

# ICICI Prudential Life Insurance | BUY

## Strong, in-line quarter

IIPRU reported a strong VNB of INR 6.2bn in 3Q, in-line JMFe, +19% YoY. Margin was a healthy 24.4%, flat QoQ, +320bps YoY. Growth was soft in December; hence, reported APE was below our estimates. However, it was decent at 10% YoY, after 3 quarters of decline. We expect strong, consistent growth for the company in the near term – 23% in 4Q and 14% over FY27 and FY28e. We build in margin of 24.5% for FY26E, largely in line with 9M figures, and expect it to improve by 50bps each over the next 2 years. This implies consistent 16% VNB compounding, for which current valuations of 1.4x Mar'28 EV look undemanding. We do not materially change our estimates. We reiterate BUY with an unchanged target price of INR 880.

- APE grew 4% after 3 quarters of contraction, expect growth momentum to sustain:** The insurer recorded 10% growth in individual APE in 3QFY26, although it contracted by 2% YTD. Total APE grew by 4% YoY, after 3 quarters of YoY contraction. These numbers were already reported. 3Q growth missed our estimates due to a weak December. Hence, we have lowered our FY26E individual APE growth forecast by ~1ppt to 6% YoY, reflecting 2-year CAGR of 7%. Group APE grew strongly (+20%) in the first half, but contracted by 50% in 3Q on a healthy base. We expect group business to return to growth in 4Q.
- VNB margin strong and in line at 24.4%, flat QoQ despite GST 2.0 reforms:** VNB margin was stable sequentially in 3Q at 24.4%, in line with JMFe. This was largely driven by 41% growth in retail protection, along with higher product level margins, led by favourable yield curve movements, higher rider attachment and higher sum assured on ULIPs. Within non-linked savings, the share of non-par products rose to ~40%. Group protection growth was weaker, at only 5%. However, credit life (and the MFI segment within it) has returned to YoY growth, which should support margins. Annuity APE dipped by 50% YoY; we expect this segment to return to growth in 4Q as the base normalises. Despite challenges posed by GST 2.0 and a modest INR 110mn impact of the new Wage Code, the insurer has demonstrated resilience, prompting us to slightly raise our margin estimate to 24.5% for FY26E. We expect margin to gradually improve by 50bps each to 25.5% by FY28E.
- Valuations and view – expect a gradual rerating with consistent VNB growth:** At current valuations, the stock trades at attractive valuations of 1.8x/1.6x/1.4x FY26e/FY27e/FY28e EV, translating to 15x/13x/11x FY26/FY27e/FY28e EVOP. It is currently trading at a significant discount to peers like HDFC Life and SBI Life, with valuations more than one standard deviation below its historical average since listing. We expect this discount to narrow as the insurer delivers 14%/16%/15% compounding in APE/VNB/EV over FY26-FY28E. We **maintain IIPRU as our top pick in the insurance space**. We reiterate BUY with an unchanged target price of INR 880.



**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

**Pratik Matkar**

Pratik.matkar@jmfl.com | Tel: (91 22) 66301881

**Shubham Karvande**

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

**Arun Nalkara**

arun.nalkara@jmfl.com | Tel: (91 22) 69703640

**Aryan Singhal**

aryan.singhal@jmfl.com | Tel: (91 22) 66303253

### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	880
Upside/(Downside)	29.1%
Previous Price Target	880
Change	0.0%

### Key Data – IIPRU IN

Current Market Price	INR681
Market cap (bn)	INR986.6/US\$10.9
Free Float	98%
Shares in issue (mn)	1,435.5
Diluted share (mn)	1,435.5
3-mon avg daily val (mn)	INR932.3/US\$10.3
52-week range	707/517
Sensex/Nifty	83,628/25,732
INR/US\$	90.2

### Price Performance

%	1M	6M	12M
Absolute	5.2	3.1	7.1
Relative*	7.3	1.8	-2.3

\* To the BSE Sensex

### Financial Summary

INR bn	FY24A	FY25A	FY26E	FY27E	FY28E
Total APE	90.5	104.1	111.0	126.2	144.3
Growth YoY (%)	4.7%	15.0%	6.7%	13.7%	14.4%
Individual APE	76.8	87.1	92.7	105.2	120.5
Opex + Commissions	79	88	99	114	131
VNB	22.3	23.7	27.3	31.6	36.7
Growth YoY (%)	-19.5%	6.4%	15.0%	15.8%	16.4%
VNB margins	24.6%	22.8%	24.5%	25.0%	25.5%
Core EVOP (%)	14.9%	13.6%	13.8%	14.0%	14.1%
Embedded Value (EV)	423.4	479.5	541.4	617.2	702.5
P/EVx	2.99	2.64	2.34	2.05	1.80

Source: Company, JM Financial. Note: Valuations as of 13/January/2026

JM Financial Research is also available on: Bloomberg - JMFR <GO>, FactSet, LSEG and S&P Capital IQ.

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

## Key concall takeaways

### ■ GST 2.0 impact

- Surge in demand reflected in strong pure protection growth of 41% YoY – led by pure protection products (~90% of retail protection)
- The impact of changes in operating expenses and their assumptions has been taken into account while reporting VNB for the quarter
- Impact of ITC is neutralised to a large extent by improving product-level margins – with higher rider attachment, higher sum assured multiples and selling longer tenure products, and favourable yield curve movements – essentially, a steepening yield curve
- The insurer is working with distributors to share the impact
  - Any positive impact from lower distributor commissions would be seen on prospective basis from 4Q onwards

### ■ Near-term growth and margins

- Focus remains on growth of absolute VNB; APE growth is expected to lead VNB growth as margins are stabilising;
- 2-year CAGR in retail APE has been in line with the industry at 13-14% – with the growth spurt in FY25 (led by strong ULIP and annuity sales) now in the base, the company is focused on growing in line / higher than the private sector, even YoY
- ICICI Bank (~15% of retail APE for IPRU) continues to deliver INR 1.0bn to INR 1.2bn of retail APE every month; the insurer remains focused on other channels for growth, each of which are <7% of its retail mix
- Yield curve steepening saw customers lock in higher yields – par to non-par share within non-linked savings was 60:40 in 3Q

### ■ Product strategy

- Three new products launched in 3Q (two longer-term ULIPs and a non-par child plan)
  - ICICI Pru Wealth Forever – a long-term ULIP plan that should be margin accretive over regular ULIPs
  - ICICI Pru Wealth Elite Pro II – a long-term ULIP plan, encourages customers to stay invested with the plan – with longer retention of customer money; should be margin accretive over regular ULIPs
  - ICICI Pru Smart Kid 360 – a children-focused non-par product – enables customers to lock in higher yields currently offered with longer-term G-sec yields having risen in the last 6 months
- On ULIPs, IPRU remains focused on wealth creation for its customers but with additional features
  - ULIPs have picked up with the gains seen in equity markets in 3Q
  - In the higher sum assured variants of ULIPs, the sum assured offer ranges from 40x to 100x the regular premiums, against 400x in pure protection plans – hence, these products do not cannibalise protection sales – visible in 41% growth seen in 3Q in retail protection

### ■ Group business growth

- Group savings contracted on a strong base of 3QFY25
- Group protection grew 5% YoY with both group term and credit life showing YoY growth
  - MFI segment remains a crucial part of IPRU's credit life business – it returned to YoY growth in 3Q; the company expects momentum in the underlying industry to reflect in higher growth
  - Growth in credit life would support margins for IPRU

**■ Persistency**

- Fall in persistency looks stark from Mar'25, whereas it is steady sequentially
- The company will relook at its assumptions in 4Q; however, VNB incorporates the changing persistency, and VNB margin is unlikely to change

**■ Other tidbits**

- Impact of the new Wage Code on P&L limited to INR 110mn

**Exhibit 1. IPRU 3QFY26: Key quarterly trends**

(INR mn)	3Q25	2Q26	3Q26	YoY (%)	QoQ (%)	3Q26e	Var (%)
<b>Total APE (Quarterly)</b>	<b>24,380</b>	<b>24,220</b>	<b>25,250</b>	3.6%	4%	<b>25,764</b>	-2.0%
Individual Savings	15,960	17,220	17,560	10.0%	2%		
- ULIPs	12,000	11,870	13,000	8.3%	10%		
- Non Linked	3,960	5,350	4,560	15.2%	-15%		
Annuity	1,830	1,160	1,530	-16.4%	32%		
Individual protection	1,470	1,700	2,070	40.8%	22%		
<b>Individual APE</b>	<b>19,260</b>	<b>20,080</b>	<b>21,160</b>	<b>9.9%</b>	<b>5%</b>	<b>21,668</b>	-2.3%
Group APE	5,120	2,490	2,570	-49.8%	3%		
- Group protection	2,440	2,490	2,570	5.3%	3%		
- Group savings	2,680	1,650	1,520	-43.3%	-8%		
Total Savings + Annuity	20,470	34,580	55,190	169.6%	60%		
Total protection	3,910	4,190	4,640	18.7%	11%		
<b>EV</b>	-	<b>505,010</b>	-	-	-		
VNB margin (Quarterly)	21.2%	24.4%	24.4%	3.2%	-0.1%	24.5%	-0.14%
VNB growth, % (YoY)	18.6%	1.0%	19.0%	0.4%	17.9%		
<b>VNB (quarterly)</b>	<b>5,170</b>	<b>5,920</b>	<b>6,150</b>	<b>19.0%</b>	<b>3.9%</b>	<b>6,117</b>	0.5%
<b>Channel mix - Ind APE</b>	<b>19,260</b>	<b>20,080</b>	<b>21,160</b>				
Banca	6,100	7,410	6,740	10.5%	-9%		
Agency	7,280	6,010	7,310	0.4%	22%		
Others	5,880	6,660	7,110	20.9%	7%		
<b>Savings mix, % (Quarterly)</b>							
- ULIPs	75.2%	68.9%	74.0%	-1.2%	5.1%		
- Non linked savings	24.8%	31.1%	26.0%	1.2%	-5.1%		
<b>Channel mix, % (Quarterly)</b>							
Banca	31.7%	36.9%	31.9%	0.2%	-5.0%		
Agency	37.8%	29.9%	34.5%	-3.3%	4.6%		
Others	30.5%	33.2%	33.6%	3.1%	0.4%		

Source: Company, JM Financial

**Exhibit 2. EV walk**

EV walk (INR bn)	FY24	FY25	FY26e	FY27e	FY28e
<b>Opening EV</b>	<b>356.3</b>	<b>423.4</b>	<b>479.5</b>	<b>542.1</b>	<b>618.0</b>
Unwind	30.7	33.9	38.9	44.2	50.2
VNB	22.3	23.7	27.9	31.7	36.6
<b>Core EVOP</b>	<b>53</b>	<b>58</b>	<b>67</b>	<b>76</b>	<b>87</b>
Operating variance	-2.8	-2.3	-2.3	2.5	1.3
<b>Op EVOP</b>	<b>50.2</b>	<b>55.3</b>	<b>64.6</b>	<b>78.5</b>	<b>88.1</b>
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
<b>Closing EV</b>	<b>423.4</b>	<b>479.5</b>	<b>542.1</b>	<b>618.0</b>	<b>703.1</b>

Source: Company, JM Financial

**Exhibit 3. Key ratios in EV walk – expect 15% EV compounding over FY26-FY28e**

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%
<b>Op EVOP</b>	<b>14.1%</b>	<b>13.1%</b>	<b>13.5%</b>	<b>14.5%</b>	<b>14.3%</b>
Economic variance	4.7%	-0.1%	0.2%	0.2%	0.2%
<b>EV growth, before capital changes</b>	<b>18.8%</b>	<b>13.0%</b>	<b>13.7%</b>	<b>14.7%</b>	<b>14.4%</b>
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 – not material**

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)	112.4	111.0	-1.2%	6.7%	127.1	126.2	-0.7%	13.7%	144.7	144.3	-0.3%	14.4%
Ind APE (INR bn)	93.9	92.7	-1.4%	6.4%	106.4	105.2	-1.1%	13.5%	121.5	120.5	-0.8%	14.6%
VNB (INR bn)	27.4	27.3	-0.4%	15.0%	31.3	31.6	0.7%	15.8%	36.3	36.7	1.2%	16.4%
VNB margin %	24.3%	24.5%	0.2%	1.8%	24.7%	25.0%	0.3%	0.5%	25.1%	25.5%	0.4%	0.5%
EV (INR bn)	541.5	541.4	0.0%	12.9%	617.1	617.2	0.0%	14.0%	701.9	702.5	0.1%	13.8%

Source: Company, JM Financial

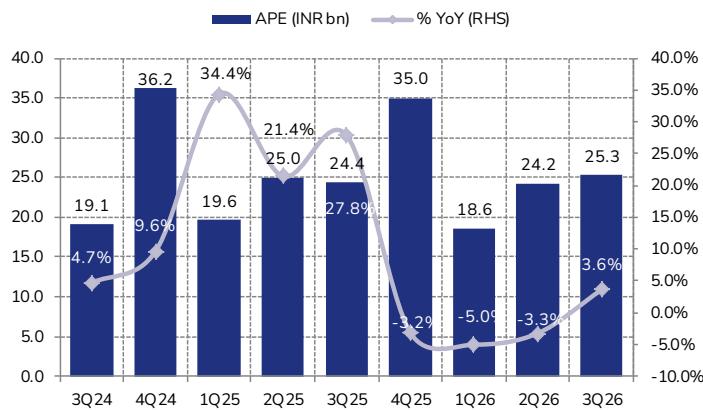
**Exhibit 5. We expect growth of 23% in Individual APE in 4QFY26; however, that implies just 7% CAGR on a two-year basis**

	4QFY25	4QFY26	YoY %	Implied 2 year CAGR
Total APE (YTD)	35,020	42,937	23%	9%
Individual Savings	25,210	30,711	22%	12%
- ULIPs	15,200	18,029	19%	7%
- Non linked savings	10,010	12,682	27%	36%
Annuity	2,590	3,310	28%	-27%
Individual protection	1,720	2,285	33%	30%
<b>Individual APE</b>	<b>29,520</b>	<b>36,306</b>	<b>23%</b>	<b>7%</b>
<b>Group APE</b>	<b>5,500</b>	<b>6,631</b>	<b>21%</b>	<b>26%</b>
- Group protection	2,990	3,680	23%	11%
- Group savings	2,510	2,951	18%	59%
Total Savings + Annuity	30,310	36,972	22%	8%
<b>Total protection</b>	<b>4,710</b>	<b>5,965</b>	<b>27%</b>	<b>17%</b>

Source: Company, JM Financial

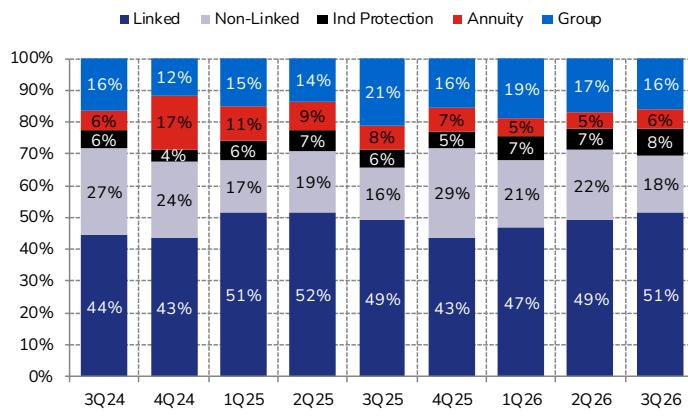
## Quarterly Charts

Exhibit 6. Total APE grew by 4% QoQ in 3QFY26



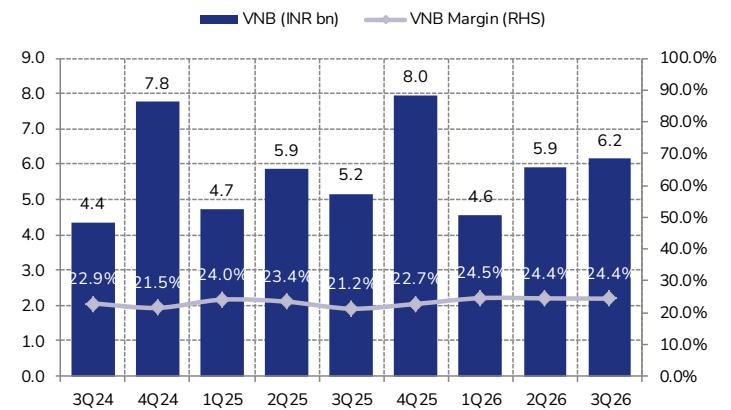
Source: Company, JM Financial

Exhibit 8. Share of ULIPs increased by 2% QoQ



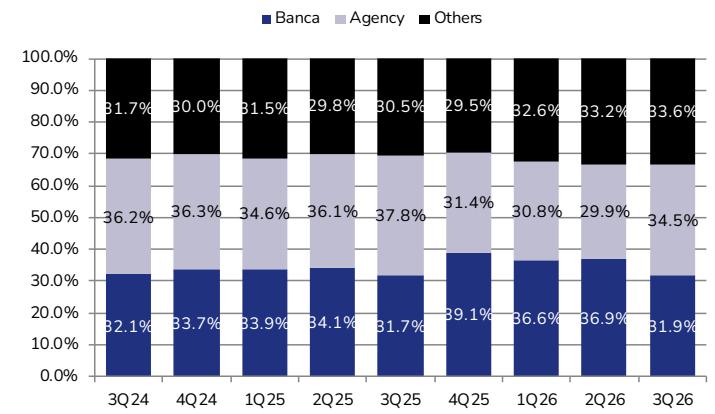
Source: Company, JM Financial

Exhibit 7. VNB margin stable at 24.4% in 3QFY26



Source: Company, JM Financial

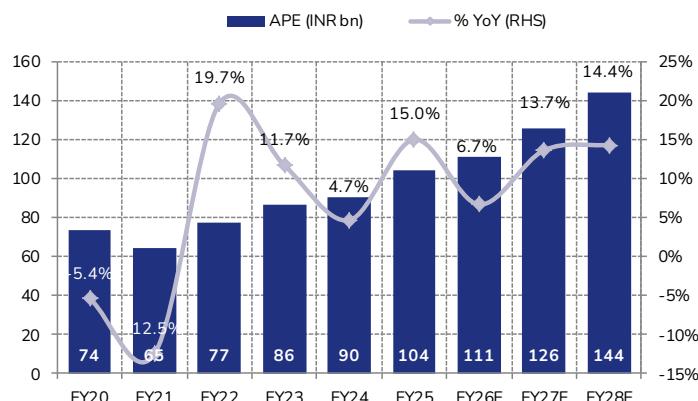
Exhibit 9. Channel mix remains balanced



Source: Company, JM Financial

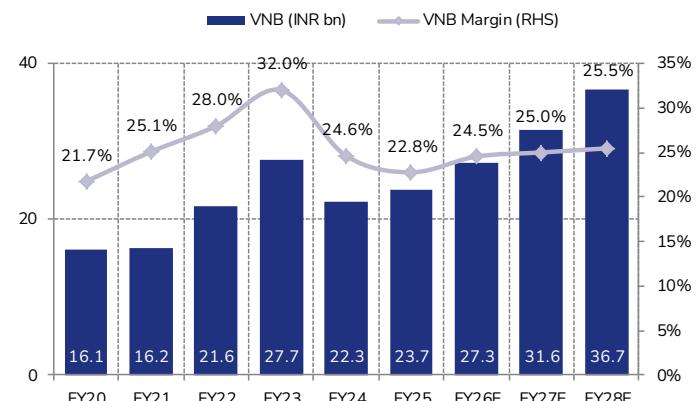
## Yearly Charts

### Exhibit 10. Expect 14% compounding in total APE



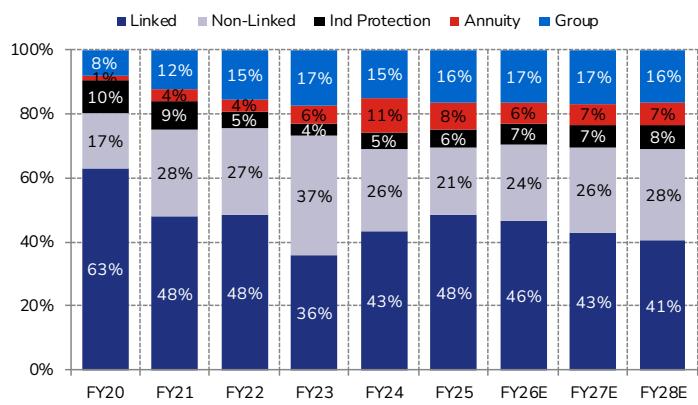
Source: Company, JM Financial

### Exhibit 11. Margins likely to grow 50bps each in FY27, FY28e



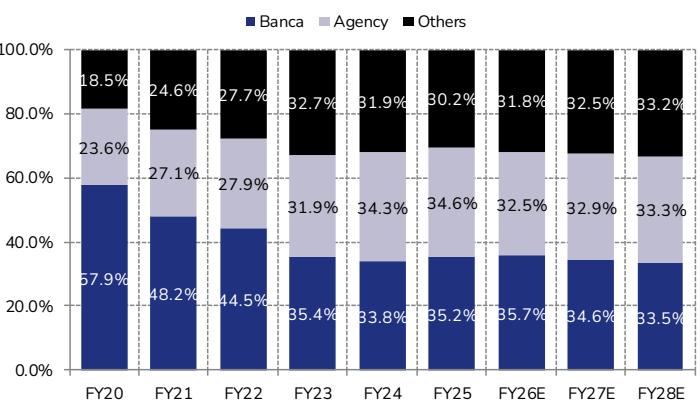
Source: Company, JM Financial

### Exhibit 12. Expect ULIP share to cool off gradually



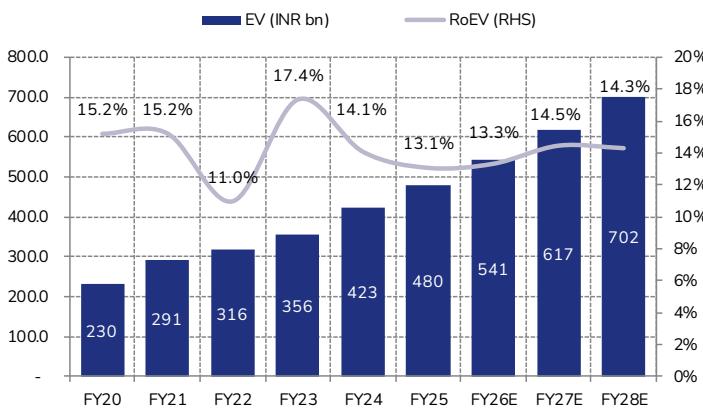
Source: Company, JM Financial

### Exhibit 13. Channel mix to remain balanced



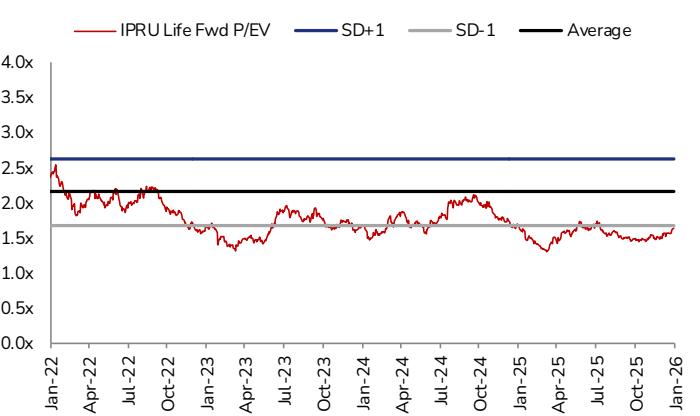
Source: Company, JM Financial

### Exhibit 14. Expect EV to compound at 14-15% over FY26-FY28e



Source: Company, JM Financial

### Exhibit 15. 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
<b>Total Income</b>	<b>903,169</b>	<b>706,199</b>	<b>779,445</b>	<b>862,341</b>	<b>965,143</b>
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
<b>Total expenses</b>	<b>85,826</b>	<b>97,764</b>	<b>109,495</b>	<b>125,920</b>	<b>148,632</b>
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
<b>Total Benefits</b>	<b>806,450</b>	<b>597,539</b>	<b>657,293</b>	<b>722,006</b>	<b>794,207</b>
<b>Surplus/(Deficit) for the year</b>	<b>10,892</b>	<b>10,897</b>	<b>12,657</b>	<b>14,415</b>	<b>16,893</b>

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	-	-	-
<b>Fair Value Change Account</b>	<b>50,273</b>	<b>44,466</b>	<b>44,466</b>	<b>44,466</b>	<b>44,466</b>
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	-	-	-
<b>Shareholder's equity</b>	<b>110,086</b>	<b>119,413</b>	<b>131,113</b>	<b>143,923</b>	<b>159,429</b>

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	-	-	-
<b>Total income</b>	<b>28,554</b>	<b>17,918</b>	<b>21,090</b>	<b>23,510</b>	<b>27,511</b>
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
<b>Profit before tax</b>	<b>9,232</b>	<b>13,364</b>	<b>14,320</b>	<b>16,643</b>	<b>19,859</b>
Tax	708	1,474	286	333	397
<b>Profit after tax</b>	<b>8,524</b>	<b>11,891</b>	<b>14,034</b>	<b>16,310</b>	<b>19,462</b>

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
14-Oct-25	Buy	730	-3.9

## Recommendation History

## ICICI Prudential Life Insurance



## 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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