

Retail Equity Research

ICICI Prudential Life Insurance Co. Ltd.

Life Insurance

BSE CODE: 540133

NSE CODE: ICICIPRULI

Bloomberg CODE: IPRU:IN

SENSEX: 72,404

BUY

12 Months Investment Period Rating as per Large Cap

CMP Rs. 578 TARGET Rs. 670 RETURN 16% 

(Closing: 09-05-24)

KEY CHANGES:

TARGET 

RATING 

EARNINGS 

Sustainable performance; positive outlook

ICICI Prudential Life Insurance Co. Ltd. (IPRU), a joint venture between ICICI Bank and Prudential Corp. Holdings, offers life, health and pension products.

- In Q4FY24, net premium income rose 17.1% YoY to Rs. 14,788cr, driven by robust growth in non-par life insurance, annuity non-par, and linked life. The Annualised Premium Equivalent (APE) grew 9.5% YoY in Q4FY24, underpinned by a strong distribution network and digital support.
- Value of New Business (VNB) declined 19.5% YoY to Rs. 2,227cr in FY24, and the VNB margin weakened to 24.6% from 32% in FY23.
- IPRU witnessed better business growth as a result of increased premium income and APE in Q4FY24. The company's continuous focus on strengthening its distribution network, product and process innovation, and digitalisation in business processes, is expected to boost future performance and provide a sustainable outlook on the stock. Therefore, we retain our BUY rating on the stock, with a target price of Rs. 670 based on 1.7x FY26E EV.

Retail Agency APE showcased strong growth.

In Q4FY24, Net Premium Income grew 17.1% YoY to Rs. 14,788cr, driven by significant growth in non-par life insurance (+13.5% YoY), annuity non-par (+79.0% YoY) and linked life (+9.2% YoY). APE witnessed a growth of 9.5% YoY to Rs. 3,615cr in Q4FY24, driven by a 12% YoY increase in Retail APE. Retail segment's Agency business demonstrated a growth of 28.6% YoY, ascribed to a robust distribution network, while the Direct business grew 22.2% YoY, primarily due to the amplified digitalisation efforts. The Bancassurance business also registered a healthy growth of 18.8% YoY. On the products side, savings linked business APE grew 77% YoY, while savings non-linked APE dropped 48.1% YoY, due to changes in consumer preferences. Commission expenses increased 107.8% YoY, due to the redesigning of the commission structure to comply with the IRDAI's regulations. Further, benefits claimed rose 42.9% YoY, and PAT fell 26.2% YoY to Rs.174cr. Other expenses grew significantly by 436.5% YoY to Rs. 9,833cr in Q4FY24.

VNB margin weakened.

VNB margin declined to 24.6% in FY24 from 32% in FY23, due to higher expenses ratio, competitive pricing pressures from new products, and a shift in the underlying product mix. Embedded values grew 18.8% YoY to Rs. 42,337cr in March 2024, driven by strong Value in force (14.5% YoY) and Adjusted net worth (31.9% YoY). Solvency ratio remained strong at 191.8% in March 2024, well above the statutory requirement of 150%.

Key Concall highlights

- In the future, IPRU management aims to maintain the growing absolute VNB margin, as the effect of commission guidelines has already been factored in. A better product mix and strong customer demand should support VNB margin.
- Persistency ratios improved across all levels, thanks to the recently developed AI models that help forecast consumer behaviour and aided persistency ratios.

Valuation

IPRU's business growth increased significantly due to higher premium income and APE. The company is also expected to witness a rise in premium income in the upcoming period, due to new product innovation, enhanced digitalisation, and strong distribution mechanism. Cost pressures are expected to stabilise in the upcoming periods. Based on our positive outlook, we retain our BUY rating on the stock, with a target price of Rs. 670, based on 1.7x FY26E EV.

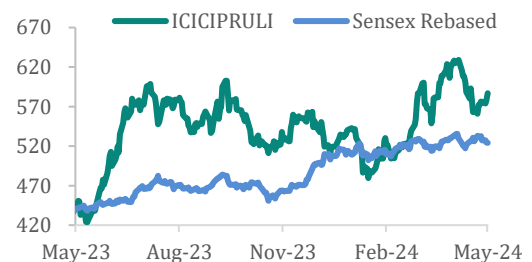
Company Data

Market Cap (cr)	Rs. 84,565
Outstanding Shares (cr)	144.1
Free Float	27.0%
Dividend Yield	0.1%
52 week high	Rs. 641
52 week low	Rs. 420
6m average volume (lacs)	25.2
Beta	0.7
Face value	Rs. 10

Shareholding (%)	Q2FY24	Q3FY24	Q4FY24
Promoters	73.3	73.3	73.2
FII's	15.5	14.7	13.4
MFs/Insti	6.4	6.9	8.5
Public	4.7	5.0	4.8
Others	0.1	0.1	0.1
Total	100.0	100.0	100.0
Promoters' pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	12.8%	10.7%	32.8%
Absolute Sensex	2.9%	13.1%	18.9%
Relative Return*	9.9%	-2.4%	13.8%

*over or under performance to benchmark index



Consolidated (cr)	FY24A	FY25E	FY26E
Net Premium	41,760	46,339	52,308
Growth (%)	8.3	11.0	12.9
New Business (%)	24.6	28.5	28.9
Net Profit	851	1317	1505
Growth (%)	4.6	54.8	14.3
EPS (Rs.)	5.9	9.1	10.4
Growth (%)	4.2	54.8	14.3
BVPS (Rs.)	76.4	81.2	83.9
EVPS (Rs.)	293.9	340.3	393.8
RoE	8.0	11.6	12.9
RoEV	14.1	16.0	16.0
P/E	99.6	64.4	56.3
P/EV	2.0	1.7	1.5
Solvency (%)	191.8	193.8	193.0

Quarterly Financials (Consolidated)

Profit & Loss Account

Rs. cr	Q4FY24	Q4FY23	YoY Growth (%)	Q3FY24	QoQ Growth (%)	FY24	FY23	YoY Growth (%)
Premium Earned (Net)	14,788	12,629	17.1	9,929	48.9	41,760	38,560	8.3
Income from investments	7,265	(1,905)	n.m.	16,315	(55.5)	46,550	9,965	367.2
Other income	538	776	(30.7)	404	33.2	1,997	1,954	2.2
Total Income	22,591	11,500	96.5	26,648	(15.2)	90,307	50,478	78.9
Incurred Claims	12,516	8,761	42.9	10,080	24.2	39,746	30,789	29.1
Other expenses	9,833	1,833	436.5	16,152	(39.1)	49,364	17,203	187.0
Total Expenses	22,349	10,593	111.0	26,232	(14.8)	89,110	47,992	85.7
Tax (policyholders' A/c)	36	47	(22.9)	34	6.7	108	184	(41.5)
Surplus (Post tax)	206	859	(76.0)	382	(46.1)	1,089	2,302	(52.7)
Transfer to shareholder account	318	822	(61.3)	410	(22.4)	1,472	2,016	(27.0)
Interest and other income	434	264	64.2	202	114.8	1,405	894	57.2
Other expenses	517	769	(32.7)	380	36.0	1,957	2,010	(2.6)
PBT	234	317	(26.2)	231	1.2	921	900	2.2
Tax (shareholders' A/c)	60	82	(26.2)	4	1,283.3	70	87	(19.5)
Reported PAT	174	235	(26.2)	227	(23.5)	851	813	4.6
Adj. EPS (Rs.)	1.2	1.6	(26.4)	1.6	(23.6)	5.9	5.7	4.2

Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Premium Earned (Net)	46,230	51,229	46,339	52,308	0.2	2.1
Profit before tax	1,042	1,166	1,408	1,609	35.2	38.0
Net Profit	974	1,091	1,317	1,505	35.2	37.9
EPS (Rs)	6.8	7.6	9.1	10.4	34.1	37.1

Policyholders' Profit & Loss Account

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net Premium	36,321	38,560	41,760	46,339	52,308
% change	3.9	6.2	8.3	11.0	12.9
Income from Inv.	24,970	9,965	46,550	31,053	33,441
Transfer of funds from shareholder's account	2,161	1,802	1,793	1,787	1,790
Other income	113	152	205	255	339
Total Income	63,565	50,478	90,307	79,433	87,877
Commission	1,673	1,864	3,722	4,687	5,009
Operating Expenses	3,673	4,583	4,126	4,766	5,976
Other Expenses	720	724	617	770	923
Operating Profit	57,499	43,307	81,842	69,210	75,969
% change	(27.4)	(24.7)	89.0	(15.4)	9.8
Benefits Paid (Net)	29,145	30,789	39,746	29,390	32,690
Change in Reserves	25,784	9,817	40,639	37,175	40,424
Tax	166	184	108	168	180
Tax Rate (%)	7.1	7.4	9.0	7.1	7.1
Surplus/Deficit	2,190	2,302	1,089	2,211	2,380
% change	4.0	5.1	(52.7)	103.0	7.6

BALANCE SHEET

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Source of Funds					
Share Capital	1,437	1,439	1,441	1,441	1,441
Reserves & Surplus	7,586	8,371	9,218	9,876	10,223
Fair Value Change	134	280	345	380	418
Shareholders' Fund	9,158	10,090	11,005	11,697	12,082
Policy Liabilities	224,548	234,365	275,004	345,705	439,887
Others	4,095	4,033	6,227	6,850	7,535
Policyholders' Fund	228,644	238,398	281,232	352,555	447,422
Funds for Future appropriations	1,383	1,669	1,287	1,508	1,746
Total	239,185	250,157	293,523	365,760	461,250
Application of Funds					
Shareholders'	9,847	9,847	10,567	10,954	11,154
Policyholders'	77,388	94,311	114,318	139,239	169,546
Assets held to cover linked liabilities	150,866	144,058	164,842	211,018	274,907
Loans	940	1,314	1,761	1,972	2,169
Fixed assets	488	596	719	767	818
Net Current assets	(345)	30	1,314	1,808	2,654
Total	239,185	250,157	293,523	365,760	461,250
BVPS (Rs)	63.7	70.1	76.4	81.2	83.9
% change	0.0	1.0	0.9	0.6	0.3

Shareholders' Profit & Loss Account

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Transfer from Technical A/c	2,160	2,016	1,472	1,990	2,142
Investment Inc.	1,014	880	1,373	1,346	1,413
Total Income	3,186	2,910	2,877	3,372	3,597
% change	15.6	(8.7)	(1.1)	17.2	6.7
Other Expenses	230	207	164	177	198
Contri to Technical A/c	2,161	1,802	1,793	1,787	1,790
Total Expenses	2,392	2,010	1,957	1,964	1,988
PBT	795	900	921	1,408	1,609
% change	(26.2)	13.3	2.2	53.0	14.3
Tax	36	87	70	92	105
Tax Rate (%)	4.5	9.6	7.6	6.5	6.5
Reported PAT	759	813	851	1,317	1,505
Adj*					
Adj PAT	759	813	851	1,317	1,505
% change	(20.6)	7.2	4.6	54.8	14.3
No. of shares (cr)	144	144	144	144	144
Adj EPS (Rs)	5.3	5.7	5.9	9.1	10.4
% change	(20.9)	7.4	4.2	54.8	14.3
DPS (Rs)	0.6	0.6	0.6	0.9	1.0

RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Per Share (Rs.)					
EPS	5.3	5.7	5.9	9.1	10.4
DPS	0.6	0.6	0.6	0.9	1.0
EVPS	219.9	247.7	293.9	340.3	393.8
Earnings (%)					
RoE	8.4	8.3	8.0	11.6	12.9
RoEV	11.0	17.4	14.1	16.0	16.0
Valuation (x)					
P/E (x)	95.0	103.9	99.6	64.4	56.3
P/EV (x)	2.3	2.4	2.0	1.7	1.5
Div. Yield (%)	0.1	0.1	0.1	0.2	0.2
Exps. (% of premium)					
Commission	4.6	4.8	8.9	10.1	9.6
Operating Expenses	10.1	11.9	9.9	10.3	11.4
Total Expenses	16.7	18.6	20.3	22.1	22.8
Margin (%)					
New Business	28.0	32.0	24.6	28.5	28.9
Solvency (%)					
Solvency	204.5	208.9	191.8	193.8	193.0

Recommendation Summary (Last 3 Years)



Source: Bloomberg, Geojit research

Dates	Rating	Target
24-Aug-20	BUY	245
23-Apr-21	BUY	594
27-Jul-21	BUY	736
31-Jan-22	BUY	657
18-Oct-22	BUY	629
28-Feb-23	BUY	480
1-Aug-23	HOLD	631
29-Jan-24	BUY	549
10-May-24	BUY	670

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral			

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note; **Reduce:** Reduce your exposure to the stock due to limited upside; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review

DISCLAIMER & DISCLOSURES

Certification: I, Antu Eapan Thomas, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Financial Services Limited, hereinafter referred to as Geojit.

For General disclosures and disclaimer: Please Visit : <https://www.geojit.com/research-disclosures#fundamental-research>

CRISIL has provided research support in preparation of this research report and the investment rational contained herein along with financial forecast. The target price and recommendation provided in the report are strictly Geojit's views and are NOT PROVIDED by CRISIL. Further, CRISIL expresses no opinion on valuation and the associated recommendations. CRISIL has no financial liability whatsoever, to the subscribers / users of this report.

Regulatory Disclosures:

Group companies of Geojit Financial Services Limited are Geojit Technologies Private Limited (Software Solutions provider), Geojit Credits Private Limited (NBFC), Geojit Investment Limited (financial Services Company (yet to start operations)), Geojit Techloan Private Ltd (P2P lending (yet to start operations)), Geojit IFSC Ltd (a company incorporated under IFSC Regulations (yet to start operations)), Qurum Business Group Geojit Securities LLC (a joint venture in Oman engaged in Financial Services), Barjeel Geojit Financial Services LLC (a joint venture in UAE engaged in Financial Services), Aloula Geojit Capital Company (a joint venture in Saudi Arabia (Under Liquidation)) and BBK Geojit Securities Co. K.S.C.C (a subsidiary in Kuwait-engaged in Financial services). In the context of the SEBI Regulations on Research Analysts (2014), Geojit affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc. that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities.

In compliance with the above mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

1. Disclosures regarding Ownership:

Geojit confirms that:

It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein.

It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein.

Further, the Analyst confirms that:

(i) He, his associates and his relatives have no financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company.

(ii) He, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered.

2. Disclosures regarding Compensation:

During the past 12 months, Geojit or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company (e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by Geojit regarding the compensation paid to its Research Analyst:

Geojit hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. Disclosure regarding the Research Analyst's connection with the subject company:

It is affirmed that I, Antu Eapan Thomas, Research Analyst (s) of Geojit have not served as an officer, director or employee of the subject company

5. Disclosure regarding Market Making activity:

Neither Geojit/its Analysts have engaged in market making activities for the subject company.

6. "Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors."

7. Standard Warning: "Investment in securities market are subject to market risks. Read all the related documents carefully before investing."

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing. Geojit Financial Services Ltd. Registered Office: 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website: www.geojit.com. For investor queries: customer@geojit.com. **Compliance officer:** Ms. Indu K. Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padivattom, Kochi - 682024; Phone: +91 484-2901367; Email: compliance@geojit.com. **For grievances:** **Grievance Officer:** Mr Nitin K; Address: Geojit Financial Services Limited, 34/659 P, Civil Lane Road, Padivattom, Kochi - 682024; Phone: +91 484-2901363; Email: grievances@geojit.com. Corporate Identity Number: L67120KL1994PLC008403, SEBI Stock Broker Registration No INZ000104737, Research Entity SEBI Reg No: INH200000345, Investment Adviser SEBI Reg No: INA200002817, Portfolio Manager: INP000003203, Depository Participant: IN-DP-325-2017, ARN Regn.Nos:0098, IRDA Corporate Agent (Composite) No.: CA0226.

