

**BUY**

TP: Rs 805 | ▲ 18%

**ICICI PRUDENTIAL LIFE**

| Insurance

| 14 January 2026

## VNB margin stable, APE growth to improve

- VNB margin remained stable at 24.4% in Q3FY26, despite GST impact, aided by favourable product mix and cost rationalisation
- Strong retail protection growth (41% YoY in Q3) aided VNB margins and thereon, absolute VNB growth
- Maintain BUY with TP of Rs 805 (earlier Rs 736), 1.7x its Dec'27 P/EV, on the expectations of a stable performance in future

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**Margins stable:** VNB margins remained stable despite the unavailability of ITC, leading to strong VNB growth. VNB margin was at 24.4%, while absolute VNB grew robust at 19% YoY in Q3FY26, even as APE saw a muted growth YoY in Q3FY26. Robust growth in retail protection business (up 41% YoY), improvement in profitability at product levels, higher sum assured and longer-term policies and favourable yield curve movement during Q3 - all helped offset the unavailability of ITC leading to stable VNB margin.

**Strong protection growth drives margins:** Overall protection segment reported strong growth of 19% YoY in Q3FY26, driven by robust retail protection growth of 41% YoY (21% YoY in 9MFY26). Group protection grew 6% YoY. The company foresees the growth momentum to continue going forward. Further, share of retail protection in the overall mix increased to 8.2% in Q3FY26 and 7.6% in 9MFY26 vs. 6% in Q3FY25, 6.2% in 9MFY25.

**APE grew muted:** APE came in at Rs 25.3bn, up 4% YoY in Q3FY26, in line with our expectations. Notably, APE growth turned positive during the quarter, after declining 5% in Q1FY26 and 3% in Q2FY26. However, for 9MFY26, APE de-grew 1% YoY (up 27% YoY in 9MFY25). This was primarily driven by individual APE growth (up 10% YoY in Q3FY26, down 2% YoY in 9MFY26). Group APE de-grew by 20% YoY in Q3FY26. IPRU expects APE to grow in-line with the industry growth in FY26.

**Maintain BUY on IPRU:** The company maintained VNB margins during Q3FY26 supported by product mix optimisation and operational leverage. Management reiterated its focus on growing absolute VNB. Growth in the protection segment is expected to sustain, going forward. Further, the ongoing active commission renegotiations and continued cost optimisation efforts are expected to aid improvement in margins, aided by favourable product mix. Hence, we maintain BUY on IPRU with TP of Rs 805 (earlier Rs 736), implying 1.7x its Dec'27 P/EV.

## Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	IPRU IN/Rs 681
Market cap	US\$ 10.9bn
Free float	27%
3M ADV	US\$ 9.2mn
52wk high/low	Rs 707/Rs 526
Promoter/FPI/DII	73%/15%/12%

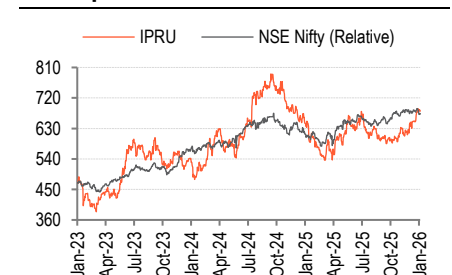
Source: NSE | Price as of 13 Jan 2026

## Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
NBP (Rs mn)	2,32,306	2,35,698	2,51,173
APE (Rs mn)	1,04,070	1,13,436	1,28,410
VNB (Rs mn)	23,700	28,246	32,359
Embedded Value (Rs mn)	4,79,510	5,45,244	6,20,350
VNB margin (%)	22.8	24.9	25.2
EVPS (Rs)	331.8	377.2	429.2
EPS (Rs)	8.2	11.1	14.1
Consensus EPS (Rs)	-	-	-
P/EV (x)	2.1	1.8	1.6

Source: Company, Bloomberg, BOBCAPS Research

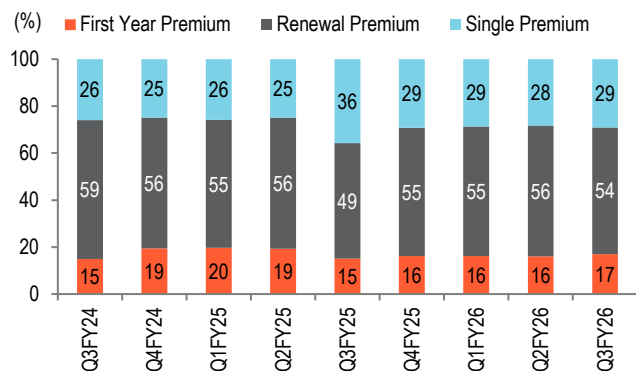
## Stock performance



Source: NSE

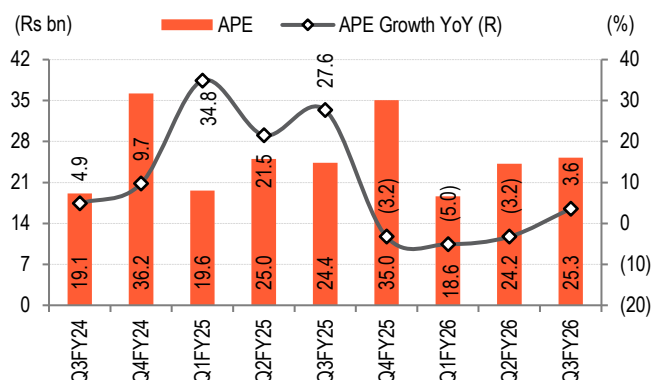


**Fig 1 – Renewal premium share declined to 54% in Q3FY26**



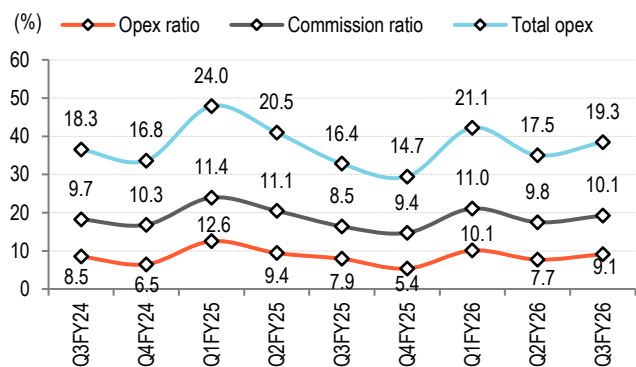
Source: Company, BOBCAPS Research

**Fig 2 – APE increased 4% in Q3FY26 at Rs 25.3 bn**



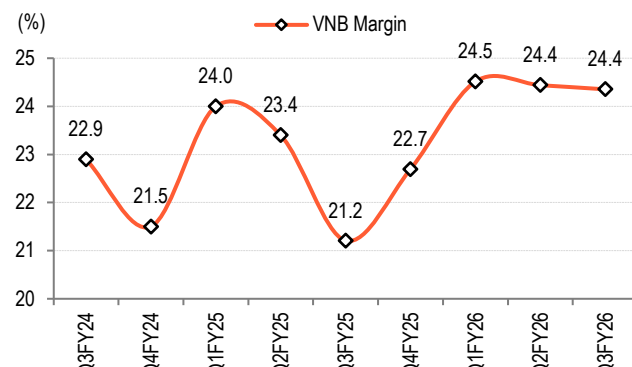
Source: Company, BOBCAPS Research

**Fig 3 – Expense ratio increased in Q3FY26 due to unavailability of input tax credit**



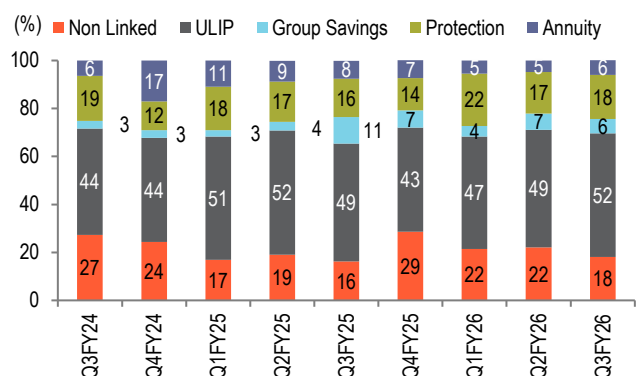
Source: Company, BOBCAPS Research

**Fig 4 – VNB margin came in at 24.4% in Q3FY26 vs 24.4% in Q2FY26 vs 21.2% in Q3FY25**



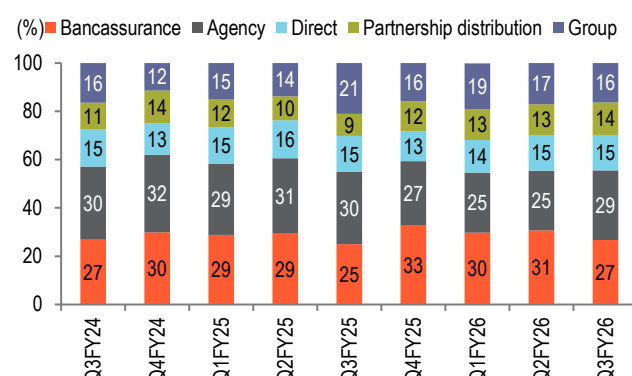
Source: Company, BOBCAPS Research

**Fig 5 – ULIPs share rose to 52%, led by renewed customer confidence as equity markets rebounded after Q2FY26**



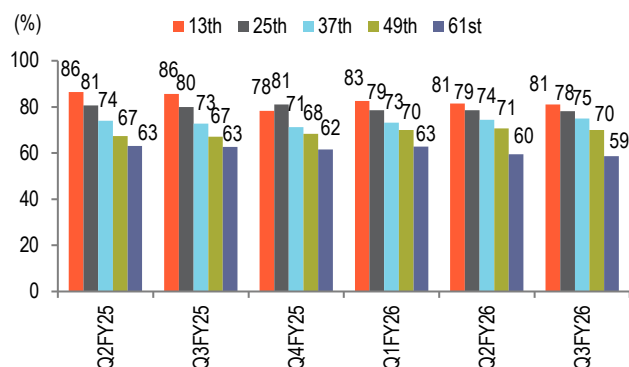
Source: Company, BOBCAPS Research

**Fig 6 – ICICI Bank accounts for around 15% to the total 26.7% contribution from the banca channel**



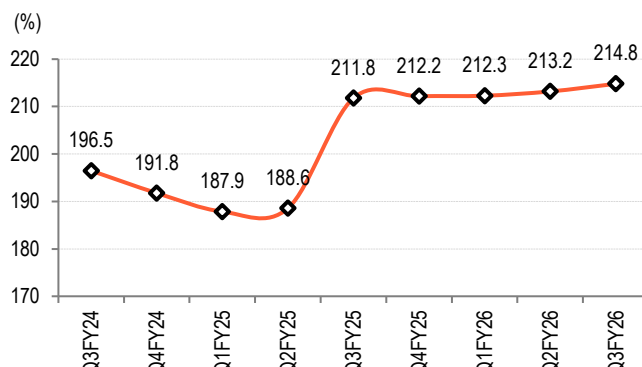
Source: Company, BOBCAPS Research

**Fig 7 – 61<sup>st</sup> month persistency came in at 59%**



Source: Company, BOBCAPS Research

**Fig 8 – Adequate solvency maintained**



Source: Company, BOBCAPS Research

**Fig 9 – Policyholders' account**

(Rs mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
<b>Gross premium income</b>	<b>1,22,260</b>	<b>1,26,601</b>	<b>(3.4)</b>	<b>1,22,970</b>	<b>(0.6)</b>
First Year Premium	20,811	19,118	8.9	19,752	5.4
Renewal Premium	65,939	62,212	6.0	68,518	(3.8)
Single Premium	35,510	45,271	(21.6)	34,701	2.3
Reinsurance	4,168	3,988	4.5	4,539	(8.2)
<b>Net premium income</b>	<b>1,18,093</b>	<b>1,22,614</b>	<b>(3.7)</b>	<b>1,18,431</b>	<b>(0.3)</b>
Income from investments (Net)	1,07,456	(79,059)	-	(2,267)	-
Other income	577	600	(3.9)	579	(0.4)
Contribution of funds from Shareholders' A/c	(3,105)	1,010	-	3,413	-
<b>Total</b>	<b>2,23,021</b>	<b>45,165</b>	<b>393.8</b>	<b>1,20,156</b>	<b>85.6</b>
<b>Commission on</b>					
First Year Premium	4,649	4,437	4.8	4,786	(2.9)
Renewal Premium	1,311	1,388	(5.5)	1,509	(13.2)
Single Premium	6,415	4,916	30.5	5,742	11.7
Rewards	0	0	-	0	-
<b>Net Commission</b>	<b>12,375</b>	<b>10,740</b>	<b>15.2</b>	<b>12,038</b>	<b>2.8</b>
Expenses of Management	23,536	20,781	13.3	21,520	9.4
Benefits Paid (Net)	1,24,019	1,23,110	0.7	1,12,767	10.0
Change in actuarial liability	74,939	(1,05,013)	-	(21,194)	-
<b>Surplus/Deficit</b>	<b>(312)</b>	<b>4,190</b>	<b>-</b>	<b>4,849</b>	<b>-</b>

Source: Company, BOBCAPS Research

**Fig 10 – Shareholders' account**

(Rs mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
Transfer from Policyholders' Account	(969)	3,260	-	4,203	-
<b>Total income under Shareholders' Account</b>					
Investment Income	2,780	1,802	54.3	3,183	(12.7)
Other income	2	2	(8.3)	2	15.8
Expenses other than those related to insurance business	447	296	51.0	506	(11.5)
Transfer of funds to Policyholders' Account	(3,105)	1,010	-	3,413	-
<b>Profit before tax</b>	<b>4,472</b>	<b>3,758</b>	<b>19.0</b>	<b>3,470</b>	<b>28.9</b>
Provisions for tax	570	502	13.6	478	19.4
<b>Profit after tax and before extraordinary items</b>	<b>3,902</b>	<b>3,257</b>	<b>19.8</b>	<b>2,993</b>	<b>30.4</b>

Source: Company, BOBCAPS Research

**Fig 11 – Balance sheet**

(Rs mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)
<b>Sources of funds</b>					
Share Capital	14,477	14,452	0.2	14,468	0.1
Share application money received pending allotment of shares	0	0	-	0	-
Reserves and Surplus	1,16,376	1,01,569	14.6	1,11,094	4.8
Credit / (Debit) Fair Value Change Account	3,843	448	757.5	1,711	124.6
<b>Total Equity</b>	<b>1,34,696</b>	<b>1,16,469</b>	<b>15.6</b>	<b>1,27,273</b>	<b>5.8</b>
<b>Policyholders' Funds</b>					
<b>Policyholders' Funds</b>	<b>30,53,352</b>	<b>28,70,994</b>	<b>6.4</b>	<b>29,74,533</b>	<b>2.6</b>
Borrowing	25,950	26,000	(0.2)	26,000	(0.2)
Policy Liabilities	30,09,083	28,23,206	6.6	29,34,455	2.5
- Insurance Reserves	13,68,072	12,13,584	12.7	13,39,554	2.1
- Provision for Linked Liabilities	16,41,011	16,09,622	2.0	15,94,901	2.9
Add: Fair value change	44,269	47,787	(7.4)	40,077	10.5
FFA	15,191	13,656	11.2	14,534	4.5
FFA - provision of lapsed policies	61,145	60,933	0.3	60,833	0.5
<b>Total Sources of funds</b>	<b>32,90,333</b>	<b>30,88,052</b>	<b>6.6</b>	<b>32,03,172</b>	<b>2.7</b>
<b>Application of Funds</b>					
<b>Investments</b>	<b>15,50,235</b>	<b>13,89,445</b>	<b>11.6</b>	<b>15,02,393</b>	<b>3.2</b>
- Shareholders'	1,57,107	1,39,669	12.5	1,58,341	(0.8)
- Policyholders'	13,93,128	12,49,777	11.5	13,44,052	3.7
Assets held to cover Linked Liabilities	17,02,156	16,70,555	1.9	16,55,734	2.8
Loans	28,528	22,281	28.0	27,266	4.6
Fixed Assets	7,335	8,115	(9.6)	8,307	(11.7)
<b>Net Current Assets</b>	<b>2,080</b>	<b>(2,344)</b>	<b>-</b>	<b>9,471</b>	<b>(78.0)</b>
<b>Total application of funds</b>	<b>32,90,333</b>	<b>30,88,052</b>	<b>6.6</b>	<b>32,03,172</b>	<b>2.7</b>

Source: Company, BOBCAPS Research

## Earnings call highlights

### Business Performance

- The company reported degrowth in gross premium income of 3.4% YoY in Q3FY26, primarily due to 21.6% YoY decrease in single premium. Meanwhile, first year premium and renewal premium income grew 8.9% and 6% respectively.
- APE grew 3.6% YoY at Rs 25,250 mn in Q3FY26, up from Rs 24,380 mn in Q3FY25.
- PAT increased 19.8% to Rs 3,902 mn, mainly due to increase in investment income in the shareholder's account.
- Group protection that includes credit life and group term businesses grew 6% YoY in Q3FY26. In the credit life segment, MFI business started showing signs of revival, showing growth in Q3FY26. Management expects the momentum to continue in MFI segment as the industry stabilises. For the group term business, management anticipates sustained growth over the long term.
- Cost-to-premium ratio improved by 50 bps from 19.8% in 9MFY25 to 19.3% in 9MFY26. This includes an increase in expenses, resulting from the unavailability of input tax credit that became effective since September 22, 2025.
- Over the years, measurement of 61st-month persistency has evolved due to changes in product regulations. Previously, ULIP policies were foreclosed at the end of the 61st month, but under the new regulations introduced in 2019, policies are required to remain active. As a result, the 61st-month persistency is lower.

### VNB margin

- VNB margin stood at 24.4% in Q3FY26 vs 21.2% in Q3FY25 vs 24.4% in Q2FY26. Movement in margins was primarily driven by a higher retail protection mix, improved product profitability through increased sum assured, longer policy tenures, and higher rider attachments, along with favourable yield curve movements during the quarter. These factors helped offset the impact of higher expenses arising from the unavailability of ITC.
- Focus remains on the improvement of its absolute VNB rather than margins.

### Product Mix

- Linked business grew by 8.3% in Q3FY26, supported by renewed customer confidence following the rebound in equity markets post Q2FY26.
- Non-linked savings business grew robust by 15.2% YoY in Q3FY26, driven by increased customer preference towards guaranteed returns amid a declining interest rate environment.
- Annuity business declined by 16.4% and 40.1% in Q3FY26 and 9MFY26 respectively, due to a high base, which had seen 50% growth in Q3FY25.
- Within the annuity segment, single premium annuity products continue to see demand, offering attractive rates vs other investment options.
- Par: Non-par mix in non-linked business stands at 60%: 40%.

### Channel Mix

- Agency channel and direct channel together contribute 52% to retail APE.
- Partnership Distribution has limited exposure to ULIPs, which led to a relatively subdued base last year as strong growth was driven by annuity and ULIPs. However, it grew 51.6% YoY to Rs. 3.41 bn in Q3FY26, primarily driven by strong growth in guaranteed products.
- Bancassurance contributed 26.7% to the overall business, of which ICICI Bank accounted for 50% of Banca, while the remaining share came from other banking partners.
- Management highlighted that no bank, except ICICI Bank, contributes more than 6-7% to the total APE.

### Others

- The company has executed the share purchase agreement to sell its entire 100% equity shareholding in ICICI Pension Fund Management (ICICI PFM) to ICICI Bank. As a result, ICICI PFM has now become a wholly owned subsidiary of ICICI Bank.
- Management highlighted that riders are attached only to new sales.
- The company recently launched 3 products: 1 on the legacy platform (ICICI Pru Wealth Forever), 1 on the children platform (ICICI Pru Smartkid 360), 1 one in the ULIP segment (ICICI Pru Wealth Elite Pro).

## Valuation Methodology

**Maintain BUY on IPRU:** The company maintained VNB margins during Q3FY26 supported by product mix optimisation and operational leverage. Management reiterated its focus on growing absolute VNB. Growth in the protection segment is expected to sustain, going forward. Further, the ongoing active commission renegotiations and continued cost optimisation efforts are expected to aid improvement in margins, aided by favourable product mix. Hence, we maintain BUY on IPRU with TP of Rs 805 (earlier Rs 736), implying 1.7x its Dec'27 P/EV.

**Fig 12 – Revised estimates**

(Rs mn)	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
APE	1,13,436	1,28,410	1,10,835	1,28,568	2.3	(0.1)
VNB Margin (%)	24.9	25.2	23.9	24.2	100bps	100bps

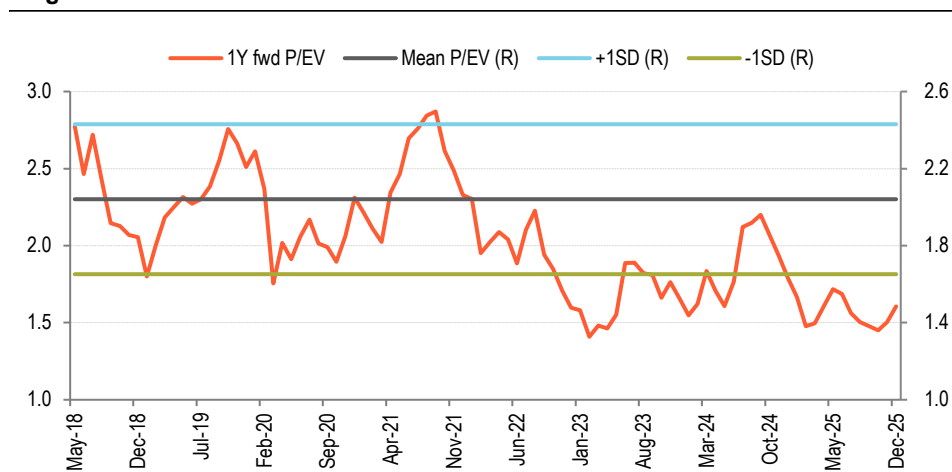
Source: BOBCAPS Research

**Fig 13 – Actual vs Estimates**

(Rs mn)	Q3FY26A	Q3FY26E	Variance (%)
Gross Premium	1,22,260	1,40,483	(13.0)
APE	25,250	25,151	0.4
VNB	6,150	5,520	11.4
VNB Margin	24.4	21.9	241bps

Source: Company, BOBCAPS Research

**Fig 14 – P/EV Band**



Source: Company, BOBCAPS Research

## Key risks

Key downside risks to our estimates:

- **Changes in regulatory framework:** Any unfavourable change in regulations can impact business growth.
- **Losses from capital and bond markets:** Prolonged weakness in capital markets could hamper the growth of ULIPs. Although insurance companies are aiming for a balanced product mix, many of them have sizeable business coming from ULIPs.

## Glossary

Glossary of Abbreviations			
<b>APE</b>	Annual Premium Equivalent	<b>KYC</b>	Know Your Customer
<b>EOM</b>	Expenses of Management	<b>NBP</b>	New Business Premium
<b>EV</b>	Embedded Value	<b>ROEV</b>	Return on Embedded Value
<b>EVOP</b>	Embedded Value Operating Profit	<b>RWRP</b>	Retail Weighted Received Premium
<b>HNI</b>	High Net Worth Individuals	<b>ULIP</b>	Unit Linked Insurance Plan
<b>IRDAI</b>	Insurance Regulatory and Development Authority	<b>VNB</b>	Value of New Business

Source: BOBCAPS Research



## Financials

### Revenue Account (Technical)

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Gross premium income</b>	<b>4,32,356</b>	<b>4,89,507</b>	<b>5,23,773</b>	<b>5,81,388</b>	<b>6,51,154</b>
First year premium	70,315	81,146	81,185	94,553	1,05,899
Renewal premium	2,45,568	2,57,202	2,88,075	3,30,215	3,69,841
Single premium	1,16,473	1,51,160	1,54,513	1,56,620	1,75,414
<b>Net written premium</b>	<b>4,17,597</b>	<b>4,72,594</b>	<b>5,05,441</b>	<b>5,61,039</b>	<b>6,28,364</b>
Income from investments	4,65,503	2,28,195	2,62,771	3,08,980	3,70,792
Other Income	20,069	5,410	5,608	5,767	5,932
<b>Total income</b>	<b>9,03,169</b>	<b>7,06,199</b>	<b>7,73,820</b>	<b>8,75,786</b>	<b>10,05,088</b>
Commissions	37,220	48,594	52,377	63,953	71,627
Operating expenses	40,926	39,746	42,949	47,674	53,395
Benefits and bonuses paid	4,00,060	4,61,825	4,73,598	5,04,935	5,65,527
Change in liabilities (net)	4,06,391	1,35,714	1,76,429	2,25,829	2,75,511
Others	-	-	-	-	-
<b>Total expenses</b>	<b>8,84,596</b>	<b>6,85,879</b>	<b>7,45,353</b>	<b>8,42,390</b>	<b>9,66,060</b>
<b>Surplus before tax</b>	<b>18,573</b>	<b>20,321</b>	<b>28,467</b>	<b>33,396</b>	<b>39,028</b>
Provision for tax	7,681	9,424	10,349	11,655	13,423
<b>Surplus after tax</b>	<b>10,892</b>	<b>10,897</b>	<b>18,118</b>	<b>21,740</b>	<b>25,605</b>
Trf to shareholders' a/c	14,719	10,931	14,494	19,131	22,532
Balance being FFA	(3,827)	(34)	-	-	-

### Income Statement (Non-technical)

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Trf from policyholders' a/c	14,719	10,931	14,494	19,131	22,532
Income from investments	13,692	6,960	8,039	8,599	9,944
Contr. to policyholders' fund	18,022	3,178	3,242	3,306	3,373
Others	(1,156)	(1,348)	(1,541)	(1,726)	(1,933)
<b>PBT</b>	<b>9,232</b>	<b>13,364</b>	<b>17,751</b>	<b>22,698</b>	<b>27,170</b>
Provision for taxation	708	1,474	1,775	2,270	2,717
<b>PAT</b>	<b>8,524</b>	<b>11,891</b>	<b>15,976</b>	<b>20,428</b>	<b>24,453</b>
Dividend+Interim div.+DDT	867	1,236	2,108	2,109	2,109

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Equity	1,10,086	1,19,413	1,35,389	1,55,817	1,80,271
Policyholders' funds	27,31,066	28,74,403	33,11,627	38,28,552	44,27,446
FFA	12,866	12,832	12,798	12,764	12,730
Others	81,251	81,822	70,998	76,847	83,457
<b>Total liabilities</b>	<b>29,35,269</b>	<b>30,88,470</b>	<b>35,30,811</b>	<b>40,73,980</b>	<b>47,03,904</b>
Shareholders' funds	1,05,755	1,40,550	1,51,794	1,60,901	1,70,555
Policyholders' funds	11,43,182	12,86,988	13,38,467	15,25,852	17,39,472
Assets to cover linked liab.	16,48,424	16,12,399	19,83,251	24,39,398	30,00,460
Others	-	-	-	-	-
<b>Total assets</b>	<b>29,35,269</b>	<b>30,88,470</b>	<b>35,30,811</b>	<b>40,73,980</b>	<b>47,03,904</b>

### Key Metrics

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
AUM (Rs mn)	28,97,361	30,39,936	34,73,511	41,26,152	49,10,487
NBP (Rs mn)	1,86,788	2,32,306	2,35,698	2,51,173	2,81,314
APE (Rs mn)	90,460	1,04,070	1,13,436	1,28,410	1,45,103
VNB (Rs mn)	22,253	23,700	28,246	32,359	37,001
VNB margin (%)	24.6	22.8	24.9	25.2	25.5
Embedded value (Rs mn)	4,23,370	4,79,510	5,45,244	6,20,350	7,06,106
ROEV (%)	14.1	13.0	13.9	13.9	14.0
ROE (%)	8.1	10.4	12.5	14.0	14.6
Opex ratio (%)	9.5	8.1	8.2	8.2	8.2
Cost ratio (%)	18.1	18.0	18.2	19.2	19.2
Solvency ratio (%)	-	-	-	-	-
EPS (Rs)	5.9	8.2	11.1	14.1	16.9
BVPS (Rs)	76.5	82.8	93.7	107.8	124.7
EVPS (Rs)	294.1	331.8	377.2	429.2	488.5

Source: Company, BOBCAPS Research

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SEBI Research Analyst Registration No: **INH0000000040 valid till 03 February 2025**

Brand Name: **BOBCAPS**

Trade Name: **www.barodaetrade.com**

CIN: **U65999MH1996GOI098009**



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### Recommendation scale: Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

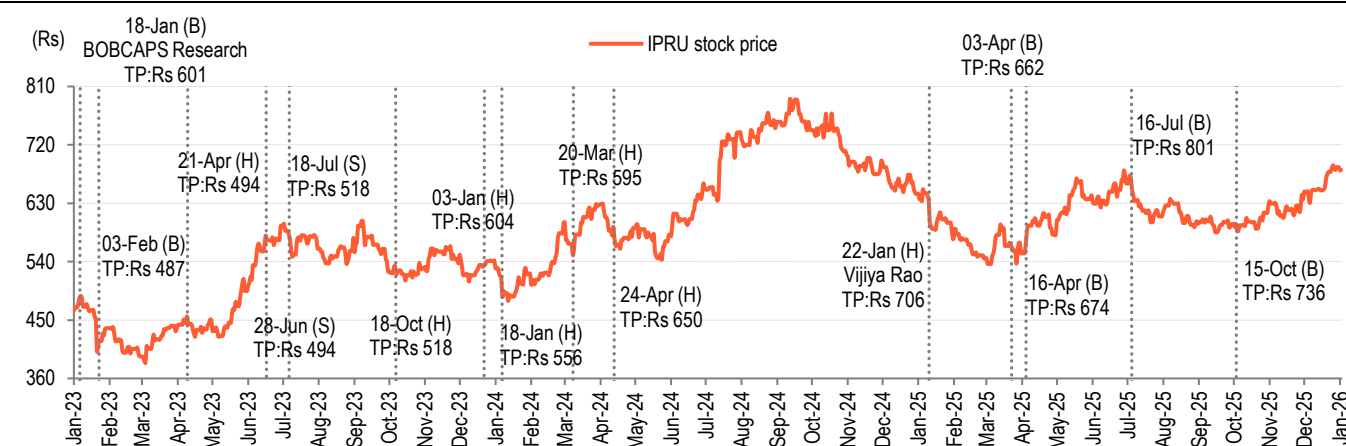
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

### Ratings and Target Price (3-year history): ICICI PRUDENTIAL LIFE (IPRU IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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