

3R MATRIX

	+	=	-
Right Sector (RS)			
Right Quality (RQ)			
Right Valuation (RV)			

+ Positive = Neutral - Negative

What has changed in 3R MATRIX

	Old		New
RS		↔	
RQ		↔	
RV		↔	

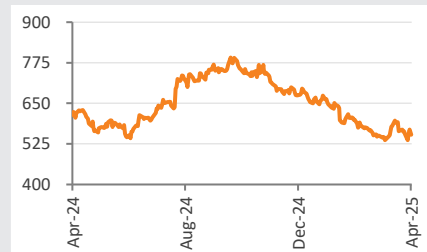
Company details

Market cap:	Rs. 82,036 cr
52-week high/low:	Rs. 795 / 516
NSE volume: (No of shares)	12.3 lakh
BSE code:	540133
NSE code:	ICICIPRULI
Free float: (No of shares)	39.0 cr

Shareholding (%)

Promoters	73.0
FII	12.8
DII	9.5
Others	4.8

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	5.8	-10.3	-22.6	-7.8
Relative to Sensex	1.8	-10.3	-16.4	-12.3

Source: Mirae Asset Sharekhan Research, Bloomberg

ICICI Prudential Life Insurance Company Ltd

VNB margins beat estimates, growth muted

Insurance	Sharekhan code: ICICIPRULI		
Reco/View: Buy	↔	CMP: Rs. 568	Price Target: Rs. 750 ↔
↑ Upgrade	↔ Maintain	↓ Downgrade	

Summary

- VNB margins rose to 22.7% (up 120 bps y-o-y/ up 150 bps q-o-q) versus estimates of 21.9% in Q4 as product mix shifted towards non-par segment and retail protection however APE growth missed estimates despite muted expectation, declined by ~3% y-o-y as Individual APE declined by ~8% y-o-y.
- Company guided that retail protection and annuity to offset ULIP growth in the near term and it remains confident of APE outpacing industry levels in the medium-term. VNB margin to be largely a function of product mix.
- To strengthen mortality assumption for group credit life protection business, it increased reserves. This operating assumption change led to a hit of Rs. 254 crore in EV. EV grew by 13.3% y-o-y in FY25 with RoEV at 13.1%.
- We maintain a Buy with an unchanged PT of Rs. 750. Stock trades at 1.5x/1.3x its FY2026E/FY2027E EVPS. Valuation are reasonable considering the expected 12%/14%/13% APE/VNB/EV CAGR over FY2025-FY2027E.

APE declined 3% y-o-y in Q4FY25, while VNB grew by 2% y-o-y. For FY25, APE grew 15% y-o-y, Individual APE grew by 13% and value of new business (VNB) grew by 6% y-o-y. VNB margins improved to 22.7% (up 120 bps y-o-y/ up 150 bps q-o-q) versus estimates of 21.9% in Q4 driven by product mix changed towards non-par segment and retail protection. For FY25, margins dipped to 22.8% from 24.6% in FY24. The dip was mainly due to a higher share of ULIPs, which now contributes ~48% of APE. In FY25, growth was primarily led by ULIP, retail protection, and group fund which grew 29%, 25%, and 107% y-o-y respectively while annuity declined by 8% y-o-y and non-par savings declined by 6% y-o-y. While APE growth was largely broad-based across channel except partnership channel in FY25, agency channel grew by 14%, direct by 17% and bancassurance by 18% y-o-y, while partnership channel declined by 3% y-o-y. Persistency ratios were mixed in FY25, with 13th/25th/37th month improving to while 49th/61st month ratios declined y-o-y. Solvency ratio was at 212.2% vs 191.8% y-o-y in FY24. Embedded Value (EV) grew by 13.3% y-o-y in FY25 with RoEV at 13.1%.

Key positives

- VNB margins rose to 22.7% (+120 bps y-o-y/ +150 bps q-o-q) vs estimates of 21.9% in Q4 driven by product mix changed towards non-par segment and retail protection.
- Retail protection segment maintained strong growth momentum (+25% y-o-y).
- Non-par segment resurged in Q4FY25 (+14% y-o-y versus -17% y-o-y decline in 9MFY25) due to the launch of a new product, which would perform well in current volatile market conditions.

Key negatives

- To strengthen mortality assumption for group credit life protection business, the company increased reserves as it saw delayed claim reporting last year. This operating assumption change led to hit in EV of Rs. 254 crore.
- Individual APE fell by 8% y-o-y in Q4 as proprietary/ partnership channel saw decline - agency (-20% y-o-y), direct (-8% y-o-y) and corporate agents (-11% y-o-y) due to high growth in base quarter and also owing to weak demand for ULIPs during the quarter.

Management Commentary

- Retail protection and annuity remain key focus segments. The company launched ICICI Pru Gift Select, a non-par guaranteed income product amid market volatility.
- Agency and Direct (proprietary channels) accounted for >50% of retail APE. ICICI Bank contributes ~14%-15% of APE.
- Non-par segment resurged in Q4FY25 (+14% y-o-y vs -17% y-o-y decline in 9MFY25) due to the launch of a new product, which would perform well in the current volatile market conditions.
- Annuity business declined 8% in FY25 due to a high base in FY24 but remains ~8% of APE mix.
- Partnership channel has delivered a 17-18% CAGR in the last four years. However, FY25 was relatively muted due to the channel's bias toward non-linked products.
- Slowdown in MFI lending and high competitive pressure is resulting in lower growth in group protection.

Our Call

Valuation - Maintain Buy with an unchanged PT of Rs. 750 - Management is confident of growing APE ahead of the industry, as it has made considerable efforts to improve its multi-channel and multi-product approach to optimise growth. The company continues to add products, some of them a first for the industry, thus offering a diversified product through a different channel. VNB margins could improve gradually driven by higher share of annuity, Non-PAR and protection products. Valuation at 1.5x/1.3x its FY2026E/FY2027E EVPS seems reasonable, considering the expected 12%/14%/13% APE/VNB/EV CAGR over FY2025-FY2027E.

Key Risks

Slower growth in APE, lower VNB margins and any adverse regulatory policies/guidelines may affect its profitability.

Valuation (Consolidated)

Particulars	FY23	FY24	FY25	FY26E	FY27E
APE	8,640	9,046	10,407	11,700	13,000
VNB	2,765	2,227	2,370	2,720	3,100
VNB Margin (%)	32.0	24.6	22.8	23.2	23.8
EV	35,634	42,335	47,951	54,000	61,000
PAT	813	851	1,186	1,500	1,800
EPS (Rs.)	5.7	5.9	8.2	10.4	12.4
ROEV (%)	17.4	14.1	13.1	13.3	13.5
P/EV (x)	2.3	1.9	1.7	1.5	1.3
P/VNB (x)	29.6	36.7	34.6	30.2	26.5

Source: Company; Mirae Asset Sharekhan estimates

Results (Consolidated)

Particulars						Rs cr
	Q4FY25	Q4FY24	Q3FY25	Y-o-Y (%)	Q-o-Q (%)	
New Business Premium	7,622	6,722	6,570	13%	16%	
Net Premium	16,369	14,788	12,261	11%	34%	
APE	3,503	3,616	2,438	-3%	44%	
VNB	795	776	517	2%	54%	
VNB Margins	22.7%	21.5%	21.2%	+120 bps	+150 bps	

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector View – Large opportunity but competition and regulatory risk higher

Insurance penetration is still low as compared to international benchmarks. Factors such as a large protection gap and expanding per capita income are key long-term growth drivers for the sector. India has a high protection gap; and credit protection products are still at an early stage and have the potential to grow multi-fold as penetration of retail loans improves in India. Hence, we believe the insurance sector has a huge growth potential in India. Against this backdrop, we believe that strong players with the right mix of products, services, and distribution are likely to gain disproportionately from the opportunity. However, there is a high risk of regulatory changes/ competition, which can hit profitability.

■ Company Outlook – Eyeing balanced outcome on growth and margins

A diversified product and distribution mix are key important pillars. Management expects to continue to grow APE ahead of the industry, as it has made considerable efforts to improve its multi-channel and multi-product approach to optimise growth. The company also remains focused on absolute VNB growth. The endeavour is to improve product-level margins, thus VNB growth would largely be a function of the product mix. The company is looking to optimise its channel and product matrix with a focus on improving persistency, which should ultimately support VNB margins.

■ Valuation – Maintain Buy with an unchanged PT of Rs. 750

Management is confident of growing APE ahead of the industry, as it has made considerable efforts to improve its multi-channel and multi-product approach to optimise growth. The company continues to add products, some of them a first for the industry, thus offering a diversified product through a different channel. VNB margins could improve gradually driven by higher share of annuity, Non-PAR and protection products. Valuation at 1.5x/1.3x its FY2026E/FY2027E EVPS seems reasonable, considering the expected 12%/14%/13% APE/VNB/EV CAGR over FY2025-FY2027E.

Peer valuation

Particulars	CMP (Rs / Share)	MCAP (Rs Cr)	P/VNB (x)		P/EV (x)		RoEV (%)	
			FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
ICICI Prudential Life Insurance	568	82,036	30.2	26.5	1.5	1.3	13.3	13.5
HDFC Life Insurance Company	705	1,51,675	31.4	26.7	2.3	2.0	17.0	17.0

Source: Company; Mirae Asset Sharekhan Research

About company

IPRU is promoted by ICICI Bank Limited and a foreign partner headquartered in the United Kingdom. The company began its operations in fiscal 2001 and has consistently been among the top private sector life insurance companies in India on a Retail Weighted Received Premium (RWRP) basis. The company offers an array of products in the protection and savings category, which match the different life stage requirements of customers, enabling them to provide a financial safety net to their families as well as achieve their long-term financial goals. The company distributes its products through a large pan-India network of individual agents, corporate agents, banks, and brokers, along with the company's proprietary sales force and its website. The company is the third-largest, private-sector life insurance company in the country.

Investment theme

Diversifying product mix and distribution mix are key important pillars. The company is looking to optimise its channel and product matrix with a focus on improving persistency, which is a key positive.

Key Risks

Slower growth in APE, lower VNB margins and any adverse regulatory policies/guidelines may affect its profitability.

Additional Data

Key management personnel

Name	Designation
Anup Bagchi	Managing Director and Chief Executive Officer
Dhiren Salian	Chief Financial Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	ICICI Bank Ltd	51.03
2	Prudential Corp Holdings Ltd	21.97
3	SBI Funds Management Ltd	2.12
4	Compassvale Investments Pte Ltd	1.99
5	ICICI Prudential Asset Management	1.94
6	CAMAS INV PTE LTD	1.77
7	Republic of Singapore	1.67
8	GOVERNMENT PENSION FUND GLOBAL	1.61
9	Norges Bank	1.61
10	Blackrock Inc	1.14

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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