

ICICI Prudential Life Insurance

BSE SENSEX
38,897

S&P CNX
11,588

CMP: INR384

TP: INR475 (+24%)

Buy

Motilal Oswal values your support in the Asiamoney Brokers Poll 2019 for India Research, Sales and Trading team. We [request your ballot](#).



Bloomberg	IPRU IN
Equity Shares (m)	1,435
M.Cap.(INRb)/(USD\$b)	551.9 / 8
52-Week Range (INR)	428 / 278
1, 6, 12 Rel. Per (%)	8/4/0
12M Avg Val (INR M)	705
Free float (%)	25.0

Financials & Valuations (INR b)

Y/E MARCH	FY19	FY20E	FY21E
Net Premiums	305.8	349.8	402.8
Surplus / Deficit	12.3	14.8	14.6
Sh. holder's PAT	11.4	12.2	13.4
New bus.gr-unwtd (%)	12.5	15.0	17.0
New bus gr-APE (%)	-3.0	15.4	19.2
NBP margin (%)	17.0	18.5	19.6
RoE (%)	16.4	16.5	16.6
RoEV (%)	15.1	16.4	16.5
VNB(INRb)	13.3	15.6	19.7
EV per share	151	175	205

Valuations

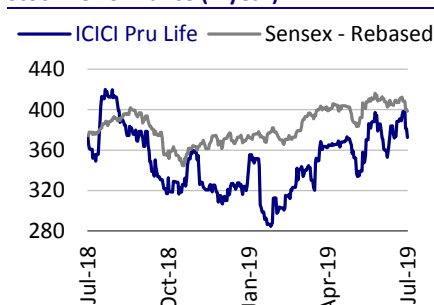
P/EV (x)	2.6	2.2	1.9
P/EPS (x)	48.4	45.3	41.1

Shareholding pattern (%)

As On	Mar-19	Dec-18	Mar-18
Promoter	75.0	78.7	80.7
DII	6.5	4.6	3.7
FII	10.1	8.6	6.5
Others	8.4	8.1	9.1

FII Includes depository receipts

Stock Performance (1-year)



Transforming into more than just a play on capital markets

The trajectory in new business premium at ICICI Prudential Life (IPRU Life) seems to be stabilizing as the company reported ~5.3% YoY APE growth in 1QFY20 as against flattish growth in FY19. Higher new business strain driven by rising mix of the protection business and associated advertisement & marketing cost impacted earnings growth in FY19. We estimate earnings growth to turn positive at 9% CAGR over FY19-21 led by (a) Protection business continuing to grow at a robust pace, thus driving margins, (b) improved operating leverage aided by increasing use of technology, and, (c) recovery in the core savings business. We estimate IPRU to report ~22% CAGR in VNB over FY19-21E led by 17% CAGR in new business APE while operating RoEV is expected to sustain at ~19%. Maintain BUY with PT of INR475/share (2.3x Mar-21E EV).

APE growth showing recovery signs after volatile FY19

During FY19, ULIP APE declined 2.7% YoY v/s an average 18% growth over FY17-19. Protection business though has grown at ~62% YoY and its share in the total APE improved to 9.3%. Though FY20 has started on a softer note, we believe that introduction of new customer friendly ULIP product (*Exhibit 33*) and stable market performance should drive ULIP sales over FY19-21E while the growth in protection business remains robust.

VNB margins to expand on back of rising protection mix & cost-control

Protection new business premium mix has improved from 4.6% to 20.6% over FY16-19. Retail Protection and Credit Life forms ~61%/~22% of the total Protection APE, enabling IPRU Life to report robust margins in the Protection business with VNB from protection business constituting ~59% of total VNB. We conservatively estimate VNB margins to increase ~260bp to 19.6% by FY21E.

Improving persistency and benign rate environment to boost EV growth

In FY19, IPRU displayed improved persistency across cohorts (barring 25th month) despite markets being volatile. With improving customer awareness and product proposition, we expect persistency ratios to improve further, thereby aiding margin expansion and EV growth. As per the sensitivity analysis, IPRU life would witness ~2%/4% improvement in EV/VNB for every 100bp decline in interest rates whereas EV/VNB would improve by ~1%/9% for every 100bp decline in lapse rate.

Higher strain to remain a drag; estimate 9% earnings CAGR over FY19-21E

Over FY15-19, IPRU Life reported 20% CAGR in EVOP led by robust VNB growth. However, higher new business strain driven by rising mix of protection and sales related expenses impacted earnings growth. Improvement in operating cost (11% decline in staff count) and increased operating leverage will enable 9% earnings CAGR over FY19-21E.

Valuation and view

We estimate ~22% CAGR in VNB over FY19-21E led by 17% CAGR in new business APE while operating RoEV is expected to sustain at ~19%. We thus estimate VNB margins to recover to ~19.6% by FY21E while operating metrics improve further. Despite outperformance over the recent months the stock is still trading at attractive levels of 1.9x FY21E P/EV (LTA of 2.5x) and thus offers 24% upside to our fair value of INR475/share (2.3x Mar-21E EV). **Maintain Buy.**

APE growth showing recovery signs after volatile FY19

Retail APE declined 2.2% YoY in FY19; FY20 YTD total APE growth stands at modest ~5.3% YoY

During FY19, IPRU Life reported muted business performance, primarily led by decline in the ULIP business on volatility in the markets. ULIP APE (79.6% of the total APE) declined 2.7% in FY19 v/s an average 18% growth over the past three years. The growth in the Protection business; however, stood robust (~62% YoY growth during FY19) and the segment’s share in the total new business APE improved by 533bp over the past two years to 9.3%.

Exhibit 1: Premium grew at 19% CAGR over FY15-19

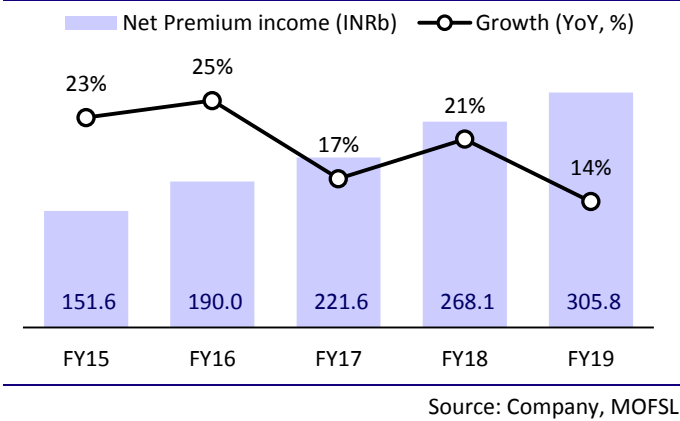
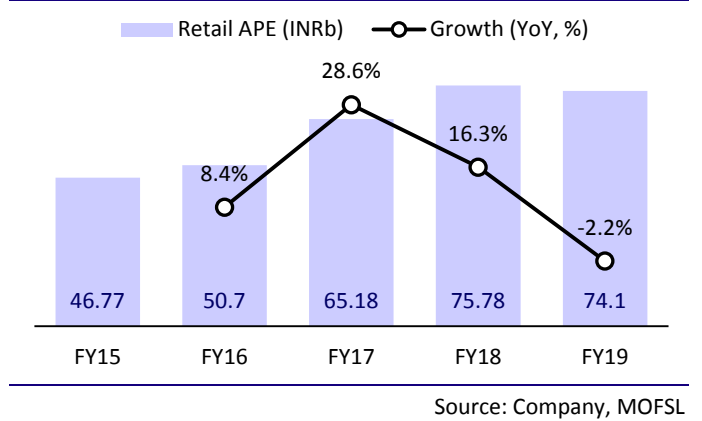


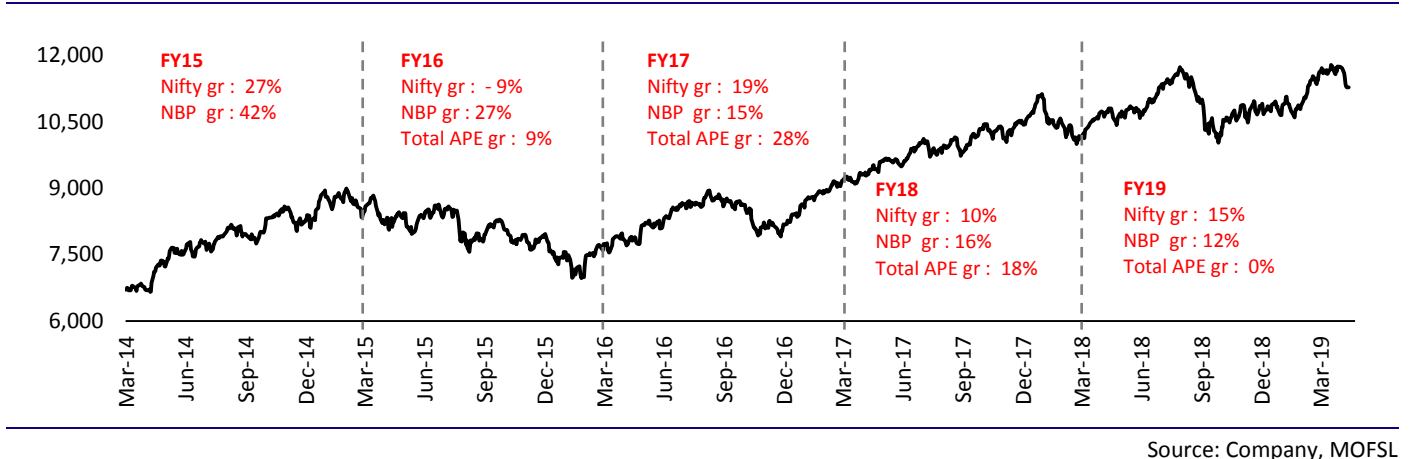
Exhibit 2: Retail APE declined 2.2% YoY during FY19



Business performance to improve as market volatility reduces

IPRU Life has reported higher new business APE growth than NIFTY index over FY16-18, but the growth range has moved in line with the market movement. Volatile market conditions and political outlook worries affected the growth trend in FY19, reporting flattish APE growth in FY19. Though FY20 started on a softer note, the company has reported ~5.3% YTD growth in the total APE. However, the decisive election mandate and the government’s focus on continued economic reforms should assuage the uncertainty around capital markets. This along with introduction of new products in the ULIP segment should help revive growth trends in the core ULIP business. The Protection business continues to report robust growth trend. We also expect IPRU Life to report a pick-up in overall business performance as it further diversifies and re-invents itself from just being a play on the capital markets.

Exhibit 3: Except FY19, IPRU’s new business APE growth has been better than Nifty index performance

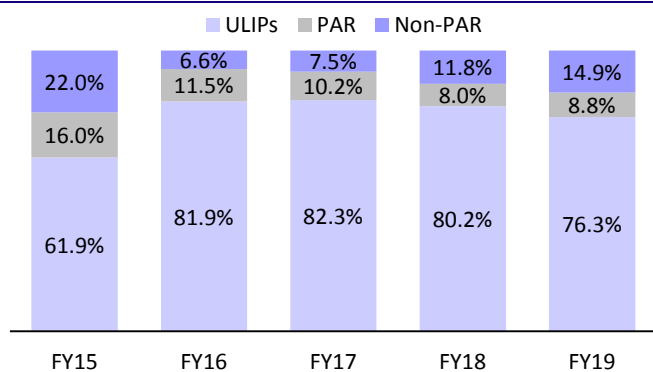


ULIPs remain the dominant business segment

Mix of Non-PAR segments improving

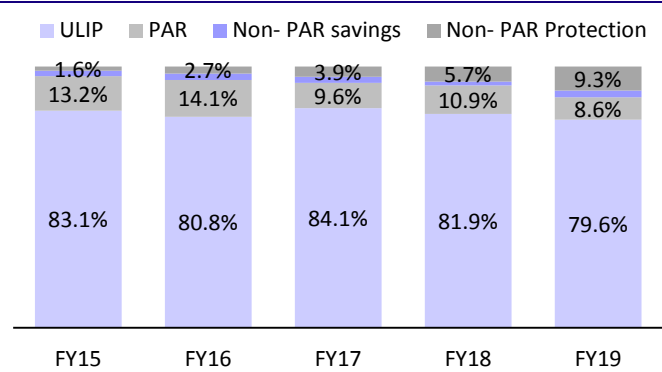
The share of ULIP in total APE has declined 444bp over FY17-19 to 79.6% due to subdued market performance and continued focus on building the Protection business. During FY17-19, proportion of Non-PAR segments (on NBP) improved 743bp to 14.9% whereas on total APE basis, Non-PAR segments gained ~546bp and currently form ~11.8% of total APE. This has supported healthy expansion in new business margins from 10.1% in FY17 to 17.0% in FY19. We estimate growth in the ULIP business to revive, while the mix of the Non-PAR segments to improve further. on the back of robust protection business growth

Exhibit 4: ULIP mix declines 393bp YoY to 76.3% in FY19



Note: Based on new business premium Source: Company, MOFSL

Exhibit 5: Non-PAR segment mix improves to 11.8%



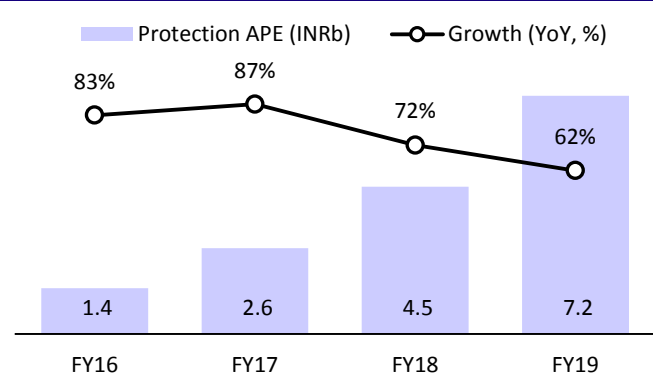
Note: Based on total APE Source: Company, MOFSL

Within the Protection business, NBP for Credit Life segment has grown at ~109% CAGR over FY16-19 and constituted 71% of the total Protection NBP in FY19 as against 53% in FY16.

Protection business grows at ~90% CAGR over FY16-19; Retail forms ~60% of total Protection APE

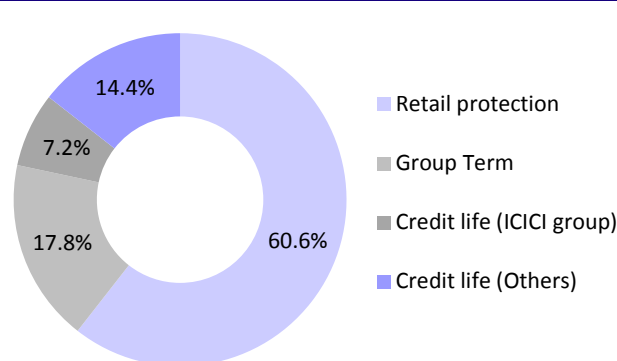
Protection new business received premium grew at ~90% CAGR over FY16-19 and protection mix in the NBP improved from 4.6% to 20.6% over a similar period. On APE basis, Retail Protection and Credit Life form ~61%/~22% of the total Protection APE. This has enabled IPRU to report robust margins in the Protection business (109% during FY19) with value of new business in the Protection business constituting ~59% of total VNB.

Exhibit 6: Protection APE grew at 73% CAGR since FY16



Source: Company, MOFSL

Exhibit 7: Retail business ~60% of total Protection APE



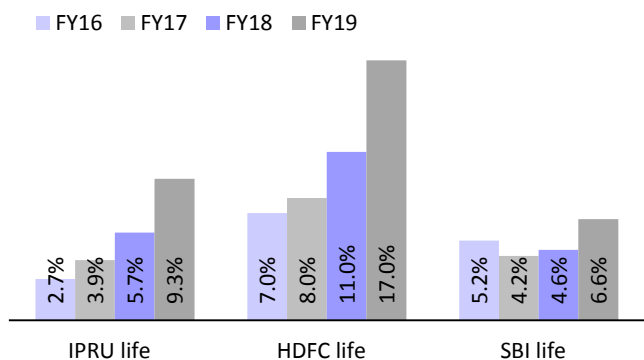
Source: Company, MOFSL

Exhibit 8: Protection NBP forms 21% of total un-weighted premium in FY19

	FY16	FY17	FY18	FY19
Total NBP received	67,658	77,604	90,210	101,360
NBP received (Total Protection business)	3,130	6,710	10,280	21,370
Protection mix on NBP (reported, %)	4.6%	8.5%	11.2%	20.6%
NBP received (Credit life)	1,650	3,400	5,810	15,140
NBP received (Other products)	1,480	3,310	4,470	6,230

Source: Company, MOFSL

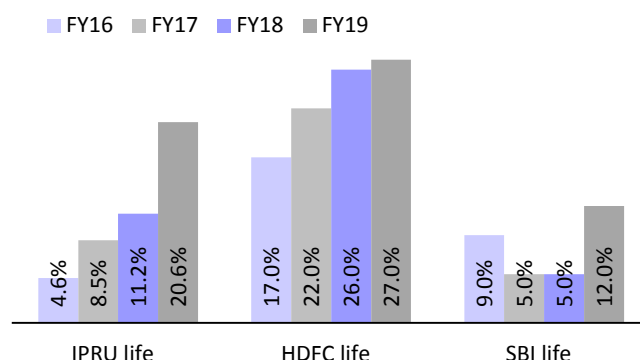
Exhibit 9: Protection business mix across insurers



Note: As a % of total APE

Source: Company, MOFSL

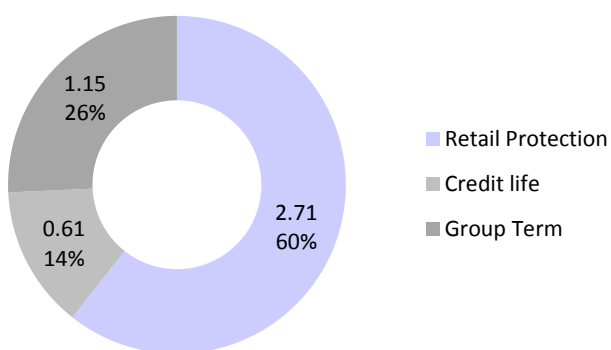
Exhibit 10: Protection business mix (un-weighted) basis



Note: As a % of total NBP

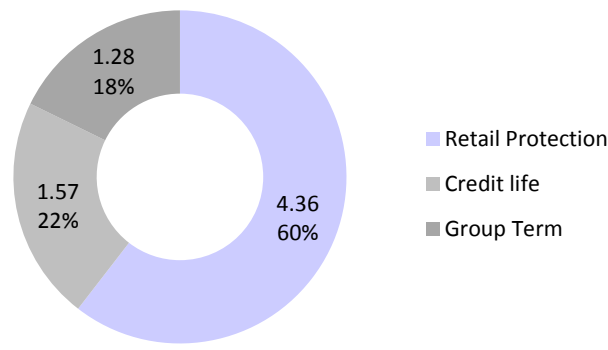
Source: Company, MOFSL

Exhibit 11: Retail Protection formed 60% of the total Protection APE for FY18 ...



Source: Company, MOFSL

Exhibit 12: Share of retail protection remained at ~60% in FY19; share of Credit Life improved to 22% since FY18



Source: Company, MOFSL

IPRU Life is well positioned in terms of pricing on pure term plans

In our view, IPRU Life is well positioned to capture a greater pie of the protection business, which should drive incremental profitability as it has access to a mass affluent customer base coupled with wide presence in the banca and agency channel. Also, IPRU Life’s pricing on pure terms plans is competitive as compared to other listed players, and this, in our view, should augur well for the overall Protection business going ahead. We estimate ~21% CAGR in Non-PAR APE over FY19-21E on the back of management’s focus on Protection and the Credit Life business; and expect the share of Non-PAR APE to inch up further.

Exhibit 13: Pricing of pure term plans across life insurers (Cover: INR10m, Up to: 70 years)

Insurer	Plan	Claim settled (%)	Age : 30yrs		Age : 35yrs	
			Monthly premium (INR)	Yearly Premium (INR)	Monthly premium (INR)	Yearly Premium (INR)
ICICI Prudential Life	I protect Smart	98.6	1,068	12,502	1,319	15,457
HDFC Life Insurance Company Ltd	3D Plus Life option	99.0	1,073	12,478	1,326	15,421
Max life Insurance	Online Term Plus	98.7	893	10,148	1,132	12,882
SBI Life Insurance	e shield	96.8	1,282	15,070	1,556	18,290
LIC	e Term	98.0	NA	18,672	NA	27,249
Bajaj Allianz life insurance	e touch Online Term	92.0	1,266	14,087	1,550	17,227
TATA AIA	Sampoorna Raksha	99.1	876	9,912	1,073	12,154
PNB Met Life	Mera Term Plan	96.2	899	10,148	1,141	12,878
Kotak Life	Kotak e Term Plan	97.4	841	9,558	1,111	12,626
Aegon Life	I Term	96.5	725	8,331	945	10,867
Aditya Birla Capital	Ultima Term	96.4	924	10,270	1,144	12,709
Aviva Life	I Term Smart	94.5	785	9,007	995	11,419

Source: Company, MOFSL

VNB margins have improved 900bp to 17% over FY16-19

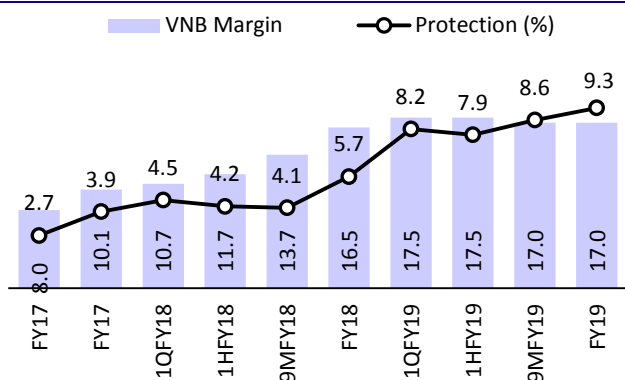
VNB margins to expand on back of rising protection mix and cost control

IPRU Life has reported sharp 900bp improvement in VNB margins over the past three years (FY16-18) to a healthy 17% currently due to rising share of the Protection business, focus on maintaining high retail mix and continued cost control. But margin expansion in FY19 was a mere 50bp due to tepid business performance and decline in operating leverage in the Savings business. Operating expense ratio rose 76bp to 13.4% (of GWP) led by higher IT, advertisement and employee expenses. During 4QFY19, the company reported segmental margins across its Savings and Protection business. Thus, margins in the Protection business stood at 109% while in the Savings business, it was a weak 8% affected by tepid business volumes.

Management is focusing on doubling VNB growth over the next 3-4 years.

IPRU Life has delivered 49% CAGR growth in VNB over the past four years led by sharp margin expansion of ~1,130bp. The company has guided for doubling its VNB growth over the next 3-4 years, thus implying required CAGR of 24-26%. We expect IPRU Life to report healthy 22% CAGR growth in VNB over the next two years, led by continued improvement in the business mix, lower employee expenses and improved operating leverage in the savings business.

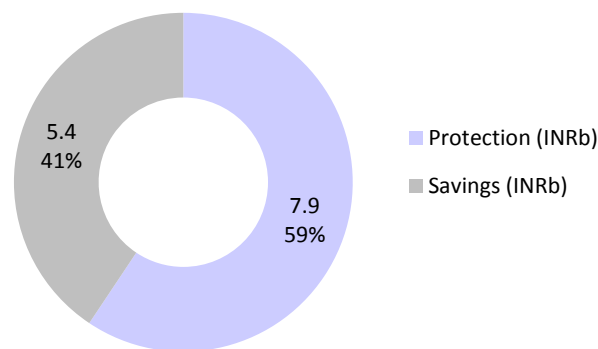
Exhibit 14: Trends in VNB margins and protection mix



Note: As a % of total APE

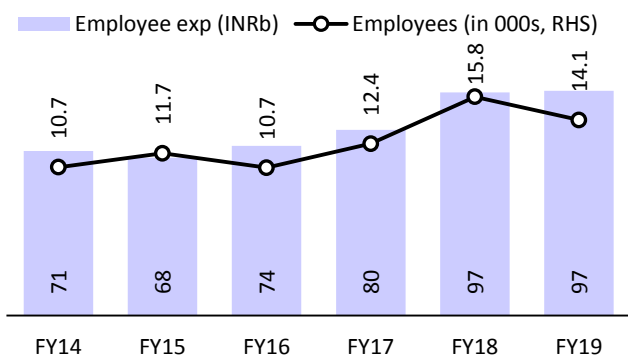
Source: Company, MOFSL

Exhibit 15: Protection business forms ~59% of total VNB



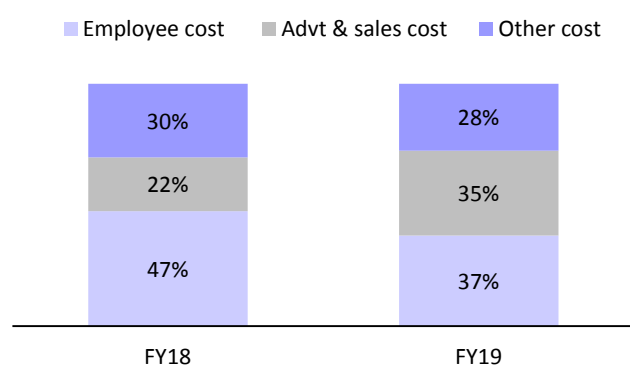
Source: Company, MOFSL

Exhibit 16: IPRU Life has reduced the staff count by 11% in FY19



Source: Company, MOFSL

Exhibit 17: Share of advertisement expenses increased to 35% led by 103% YoY growth in FY19



Source: Company, MOFSL

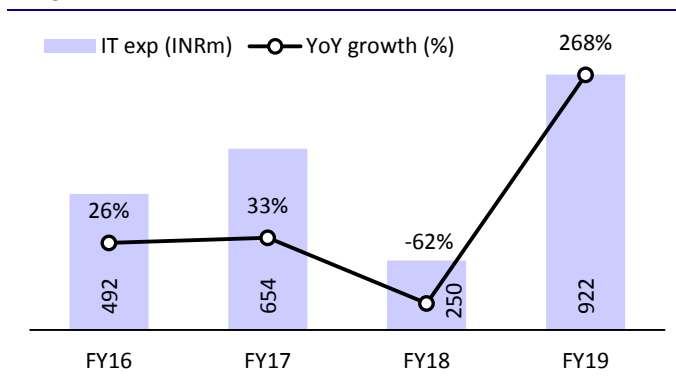
The growth in IT expenses was in line with the management's aim of enabling a single digital platform to provide ease and simplicity to the customers. It encompasses the customer's journey from the time of analyzing life-stage-based-needs, understanding risk appetite, quote generation till the post sales servicing of queries. The turnaround time for various internal processes has come down drastically post the introduction of digital initiatives (Exhibit: 18).

Exhibit 18: Introduction of digital initiatives has led to faster turnaround time

Quantitative success metrics	Pre Digital	Post Digital
Policy turnaround time	4 days in FY13	4 hours in FY19
Self-help adoption	65% in FY17	75% in FY19
Same day closure of customer request	65% in FY17	79% in FY19
Login to issuance ratio	91% in FY12	96% in FY19
Non-medical issuance turnaround time	2 days in FY10	2-4 hours in FY19

Source: Company, MOSL

Exhibit 19: IPRU Life reported sharp rise in IT expenses in FY19



Source: Company, MOSL

Assessing margin trajectory - implied margins would have been significantly higher but for lower growth in FY19!

In FY19, margins in the core Savings business moderated significantly due to higher operating expenses and muted business volumes. Our analysis of attributing FY18 segmental margins to FY19 APE highlights the gap between reported VNB margin and the implied margin based and the gap stands at huge 357bp. Thus, it points towards the extent of margin expansion that can occur as growth returns and operating leverage in the savings business improves. However, this is to be seen only as an indicative analysis as IPRU has launched newer and competitive customer friendly ULIP products, which returns premium allocation charge and provides other value benefits to customers (*Exhibit 33*) while margins in protection business also can moderate owing to increasing competitive intensity.

Exhibit 20: VNB margin assessment attributing the same segmental margins as FY18

APE mix (%)	FY18	FY19	FY19 (based on FY18 margins)
Savings (%)	94%	91%	91%
Protection (%)	6%	9%	9%
Savings NBM (%)	10%	8%	10%
Protection NBM (%)	125%	109%	125%
NBM calc. under above assumption	16.5%	17.0%	20.6%
Reported NBM (%)	16.5%	17.0%	17.0%
Margin Differential	0.0%	0.0%	3.6%

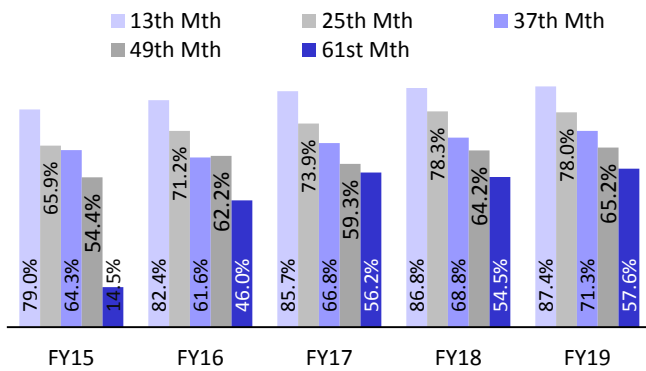
Source: Company, MOFSL

Improving persistency and benign rate environment to boost EV growth

Retail-linked surrenders decline 21% YoY to ~INR92b

During FY19, IPRU displayed improved persistency across all cohorts (barring the 25th month) despite markets being volatile. With rising customer awareness and improved product proposition, we expect persistency ratios to improve further, thereby aiding margin expansion and EV growth. This improvement in persistency was enabled by 21% YoY decline in retail-linked surrenders, thus enabling the company to report cumulative positive persistency variance of INR5.2b since FY17. With rising customer awareness and improved product proposition, we expect persistency rate to improve further across all cohorts, thereby aiding further margin expansion and EV growth.

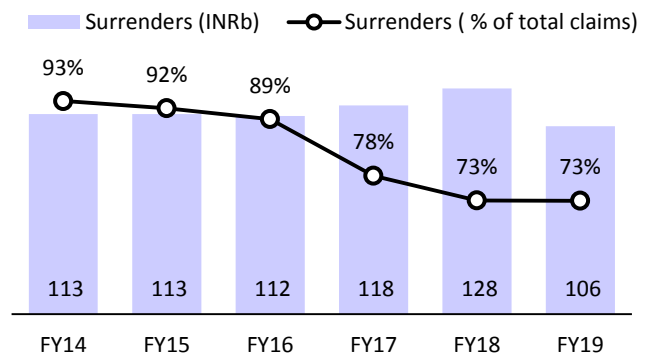
Exhibit 21: Persistency ratios have improved steadily



Note: Including single premium

Source: Company, MOFSL

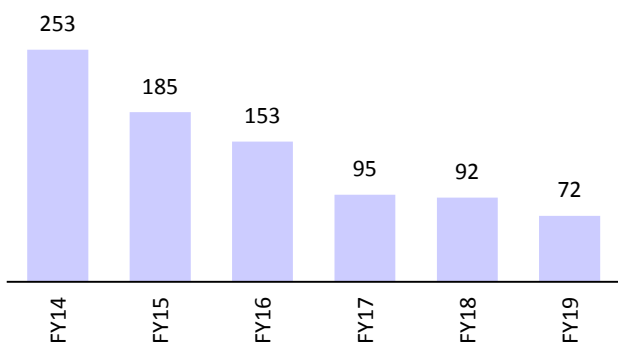
Exhibit 22: Surrenders as % of claims have declined to 73%



Note: Out of the total surrenders, retail linked surrenders have declined to 87% from 91% in FY17

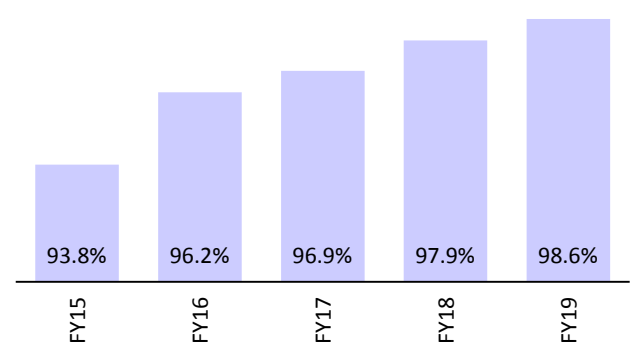
Source: Company, MOFSL

Exhibit 23: Customer complaints has reduced to 72 (per 10,000 policies) from 142 in FY14



Source: Company, MOFSL

Exhibit 24: Claim settlement ratio has improved by 477bp since FY15 to 98.6%

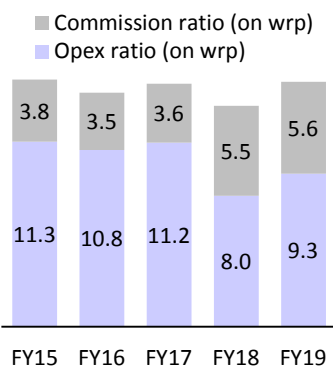


Source: Company, MOFSL

Higher new business strain to remain a drag

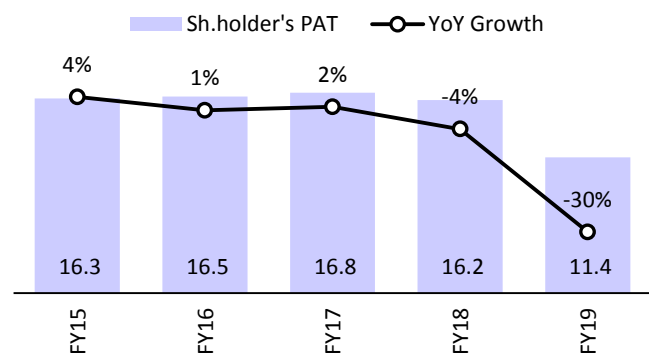
Estimate modest 9% earnings CAGR over FY19-21 v/s 30% decline in FY19

Cost ratios deteriorated 145bp in FY19 (%)



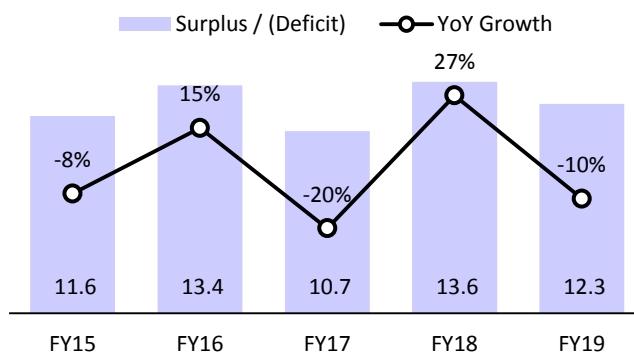
Over FY15-19, IPRU Life reported 20% CAGR in EVOP led by robust VNB growth. EVOP as a % of opening EV expanded to 20.2% in FY19 v/s 15.4% in FY15. However, the higher new business strain driven by rising mix of the Protection business and the associated advertisement and marketing cost impacted earnings growth. Consequently, the company reported 9% CAGR decline in shareholder PAT during the past four years, even as reported earnings declined 30% YoY to INR11.4b. This was driven by 10% YoY decline in policyholder surplus to INR12.3b on account of higher acquisition expenses. However, with recovery in the Savings business, even as the Protection business continues to grow at a robust pace, and improved operating leverage we estimate earnings growth to turn positive with 9% CAGR over FY19-21. This will still continue to trail VNB growth as the company continues to invest in further scaling up the Protection business.

Exhibit 25: Leading to earnings decline of 30% YoY during FY19



Source: Company, MOFSL

Exhibit 26: Policyholder's surplus declines due to higher acquisition costs



Source: Company, MOFSL

IPRU life has the highest sensitivity to declining interest rates

According to the disclosures made by the company, IPRU Life's VNB would have a favorable impact to the tune of 4.4% if interest rates decline by 100bp whereas EV would have a positive impact of 2%. Similarly 100bp improvement in persistency would have positive impact of ~8.9% / 1% on VNB/EV which is far higher than peers.

Exhibit 27: Sensitivity analysis across major life insurers

Sensitivity analysis	IPRU life		HDFC life		SBI life		Max life	
	change in IEV	change in VNB	change in IEV	change in VNB	change in IEV	change in VNB	change in IEV	change in VNB
	+ 100bp in interest rates	-2.0%	-4.3%	-1.7%	-0.4%	-0.5%	0.3%	-2.0%
- 100bp in interest rates	2.0%	4.4%	1.6%	0.2%	0.5%	-0.3%	2.0%	-9.0%
+100bp in lapse rates	-1.3%	-8.5%	-1.4%	-2.9%	-0.1%	-0.6%	-0.2%	-0.4%
-100bp in lapse rates	1.4%	8.9%	1.5%	3.0%	0.1%	0.6%	0.2%	0.4%
+100bp in acquisition expenses	Nil	-13.0%	NA	-18.1%	NA	NA	NA	NA
-100bp in acquisition expenses	Nil	13.0%	NA	18.1%	NA	NA	NA	NA
+100bp in maintenance expenses	-0.9%	-3.6%	-0.7%	-2.1%	-0.1%	-0.2%	NA	NA
-100bp in maintenance expenses	0.9%	3.6%	0.7%	2.1%	0.1%	0.2%	NA	NA
Changes in tax rate	-4.0%	-7.5%	-6.6%	-13.8%	-0.8%	-1.5%	-12.0%	-17.0%

Note: (a) Tax rates for IPRU life is 28.84% whereas for HDFC life, SBI life and Max life the tax rate is assumed to be 25%. (b) For SBI life, we have pro-rated the sensitivities

Source: Company, MOFSL

Lower dividend payout to help preserve capital

RoEV to thus improve to 16.7% by FY21E

Insurance companies can raise Tier-II capital up to 25% of the paid up capital to meet solvency ratio requirements.

IPRU Life has reported ~66% decline in solvency ratio over the past two years to ~215% currently. The company has also maintained high dividend payout. This, along with dominant market share of the Savings business has resulted in a decline in the solvency capital. The high dividend payout was also one of the reasons for lower ROEVs, even as the operating RoEV improved sharply over recent years. IPRU has lowered its dividend payout ratio in FY19, which will help it to conserve capital. Moreover, insurance companies can raise Tier-II capital, up to 25% of the paid-up capital to meet solvency ratio requirements, which will help them maintain business growth. We estimate operating RoEV to sustain at healthy levels of ~18.5% and new business margins to improve further to ~19% by FY21E (17% in FY19). The continuous improvement in operating metrics along with lower dividend payout will help boost EV growth to 17% CAGR over FY19-21E.

Exhibit 28: Lower dividend payout ratio will help conserve capital

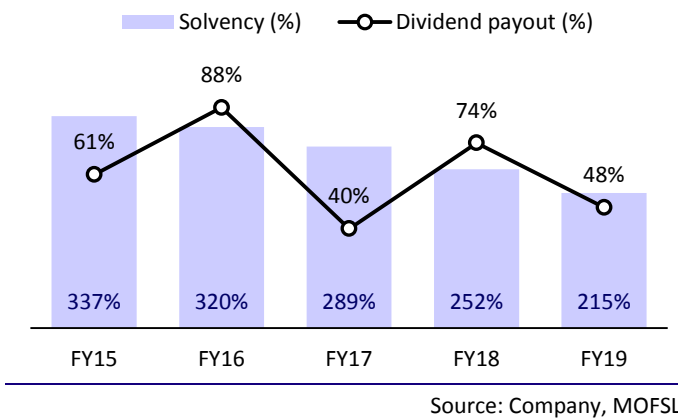


Exhibit 29: RoEV's are expected to improve to 16.7% by FY21E

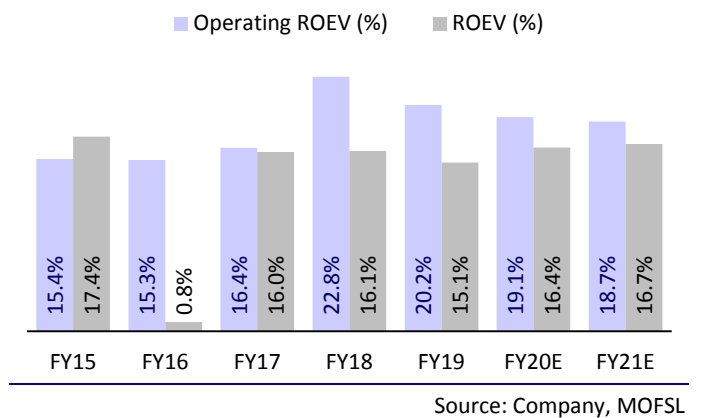


Exhibit 30: EVOP has grown at 20% CAGR during FY15-19

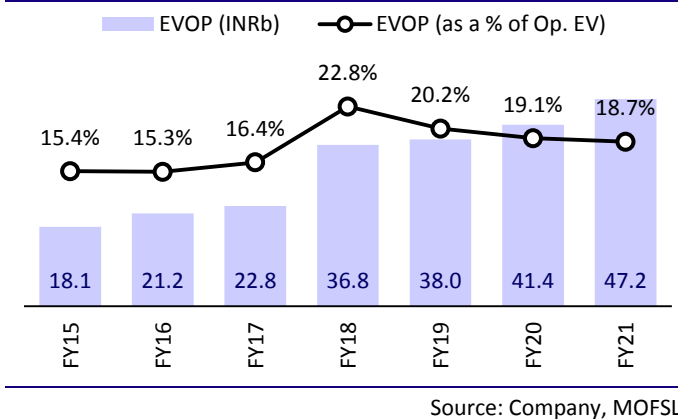
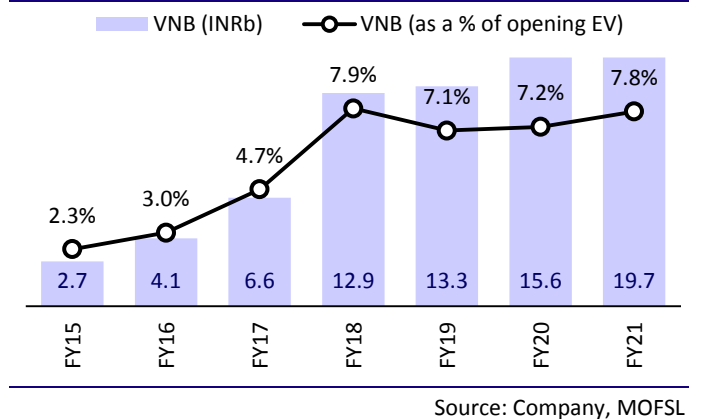


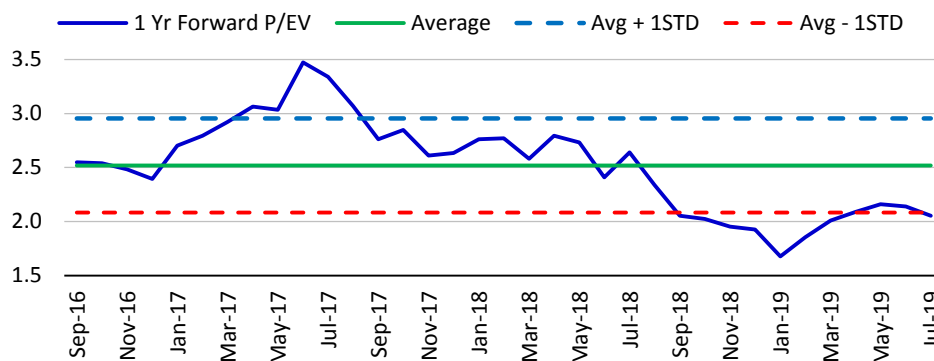
Exhibit 31: VNB as a % of opening EV has improved to 7.1% in FY19



Valuations and view

- We believe the life insurance sector in India is in a sweet spot, where strong structural potential is now overlapping with the rising share of financial savings and higher disposable income. We expect Indian insurers to trade at a premium to global insurers.
- Private sector life insurance companies have 51% market share in total new business APE, and IPRU is amongst the leading players. Favorable demographics, increasing customer awareness about financial products, strong distribution network and superior brand image should help IPRU sustain WRP CAGR at 15% over FY19-21E.
- **Shift towards balanced product segments to reduce volatility:** IPRU Life has taken a strategic call to move towards balanced product categories and mass affluent customer segments, which should help reduce volatility in the business. Also, in our view, IPRU is well positioned to capture a greater pie of the Protection business, which should drive incremental profitability as it has access to a mass affluent customer base coupled with a wide presence in the banca channel.
- **Valuation and View:** We estimate ~22% CAGR in VNB over FY19-21E led by 17% CAGR in new business APE while operating RoEV is expected to sustain at ~19%. We thus estimate VNB margins to recover to ~19.6% by FY21E while operating metrics improve further. Despite outperformance over the recent months the stock is still trading at attractive levels of 1.9x FY21E P/EV (LTA of 2.5x) and thus offers 24% upside to our fair value of INR475/share (2.3x Mar-21E EV). **Maintain Buy.**

Exhibit 32: IPRU Life is trading at 1-year forward P/EV of 1.9x; below its long-term average



Source: Company, MOFSL

Exhibit 33: IPRU Life: Comparison of ULIP plans

Name of the ULIP	IPRU Signature	Elite Life Super	Smart Life	Guaranteed Wealth Protector
Premium Allocation charges	Single Pay : 3% Limited and Regular Pay: Yr 1 to 7 : 5% Yr 8 to 9 : 2% Yr 10 : 1%	Single Pay : 3% Limited and Regular Pay: Yr 1 to 5 : 5% Yr 6 to 7 : 3% Thereafter : 2%	Single Pay : 3% Annual Pay: Yr 1 : 6% Yr 2 : 5% Yr3 : 4% Yr 4 to 5 : 4% Yr 6 onwards : 2%	Single Pay : 3% Annual Pay: Yr 1 : 6% Yr 2 : 5% Yr3 : 4% Yr 4 to 5 : 4% Yr 6 onwards : NIL
Return of Premium Allocation charges	As % of annualized premium 5yrs : 25% 7 Yrs: 35% 10yrs and above: 40% (these additions will be made at the end of the 10th policy yr and the same amount will be added back at the end of the 5th yr thereafter)	NA	NA	NA
Fund management charges	1.35% across all the funds 0.75% for the money market fund	1.35% across all the funds 0.75% for the money market fund	1.35% across all the funds 0.75% for the money market fund	1.35% across all the funds 0.75% for the money market fund
Reduction in Yield	Reduction in Yield (RIY) at 8% invt return for premium paying term of 7 years with 100% of investment in Maximizer V funds. RIY: Signature - Premier (Annual Premium : 5 lacs) End of the year: 10th : 1.76% 15th : 1.33% 30th : 1.09% RIY: Signature - Premier (Annual Premium : 10 lacs) End of the year: 10th : 1.55% 15th : 1.19% 30th : 1.01%	NA	Reduction in Yield (RIY) : RIY: Smart Life - Regular pay assumed at investment return of 4% p.a End of the year: 5th : 3.87% 10th : 1.61% 15th : 1.04% 30th : 0.79%	NA

Source: Company, MOFSL

Financials and valuations: ICICI Prudential Life Insurance Company

Technical account (INR m)	FY17	FY18	FY19	FY20E	FY21E
Gross Premiums	223,540	270,688	309,298	353,314	406,918
Reinsurance Ceded	(1,988)	(2,581)	(3,515)	(3,562)	(4,152)
Net Premiums	221,553	268,107	305,783	349,752	402,765
Income from Investments	149,769	112,615	102,144	188,998	213,661
Other Income	188	936	5,562	1,756	1,963
Total income	371,927	382,172	414,003	540,506	618,389
Commission	7,589	14,033	15,513	20,280	22,958
Operating expenses	23,572	20,299	26,053	31,221	35,858
Total commission and opex	31,161	34,332	41,566	51,501	58,816
Benefits Paid (Net)	149,979	172,808	142,591	156,335	177,570
Chg in reserves	174,976	154,475	210,030	311,292	360,660
Total expenses	356,115	361,615	394,187	519,127	597,047
Provisions for doubtful debts	4,288	5,727	6,351	4,707	5,316
Surplus / deficit before tax	11,523	14,830	13,465	16,671	16,027
Prov for Tax	788	1,201	1,132	1,917	1,424
Surplus / Deficit	10,735	13,630	12,333	14,753	14,603
Shareholder's a/c (INR m)	FY17	FY18	FY19	FY20E	FY21E
Transfer from technical a/c	11,315	10,892	10,770	11,353	12,025
Income From Investments	6,669	7,419	6,443	6,960	8,025
Total Income	18,270	18,362	17,307	18,416	20,164
Other expenses	409	420	422	443	474
Contribution to technical a/c	18	753	5,272	5,008	5,109
Total Expenses	427	1,173	5,694	5,452	5,583
PBT	17,843	17,189	11,612	12,965	14,582
Prov for Tax	1,028	997	223	778	1,167
PAT	16,815	16,192	11,389	12,187	13,415
Growth	2%	-4%	-30%	7%	10%
Premium (INR m) & growth (%)	FY17	FY18	FY19	FY20E	FY21E
New business prem - unwtd	78,633	92,118	103,644	119,190	139,452
New business prem - wrp	64,965	75,417	73,171	84,406	100,621
Total premium - unwtd	223,540	270,688	309,298	353,314	406,918
New bus. growth - unwtd	16.2%	17.1%	12.5%	15.0%	17.0%
New business growth - wrp	27.2%	16.1%	-3.0%	15.4%	19.2%
Total prem growth - unwtd	16.6%	21.1%	14.3%	14.2%	15.2%
Premium mix (%)	FY17	FY18	FY19	FY20E	FY21E
New business - unwtd					
- Individual mix	88.7%	91.2%	78.5%	83.0%	85.0%
- Group mix	11.3%	8.8%	21.5%	17.0%	15.0%
New business mix - APE					
- Participating	9.5%	10.6%	9.0%	9.1%	11.1%
- Non-participating	4.8%	5.0%	9.0%	8.1%	9.5%
- ULIPs	85.7%	84.4%	82.0%	82.8%	79.3%
Total premium mix - unwtd					
- Participating	11.7%	12.0%	11.4%	13.2%	13.9%
- Non-participating	13.6%	12.8%	15.2%	20.2%	20.8%
- ULIPs	74.8%	75.2%	73.4%	66.6%	65.3%
Indi. Premium sourcing mix (%)	FY17	FY18	FY19	FY20E	FY21E
Individual agents	23.5%	25.6%	21.8%	22.8%	23.8%
Corporate agents-Banks	57.1%	52.6%	55.2%	55.0%	54.8%
Direct business	12.8%	16.0%	16.7%	17.7%	17.5%
Others	6.6%	5.8%	6.3%	4.6%	4.0%

Financials and valuations: ICICI Prudential Life Insurance Company

Balance sheet (INR m)	FY17	FY18	FY19	FY20E	FY21E
Sources of Fund					
Share Capital	14,354	14,355	14,358	14,358	14,358
Reserves And Surplus	46,976	51,382	54,353	60,657	68,535
Shareholders' Fund	64,060	68,818	70,423	76,898	84,964
Policy Liabilities	251,695	309,934	385,524	691,012	954,893
Prov. for Linked Liab.	839,365	923,124	1,036,999	1,209,309	1,318,147
Funds For Future App.	6,042	8,780	10,344	11,895	13,678
Current liabilities & prov.	28,365	34,479	36,641	43,957	52,733
Total	1,247,408	1,418,187	1,630,859	2,052,432	2,444,706
Application of Funds					
Shareholders' inv	66,349	77,466	79,861	87,848	96,632
Policyholders' inv	270,674	332,889	400,712	711,299	982,501
Assets to cover linked liab.	878,783	975,020	1,109,458	1,209,309	1,318,147
Current assets	28,657	27,142	33,368	35,500	37,793
Total	1,247,408	1,418,187	1,630,859	2,052,432	2,444,706
Operating ratios (%)	FY17	FY18	FY19	FY20E	FY21E
Investment yield (%)	13.0%	8.1%	6.4%	9.8%	9.3%
Commissions / GWP	3.4%	5.2%	5.0%	5.7%	5.6%
- first year premiums	7.3%	13.9%	16.0%	19.4%	18.3%
- renewal premiums	2.0%	1.9%	1.9%	1.8%	1.8%
- single premiums	0.6%	1.9%	1.4%	1.1%	1.1%
Operating expenses / GWP	10.5%	7.5%	8.4%	8.8%	8.8%
Total expense ratio	13.9%	12.7%	13.4%	14.6%	14.5%
Claims / NWP	67.7%	64.5%	46.6%	44.7%	44.1%
Solvency margin	289%	252%	215%	197%	171%
Persistency ratios (%)	FY17	FY18	FY19	FY20E	FY21E
13th Month	85.7%	86.8%	87.4%	87.8%	88.0%
25th Month	73.9%	78.3%	78.0%	78.5%	78.8%
37th Month	66.8%	68.8%	71.3%	71.1%	71.4%
49th Month	59.3%	64.2%	65.2%	67.0%	66.8%
61st Month	56.2%	54.5%	57.6%	58.4%	59.8%
Profitability ratios (%)	FY17	FY18	FY19	FY20E	FY21E
New business margin (%)	10.1%	16.5%	17.0%	18.5%	19.6%
RoE (%)	28.7%	24.4%	16.4%	16.5%	16.6%
RoIC (%)	34.8%	33.4%	23.5%	25.1%	27.6%
EVOP as % of IEV	16.4%	22.8%	20.2%	19.1%	18.7%
RoEV (%)	16.0%	16.1%	15.1%	16.4%	16.7%
Valuation ratios	FY17	FY18	FY19	FY20E	FY21E
Total AUMs (INRb)	1,229	1,395	1,604	2,008	2,397
- Of which equity AUMs (%)	47%	48%	48%	49%	50%
Dividend (%)	74%	68%	49%	34%	32%
Dividend payout ratio (%)	40%	74%	74%	48%	41%
EPS (INR)	11.7	11.3	8.0	8.5	9.3
VNB (INRb)	6.6	12.9	13.3	15.6	19.7
EV (INRb)	161.7	187.8	216.1	251.6	293.7
EV/Per share	112.7	130.8	150.6	175.3	204.6
VIF as % of EV	58%	63%	66%	68%	70%
P/VIF	5.9	4.7	3.9	3.2	2.7
P/AUM (%)	45%	40%	34%	27%	23%
P/EV (x)	3.4	2.9	2.6	2.2	1.9
P/EPS (x)	32.8	34.1	48.4	45.3	41.1

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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