

ICICI Prudential Life Insurance

Estimate change	↓
TP change	↓
Rating change	↔

CMP: INR567 **TP: INR680 (+20%)** **Buy**

APE and VNB in line; margin expands to 22.7%

Enhancing products to boost product-level margins

- ICICI Prudential Life Insurance (IPRU) reported a slight decline of 3% YoY in new business APE to INR35b (in line) in 4QFY25. For FY25, APE grew 15% YoY to INR104.1b.
- VNB margin for the quarter stood at 22.7% vs. our estimate of 21.9% (21.5% in 4QFY24). Absolute VNB grew 2% YoY to INR 8b (in line). For FY25, VNB was at INR23.7b (+6%) and margin stood at 22.8% vs. 24.6% in FY24.
- For 4QFY25, IPRU reported a 122% YoY jump in shareholder PAT to INR3.9b (32% beat). For FY25, PAT grew 39% YoY to INR11.9b.
- Management aims to achieve higher VNB growth compared to APE growth, driven by 1) improvement in protection segment margin by repricing group term products, and 2) sustaining higher margins in ULIPs through rider attachments and higher sum insured. While there is no specific APE growth guidance, the aim is to grow higher than estimated industry growth of 15% in FY26.
- We trim our APE growth estimates for FY26 from 18% to 14% while retaining FY27E growth at 16%. For VNB margins, we build in about 70bp/50bp expansion in FY26/FY27 to 23.5%/24% due to better ULIP and protection margins. **Reiterate BUY with a TP of INR680 (based on 1.6x FY27E EV).**

Margin expansion driven by revival of non-linked business

- IPRU's gross premium grew 11% YoY to INR168.3b (in line) in 4QFY25 and grew 15% YoY to INR498.5b for FY25. Renewal premium grew 9% YoY (in line) to INR92.1b.
- APE declined 3% YoY in 4QFY25, largely due to 3%/16% YoY decline in ULIP/ Non-PAR segments. However, the introduction of a new guaranteed product in 4QFY25 led to strong traction in the non-par segment. The decline was offset by 115% and 9% YoY growth in the lumpy group business and protection business, respectively.
- The 120bp YoY expansion in VNB margin to 22.7% was due to a higher share of non-linked business and a higher contribution of ULIPs with higher sum assured and rider attachments (~10%).
- Retail protection and annuity, the key focus areas for IPRU, witnessed mixed performance in 4QFY25. While retail protection maintained strong growth momentum (+26.5% YoY), annuity witnessed a decline of 57.8% YoY due to the base effect.
- Commission expenses were flat YoY at INR15.8b, while operating expenses declined 8% YoY owing to the focus on operational efficiency. Total expenses declined 33% YoY to INR149.7b, largely due to changes in actuarial liabilities.
- On the distribution front, agency/direct channels saw a decline of 20%/8% YoY due to weak demand for ULIPs during the quarter. Bancassurance channel grew 7% YoY, with the share of ICICI Bank stable during the year at 14%. Group business posted strong growth of 33% YoY, largely due to lumpy group business during the quarter.

Bloomberg	IPRU IN
Equity Shares (m)	1445
M.Cap.(INRb)/(USD)	819.7 / 9.6
52-Week Range (INR)	797 / 515
1, 6, 12 Rel. Per (%)	2/-16/-13
12M Avg Val (INR M)	979

Financials & Valuations (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Net Premiums	472.6	542.3	624.8
Surplus / Deficit	10.9	12.8	15.0
Sh. holder's PAT	11.9	14.9	17.8
NBP growth (%)*	24.4	16.2	15.5
APE (INRb)	104.1	119.2	138.0
VNB (INRb)	23.7	28.0	33.1
VNB margin (%)	22.8	23.5	24.0
EV per share	332	375	425
RoEV (%)	13.3	13.0	13.4
Total AUMs (INRt)	3.1	3.5	4.0

Valuations

P/EV (x)	1.7	1.5	1.3
P/EVOP (x)	14.8	12.3	10.7

*unwtd

Shareholding pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	73.0	73.1	73.3
DII	9.5	9.3	6.9
FII	12.8	13.0	14.7
Others	4.8	4.7	5.1

FII Includes depository receipts

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- On a premium basis, persistency was mixed in FY25, with 13th/37th month improving to 89.1%/75.2% and 61st month declining YoY to 64.1%.
- As of FY25, EV stood at INR479.5b, reflecting RoEV of 13.1% and EVOP of INR55.3b. RoEV was impacted by the INR2.5b hit in EV owing to operating assumption changes pertaining to mortality in group business.
- AUM grew 5% YoY to INR3.1t, while the solvency ratio stood at 212.2%.

Highlights from the management commentary

- Management expects stable market conditions to support the revival of a well-rounded product pipeline. Focus will be on (1) enhancing guaranteed products with additional features to attract customer interest, and (2) launching higher-sum-assured ULIP products, offering differentiated solutions beyond standard ULIPs.
- Non-par segment has declined through the year but witnessed resurgence in 4QFY25 due to the launch of Gift Select product, which is expected to perform well in the current volatile market conditions.
- The quick uptake of the new guaranteed product by the agency channel reflects agility in adopting new products depending on the market environment, giving confidence about continued growth of the proprietary channel, as per the management.

Valuation and view

IPRU's VNB margin has been under pressure even before 4QFY25, mainly owing to a shift in the product mix (higher share of ULIPs). However, the revival of non-linked business and momentum in higher-margin ULIP products have led to margin expansion in 4QFY25. We trim our APE growth estimates for FY26 from 18% to 14% while retaining our FY27 growth at 16%. For VNB margins, we build in about 70bp/50bp increase in FY26/FY27 to 23.5%/24%. The increase in margin assumption is premised on 1) improvement in protection segment margins as the company reprices group term products and 2) sustainability of higher ULIP margins owing to higher rider attachment and an increase in sum assured. Reiterate BUY with a TP of INR680 (based on 1.6x FY27E EV).

Quarterly performance

(INR b)

Policy holder's A/c	FY24				FY25				FY24	FY25	FY25E 4QE	A v/s E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
First year premium	10.2	15.3	15.3	29.5	15.2	20.6	18.2	27.1	70.3	81.1	31.7	-15%
Growth (%)	-1.5%	5.9%	11.3%	11.9%	48.8%	34.6%	19.0%	-8.1%	8.3%	15.4%	7.6%	
Renewal premium	41.6	58.9	60.8	84.3	43.3	69.9	60.9	92.1	245.6	266.2	94.8	-3%
Growth (%)	6.8%	4.4%	5.7%	16.6%	4.3%	18.6%	0.2%	9.3%	9.0%	8.4%	12.5%	
Single premium	21.9	30.1	26.7	37.8	24.3	30.3	47.5	49.1	116.5	151.2	35.9	37%
Growth (%)	-5.9%	7.0%	0.9%	20.7%	10.6%	0.9%	77.6%	30.1%	6.7%	29.8%	-5.0%	
Gross premium income	73.7	104.3	102.8	151.5	82.8	120.8	126.6	168.3	432.4	498.5	162.4	4%
Growth (%)	1.5%	5.4%	5.2%	16.6%	12.3%	15.8%	23.1%	11.1%	8.3%	15.3%	7.2%	
PAT	2.1	2.4	2.3	1.7	2.3	2.5	3.2	3.9	8.5	11.9	2.9	32%
Growth (%)	32.9%	22.4%	3.1%	-26.0%	8.9%	3.1%	42.8%	121.7%	5.1%	39.3%	67.4%	
Key metrics (INRb)												
New Business APE	14.6	20.6	19.1	36.2	19.6	25.0	24.4	35.0	90.5	104.1	36.5	-4%
Growth (%)	-3.9%	3.2%	4.7%	9.6%	34.4%	21.4%	27.8%	-3.2%	4.7%	15.0%	0.0	
VNB	4.4	5.8	4.4	7.8	4.7	5.9	5.2	8.0	22.3	23.7	8.0	-1%
Growth (%)	-7.0%	-7.1%	-29.4%	-26.4%	7.8%	1.6%	18.6%	2.4%	-19.5%	6.4%	0.0	
AUM	2,664	2,719	2,867	2,942	3,089	3,205	3,104	3,094	2,942	3,094	3,512	-12%
Growth (%)	15.8%	11.3%	13.8%	17.1%	15.9%	17.9%	8.3%	5.2%	13.6%	5.2%	0.2	
Key Ratios (%)												
VNB Margin (%)	30.0	28.0	22.9	21.5	24.0	23.4	21.2	22.7	24.6	22.8	21.9	

Quarterly snapshot

Policyholder A/c (INRb)	FY24				FY25			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net premium	70.2	100.2	99.3	147.9	78.7	107.5	122.6	163.7
First year premium	10.2	15.3	15.3	29.5	15.2	20.6	18.2	27.1
Renewal premium	41.6	58.9	60.8	84.3	43.3	69.9	60.9	92.1
Single premium	21.9	30.1	26.7	37.8	24.3	30.3	47.5	49.1
Investment income	160.3	69.4	163.2	72.7	173.5	142.8	-79.1	-9.0
Other income	0.4	0.5	0.5	0.5	0.5	0.6	0.6	0.5
Trf from Sh.holder A/c	4.5	5.1	3.5	4.8	1.8	-0.8	1.0	1.2
Total income	235.4	175.3	266.5	225.9	254.6	250.1	45.2	156.4
Commission paid	3.8	7.7	10.0	15.7	9.5	12.3	11.0	15.8
First year premium	2.2	3.7	3.4	6.2	2.7	3.9	3.3	5.7
Renewal premium	0.8	1.1	1.1	1.7	0.9	1.3	1.2	2.2
Single premium	0.7	1.6	3.7	4.9	4.6	5.1	4.9	5.5
Operating expenses	11.1	11.5	8.8	9.8	10.4	10.6	9.7	9.0
Total commission & opex	14.9	19.2	18.8	25.5	19.9	22.9	20.8	24.8
Benefits paid	79.5	94.6	100.8	125.2	95.2	120.2	123.1	123.3
Change in actuarial liability	137.4	56.4	141.0	71.6	134.9	104.2	-105.0	1.6
Provisions	1.5	1.7	1.7	1.6	1.7	1.6	1.7	1.9
Total expenses	233.3	172.0	262.3	223.8	251.6	249.0	40.6	151.6
PBT	2.1	3.3	4.2	2.1	3.0	1.1	4.5	4.8
Tax	0.1	0.3	0.3	0.4	0.1	0.2	0.4	1.9
Surplus/(Deficit)	2.0	3.0	3.8	2.1	2.8	0.9	4.2	2.9
Shareholder A/c								
Trf from policyholder a/c	3.8	3.6	4.1	3.2	2.9	1.0	3.3	3.8
Investment Income	3.3	4.3	1.8	4.3	1.7	1.3	1.8	2.2
Other Income	0.0	0.0	0.1	0.0	0.0	0.0	0.1	0.1
Total income	7.1	7.9	6.1	7.5	4.6	2.3	5.1	6.1
PBT	2.1	2.5	2.3	2.3	2.6	2.9	3.7	4.1
Tax	0.0	0.0	0.0	0.6	0.3	0.3	0.5	0.3
PAT	2.1	2.4	2.3	1.7	2.3	2.5	3.2	3.9
APE data								
Savings APE	11.2	16.7	15.5	31.8	16.1	20.8	20.5	30.3
ULIP	5.7	9.3	8.5	15.7	10.1	13.0	12.0	15.2
Other Savings	5.5	7.5	7.0	16.1	6.0	7.8	9.4	15.1
- Non-Participating	5.0	6.6	6.4	14.9	5.5	7.0	5.8	12.6
- Group	0.6	0.9	0.6	1.2	0.5	0.9	2.7	2.5
Protection	3.4	3.9	3.6	4.3	3.6	4.2	3.9	4.7
Total APE	14.6	20.6	19.1	36.2	19.6	25.0	24.4	35.0
APE (% of total)								
Savings APE (%)	76.5	81.1	81.3	88.0	81.9	83.1	84.0	86.6
ULIP	38.7	45.0	44.4	43.4	51.4	51.8	49.2	43.4
Participating	0.0	0.0						
Other Savings	37.6	36.2	36.9	44.6	30.5	31.3	38.4	43.1
- Non-Participating	33.9	31.9	33.8	41.3	27.8	27.8	23.7	36.0
- Group	3.8	4.3	3.1	3.2	2.8	3.5	11.0	7.2
Protection	23.5	18.9	18.8	12.0	18.1	16.8	16.0	13.5
Distribution mix (%)								
Banca	28.9	28.1	26.8	29.9	28.8	29.4	25.0	32.9
Agency	24.4	26.3	30.3	32.1	29.4	31.2	29.9	26.5
Direct	14.5	14.4	15.5	13.1	15.2	15.8	14.9	12.5
Corporate Agents	12.4	14.3	11.0	13.5	11.5	9.9	9.2	12.4
Group	19.8	17.0	16.4	11.4	15.1	13.7	21.0	15.7
Key Ratios (%)								
Operating ratios								
Commission (unwtd)	7.1	10.0	12.7	13.3	15.5	13.2	13.2	12.7
Opex (unwtd)	20.6	14.9	11.1	8.4	17.0	11.3	11.6	7.3
Total Cost (unwtd)	27.7	24.9	23.9	21.7	32.5	24.5	24.8	20.0
Solvency Ratio	203.4	199.4	196.5	191.8	187.9	188.6	211.8	212.2
Profitability ratios								
VNB margins	30.0	28.0	22.9	21.5	24.0	23.4	21.2	22.7

Policyholder A/c (INRb)	FY24				FY25			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Persistence ratios (%)								
13th Month	84.4	85.6	85.5	88.3	89.3	89.8	85.8	84.3
25th Month	77.7	78.6	77.6	78.5	78.7	81.0	80.3	81.4
37th Month	71.2	68.9	69.0	71.9	72.9	73.7	73.1	73.0
49th Month	65.8	67.9	65.7	67.8	69.3	69.9	66.8	69.1
61st Month	63.0	61.9	63.1	63.6	65.2	65.9	63.1	61.9
Key Metrics (INRb)								
VNB	4.4	5.8	4.4	7.8	4.7	5.9	5.2	8.0
AUM	2664	2719	2867	2942	3089	3205	3104	3094



Highlights from the management commentary

Outlook for FY26

- IPRU expects stable market conditions to support the revival of a well-rounded product pipeline. While there is no specific growth guidance, the aim is to grow higher than estimated industry growth of 15% in FY26.
- Focus will be on (1) enhancing guaranteed products with additional features to attract customer interest, and (2) launching higher-sum-assured ULIP products, offering differentiated solutions beyond standard ULIPs.
- Management aims to achieve higher VNB growth compared to APE growth, backed by improvement in protection margins with repricing and sustainable ULIP margins at higher levels with rider attachment.
- Persistency saw some decline in specific segments and is expected to be corrected in FY26 through focused initiatives.
- Commission increases in a phased manner will be offset by opex control, with an aim of bringing down residual costs.

Product mix

- Non-par segment has declined during the year but witnessed resurgence in 4QFY25 due to the launch of Gift Select product, which is expected to perform well in the current volatile market conditions.
- The ratio of par and non-par in the non-linked segment was 50-50.
- Within linked segment, the company is focusing on increasing the proportion of a product that is offering higher sum assured and goal protection oriented benefits. The contribution of that product is currently 10%.
- In credit life business, MFI segment remains impacted by continued challenges, and management expects pressure to continue. Non-MFI business continues to do well, resulting in flat growth of credit life business. In 4QFY25, MFI contributed 40% (lower in 2Q and 3Q).
- Group fund business, which is lumpy in nature, witnessed significant growth (~2x YoY). While the product has low margins, it brings money to the table.
- The annuity segment witnessed strong growth in FY24 due to retail support, along with new product thrust, and has stabilized in FY25. However, the segment is consistently contributing 7-8% to the APE mix.

Channel mix

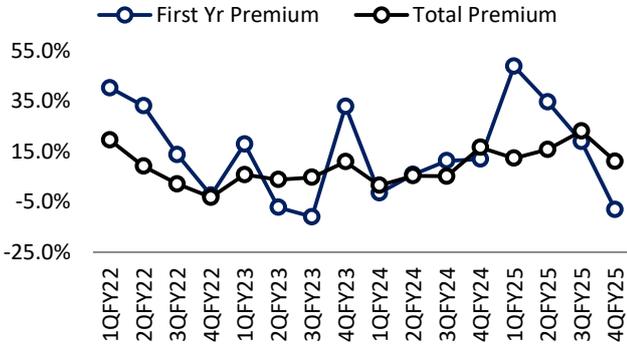
- Agency + Direct channel (proprietary) contributed 50%+ to retail APE. However, 4QFY25 witnessed a decline due to a high annuity base and customer preference shifting away from ULIPs.
- The quick uptake of the new guaranteed product by the agency channel reflects agility in adopting new products depending on the market environment, giving confidence about continued growth of the proprietary channel, as per the management.
- IPRU is focusing on training agents through embedded programs to enhance their productivity. Few non-performing agents were removed from the company and the agent count is at 200,000+.
- Partnerships have delivered an 18% CAGR in the last four years. However, FY25 was relatively muted due to the channel's bias toward non-linked products in a strong ULIP-demand market, along with adjustments related to surrender value regulations.
- ICICI Bank channel's contribution has been steady at 14% throughout the year.

EV walk

- Operating assumption changes impacted EV, largely due to corrections in mortality assumptions. Specific assumption revisions were seen primarily in group business lines.
- Other variances were residual and immaterial after accounting for key drivers like expenses, persistency, and mortality.
- The impact from yield curve movement was evident in economic assumption changes.

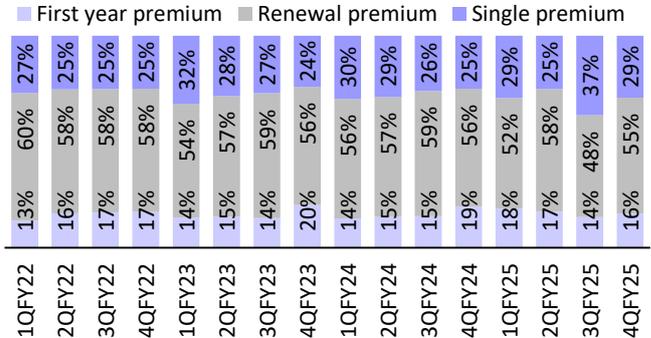
Story in charts

Exhibit 1: First-year premium declined 8% YoY, while total premium grew 11% YoY



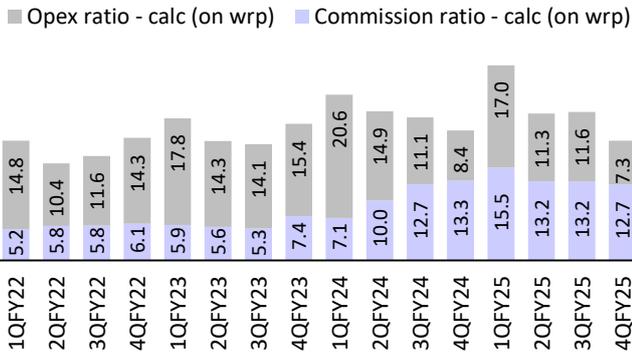
Source: MOFSL, Company

Exhibit 2: Share of renewal premium steady YoY at 55% in 4QFY25



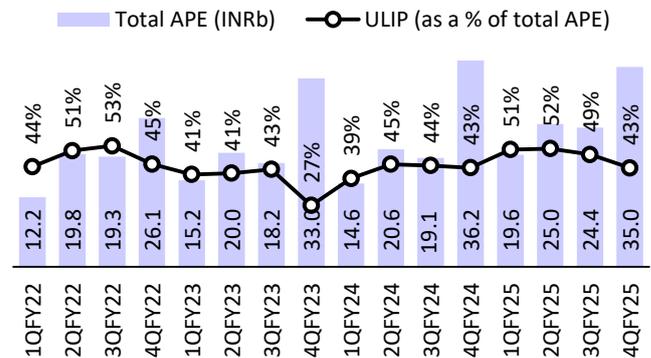
Source: MOFSL, Company

Exhibit 3: Total cost ratio declined YoY to 20% in 4QFY25



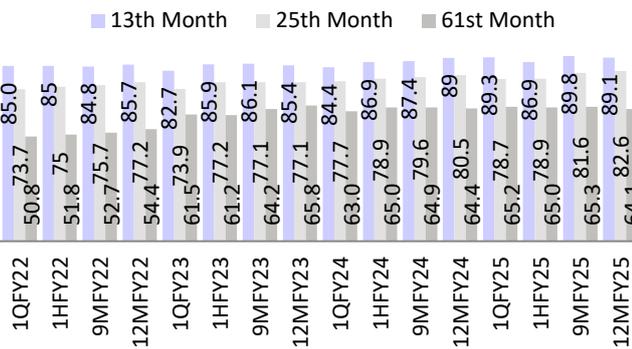
Source: MOFSL, Company

Exhibit 4: Share of ULIP declined to 43% in 4QFY25



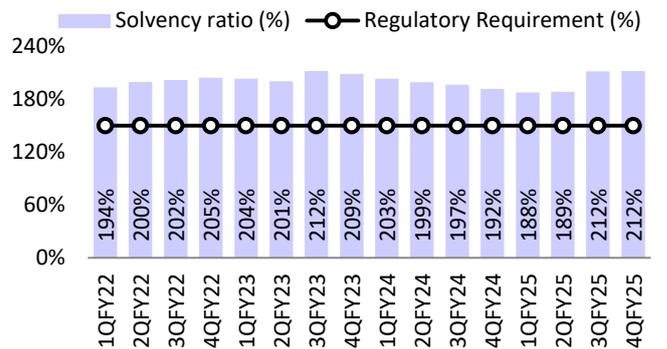
Source: MOFSL, Company

Exhibit 5: Trend in 13th/25th/61st month persistency



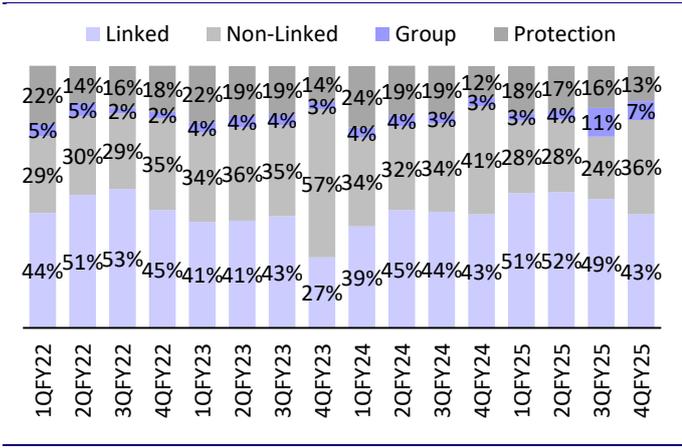
Source: MOFSL, Company

Exhibit 6: The solvency ratio is healthy at 212%, well above the regulatory requirement of 150%



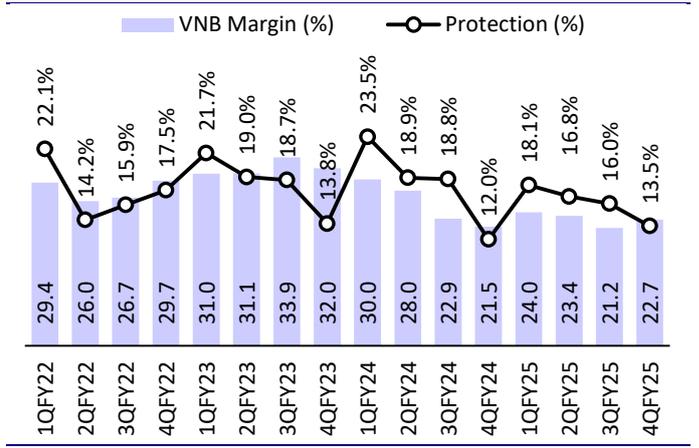
Source: MOFSL, Company

Exhibit 7: The share of protection stood at 13% of total APE, while the share of ULIP was 43% in 4QFY25



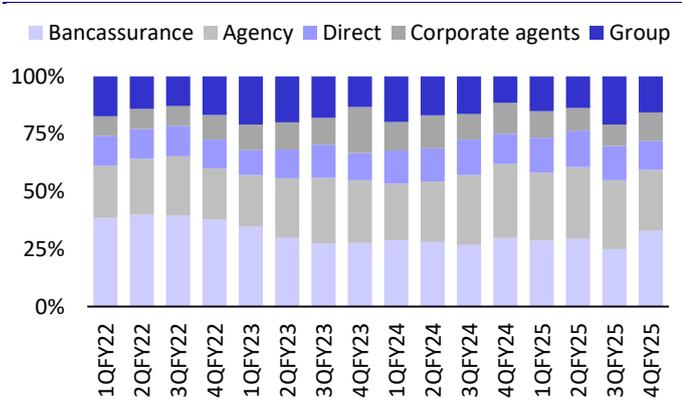
Source: MOFSL, Company

Exhibit 8: VNB margin expands to 22.7% in 4QFY25 led by a shift in the product mix



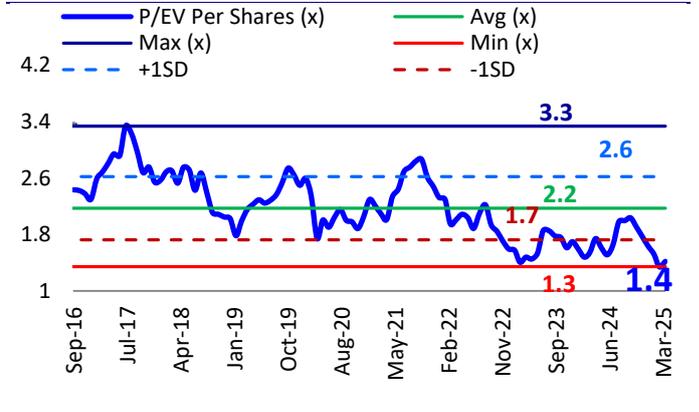
Source: MOFSL, Company

Exhibit 9: Distribution mix



Source: MOFSL, Company

Exhibit 10: 1-Yr. forward P/EV



Source: MOFSL, Company

Financials and valuation

Technical account (INR b)	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Gross Premiums	334	205	375	399	432	490	562	647
Reinsurance Ceded	6	8	8	14	15	17	19	22
Net Premiums	329	197	366	386	418	473	542	625
Income from Investments	(125)	474	250	100	465	228	323	364
Other Income	16	17	4	20	20	5	6	6
Total income (A)	219	688	620	505	903	706	871	995
Commission	16	15	13	15	37	49	56	65
Operating expenses	35	33	44	52.44	48	47	51	55
Total commission and opex	51	48	57	68	85	95	107	120
Benefits Paid (Net)	194	226	291	308	397	462	520	589
Chg in reserves	(51)	543	260	100	404	136	231	271
Provisions for doubtful debts	2	0	0	0.63	(0)	(0)	(0)	(0)
Total expenses (B)	196	818	608	477	886	693	857	979
(A) - (B)	23	(130)	12	28	17	13	14	16
Prov for Tax	1	1	2	2	1	3	1	1
Surplus / Deficit (Calculated)	22	(132)	10	26	16	11	13	15

Shareholder's a/c (INR b)	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Transfer from technical a/c	20	20	22	20	15	11	13	15
Income From Investments	7	8	1	9	14	7	9	10
Total Income	26	28	23	29	28	18	21	25
Other expenses	1	0	2	2	1	1	2	2
Contribution to technical a/c	15	16	2	18	18	3	3	4
Total Expenses	16	16	4	20	19	5	5	5
PBT	11	11	19	9	9	13	17	20
Prov for Tax	-	1	0	1	1	1	2	2
PAT	11	10	18	8	9	12	15	18
Growth	-6%	-5%	80%	-56%	5%	39%	25%	19%

Balance sheet (INR b)	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Sources of Fund								
Share Capital	14	14	14	14	14	14	14	14
Reserves And Surplus	58	77	77	87	96	105	124	145
Shareholders' Fund	72	91	92	101	110	119	138	160
FV change	(3)	30	28	28	50	44	51	58
Policy Liabilities	474	602	737	903	802	1,273	1,464	1,684
Prov. for Linked Liab.	880	1,278	1,405	1,352	1,579	1,557	1,785	2,057
Funds For Future App.	103	122	118	105	83	69	75	82
Current liabilities & prov.	33	37	52	57	55	54	59	65
Total	1,560	2,160	2,432	2,546	2,678	3,116	3,572	4,106
Application of Funds								
Shareholders' inv	74	101	99	99	106	140	161	186
Policyholders' inv	468	636	774	943	843	1,287	1,332	1,532
Assets to cover linked liab.	971	1,385	1,509	1,441	1,648	1,612	1,989	2,287
Loans	5	7	9	13	18	24	27	29
Fixed Assets	5	5	5	6	7	8	9	9
Current assets	38	39	49	57	68	70	77	85
Total	1,560	2,160	2,432	2,546	2,678	3,116	3,572	4,106

Financials and valuation

APE mix	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Savings	85	84	83	83	83	91	92	93
ULIP	65	48	48	36	43	51	50	48
Non-linked	20	36	35	47	40	40	43	45
Protection	15	16	17	17	17	9	8	7
Total APE	100	100						
Distribution mix								
Bancassurance	51	42	39	29	29			
Agency	21	24	24	26	29	24	21	18
Direct	13	13	13	12	14	34	37	40
corporate agents & Brokers	7	9	9	15	13	14	15	14
Group	8	12	15	17	15	13	12	12
Profitability ratios								
VNB margin (%)	21.7	25.1	28.0	32.0	24.6	22.8	23.5	24.0
RoE (%)	15.0	11.8	8.3	8.4	8.1	10.4	11.6	12.0
RoIC (%)	22.2	21.5	17.0	18.1	19.4	27.0	33.9	40.5
Operating ROEV (%)	15.2	15.2	11.0	17.4	14.1	13.1	13.9	14.2
RoEV (%)	6.5	26.4	8.7	12.7	18.8	13.3	13.0	13.4
Valuation ratios								
Total AUMs (INR b)	1,530	2,142	2,405	2,589	2,942	3,059	3,518	4,046
Dividend payout ratio (%)	31.6	-	15.7	9.8	10.1	10.3	25.2	21.1
EPS (INR)	7.4	7.1	12.7	5.6	5.9	8.2	10.3	12.3
VNB (INR b)	16.1	16.2	21.6	27.7	22.3	23.7	28.0	33.1
EV (INR b)	230.2	291.1	316.2	356.3	423.4	479.5	542.1	614.7
EV/Per share	160.3	202.7	220.0	247.7	293.8	331.8	375.1	425.3
P/AUM (%)	54%	38%	34%	32%	28%	27%	23%	20%
P/EV (x)	3.6	2.8	2.6	2.3	1.9	1.7	1.5	1.3
P/EPS (x)	76.3	80.4	44.7	100.8	96.0	69.0	55.0	46.1
P/EVOP (x)	25.0	23.4	25.7	15.0	16.4	14.8	12.3	10.7

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NOTES

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BUY	>=15%
SELL	< - 10%
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