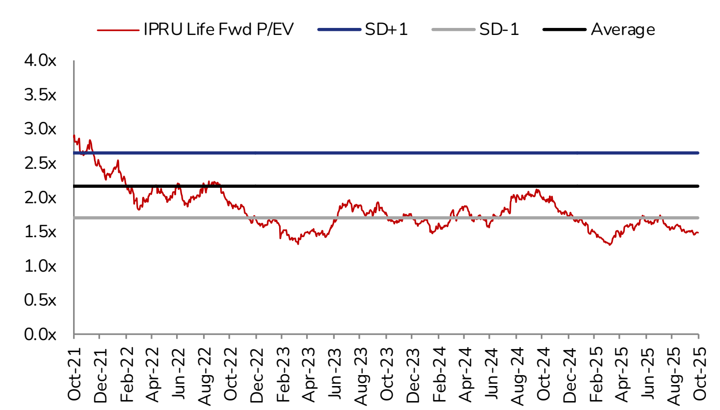
Source: Company, JM Financial

Exhibit 15. EV to compound at 13.6% over FY25-FY28e



Source: Company, JM Financial

Exhibit 16. 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)

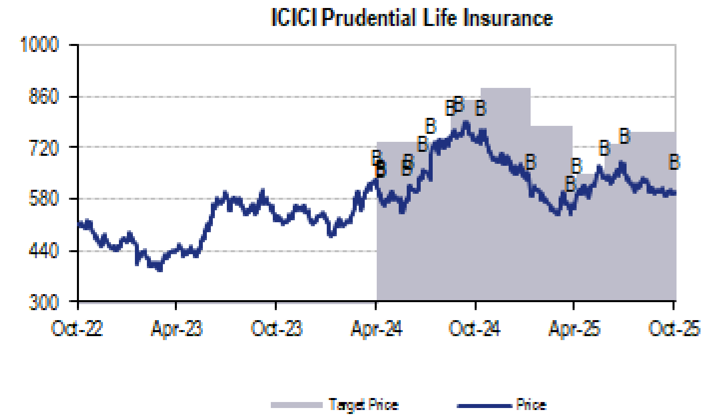
Y/E March	FY24	FY25A	FY26E	FY27E	FY28E
Shareholders' Investments	105,755	140,550	151,584	164,394	180,833
Policyholders' Investments	1,143,182	1,286,988	1,415,686	1,585,569	2,187,468
Unit linked Investments	1,648,424	1,612,399	1,773,639	1,986,476	2,375,706
Loans	17,606	24,191	25,795	27,507	29,331
Fixed 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
15-Jul-25	Buy	760	4.1

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081
Member of BSE Ltd. and National Stock Exchange of India Ltd.
SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610
Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.
Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancial.research@jmfl.com | www.jmfl.com
Compliance Officer: Ms. Ashley Johnson | Tel: +91 22 6224 1862 | Email: ashley.johnson@jmfl.com
Grievance Officer: Ms. Ashley Johnson | Tel: +91 22 6224 1862 | Email: instcompliance@jmfl.com

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New Rating System: Definition of ratings	
Rating	**Meaning**
BUY	Expected return >= 15% over the next twelve months.
ADD	Expected return >= 5% and < 15% over the next twelve months.
REDUCE	Expected return >= -10% and < 5% over the next twelve months.
SELL	Expected return < -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
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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