

ICICI Prudential Life Insurance Ltd.



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Healthy business momentum during the quarter

CMP INR 477	Target INR 526	Potential Upside 10.3%	Market Cap (INR Cr) INR 68,467	Recommendation ACCUMULATE	Sector Life Insurance
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Result Highlights of Q4FY21:

- The Gross written premium (GWP) grew 32.2% QoQ on improved momentum. New business premium (NBP) grew 49.4% QoQ. The mix between protection and savings on Annual premium equivalent (APE) basis is 16.18% and 83.8% respectively. The sum assured market share was at 13% for the year.
- Value of new business (VNB) margin for FY2021 was 25.1%. Value of New Business rose 25.7% YoY.
- The total assets under management of the Company grew by 40% YoY.
- Solvency was at 217%. Cost ratios was 14.8% from 15.9% last year.

MARKET DATA

Shares outs (Cr)	144
Equity Cap (INR Cr)	9,119
Mkt Cap (INR Cr)	68,467
52 Wk H/L (INR)	537/329
Volume Avg (3m K)	3204
Face Value (INR)	10
Bloomberg Code	IPRU : IN

KEY FINANCIALS

Particulars (INR Crores)	FY19	FY20	FY21	FY22E	FY23E
GWP	30,930	33,431	35,733	40,474	46,563
PAT	1,141	1,069	960	1,810	2,407
EPS (INR/Share)	7.9	7.4	6.7	12.5	16.6
NBP-APE	7,799	7,381	5,991	7,529	8,815
VNB	1,328	1,605	1,621	1,882	2,204
VNB Margin (%)	17.0%	21.8%	25.1%	25.0%	25.0%
EVPS (INR/Share)	150.6	160.4	202.7	245.0	294.9

Source: Company, KRChoksey Research

Healthy growth in premiums

The business momentum was healthy in the quarter on a sequential basis. The NBP grew 23.2% YoY/49.4% QoQ on a lower base. APE grew 27.1% YoY and 50.5% QoQ. This has been on account of improved business momentum and improved persistency. For the year, APE degrew 12% on weak quarters in the first part of the year. The protection business has degrown 3% YoY but grown 33% QoQ. Savings grew 33% YoY, 54% QoQ for the quarter. The mix between saving and protection was 83% and 16% on an APE basis.

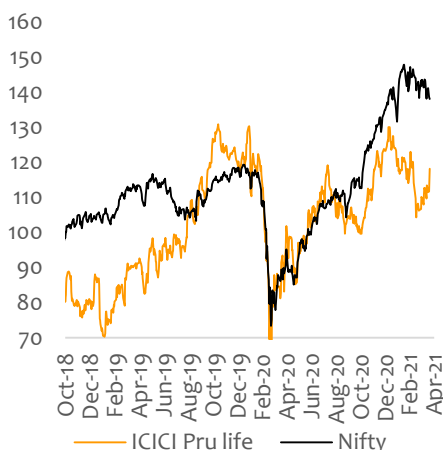
VNB improves materially

VNB rose 1% YoY for FY21. For the quarter it rose 26% YoY and 38% QoQ. The VNB margins improved materially 25.1% vs 21.7% last year. This has been on account of higher share protection and other high margin products. Its effort to focus on cost advantage and high margin products have paid off with the improvement in market share. Its NBP market share is 13% vs 11.8% last year.

Persistency improves

The 13th month persistency rose to 84.8% from 82.7% in Q3FY21 and 83.2% last year. Similarly, 61st month persistency rose to 58.3% from 58% last quarter and 56% last year. The renewal premium rose 49% QoQ/23% YoY. The channel mix between Banca/agency/Direct/Partnership/Group stands at 43%/23%/12%/10%/11% vs 44%/22%/13%/8%/13% last year. Group and partnership has grown 34% and 8% respectively. For the quarter, it grew 53%/40%/41%/105%/41% respectively. It has witnessed healthy business momentum from non ICICI bank banca partners which augurs well.

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	47,705
NIFTY	14,296

SHARE HOLDING PATTERN (%)

Particulars	Dec-20	Sep-20	Jun-20
Promoters	73.5	73.5	73.5
FIIIs	16.3	15.8	15.1
DIIIs	4.7	4.6	5.2
Others	5.5	6.1	6.2
Total	100.0	100.0	100.0

14%

GWP CAGR between FY21 and FY23E

17%

VNB CAGR between FY21 and FY23E

ANALYST

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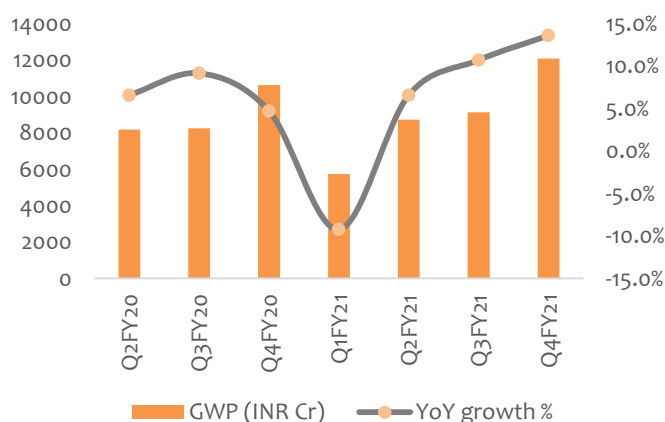
Key Concall Highlights:

- Product diversification, improved persistency and efficiency aided VNB growth despite weak business momentum.
- Share of non linked saving and protection improved to 24% and 16.2% in its mix.
- Its margins improved to 25% on account of higher protection share.
- It has improved its market share too.
- It made an additional provisions in the quarter and has INR 332 Cr of reserves
- In the quarter, it introduced deferred annuity product with income option.
- Solvency ratio stood at 216%
- It aims to double VNB by FY23
- It targets to grow the topline at a CAGR of 28% between FY21-23
- It is likely to benefit from efficiency on its growth
- It aims to expand distribution, customers and partners. It added 100 partners in the year.
- Its non ICICI business has been strong and is the likely to be a steppingstone.

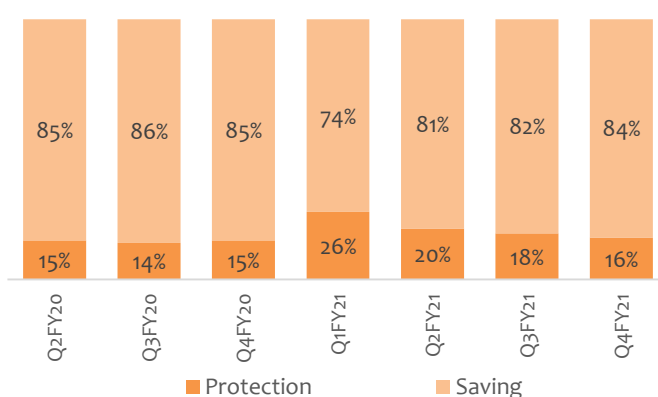
Valuation and view

ICICI PruLife has shown VNB margin improvements coupled with a healthy business momentum. Its premium growth was strong with a higher protection mix. Its market share has improved in the year and is well positioned for traction. We expect GWP to grow at CAGR 14% over FY21-23 and margins at ~25% on a diversified mix. Since our last update, the shares of ICICI Prudential Life Insurance has appreciated by ~7%. **We maintain our target price at INR 526, valuing it at 1.8x P/EV on FY23E EVPS of INR 294.9 and a VNB multiple of 15x to arrive at a weighted average Target Price of INR 526 per share (50:50 weights on the P-EV and appraisal value methodology); indicating a 10.3% upside to the CMP. Accordingly, we downgrade the rating on the stock to an ACCUMULATE.**

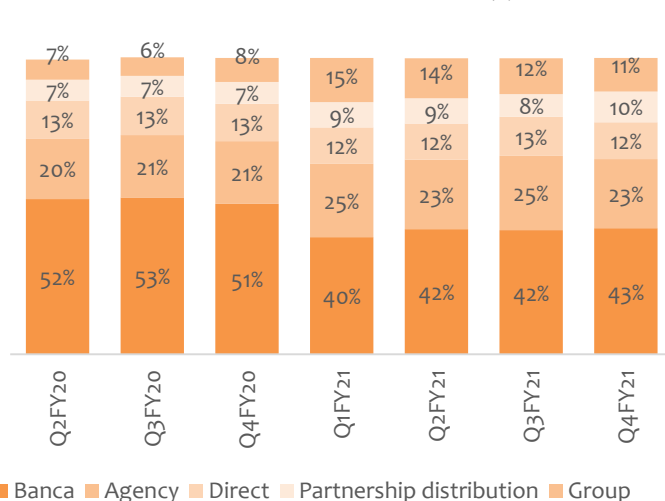
Premium Income trend



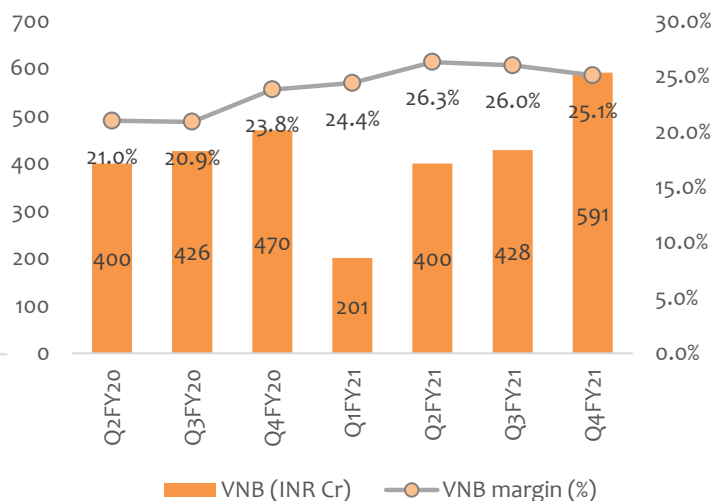
Product mix on APE basis (%)



Channel mix on APE basis (%)



Value of new business



Source: Company, KRChoksey Research

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KEY FINANCIALS

Exhibit 1: Revenue Account/Policy Holder's Account

Particulars (INR Cr)	FY19	FY20	FY21	FY22E	FY23E
Gross premiums	30930	33431	35733	40474	46563
Reinsurance ceded	351	552	759	809	931
Net premiums	30,578	32,879	34,973	39,665	45,631
Net income from investments	10,822	-10,939	49,106	13,381	14,719
Total income	41,400	21,939	84,079	53,046	60,350
Commission expenses	1,604	1,586	1,500	1,821	2,095
Operating expenses	2,553	2,847	2,688	3,036	3,492
Service tax on linked charges	635	653	655	726	726
Other expenses/provisions	0	2	24	1	1
Operating profit	36,609	16,851	79,212	47,462	54,036
Benefits paid (net)	14,330	19,451	22,641	21,106	24,268
Interim Bonuses Paid	0	213	0	0	0
Change in reserves	21,003	-5,057	54,324	23,957	26,784
Provisions	113	131	142	216	269
Surplus/(Deficit) After Tax	1,163	2,113	2,105	2,183	2,715

Source: Company, KRChoksey Research

Exhibit 2: Premium Schedule

Particulars (INR Cr.)	FY19	FY20	FY21	FY22E	FY23E
First year premiums	6,979	6,508	5,187	6,484	7,457
Single premiums	3,386	5,980	8,039	10,451	13,586
New business premium (NBP)	10,364	12,488	13,226	16,935	21,042
NBP growth (%)	13%	20%	6%	28%	24%
Renewal premiums	20,565	20,943	22,507	23,540	25,520
Renewal premiums growth (%)	15%	2%	7%	5%	8%
Total premiums	30,930	33,431	35,733	40,474	46,563
Total premium growth (%)	14%	8%	7%	13%	15%
NBP – APE	7,799	7,381	5,991	7,529	8,815
NBP - APE growth (%)	0%	-5%	-19%	26%	17%

Source: Company, KRChoksey Research

Exhibit 3: Profit & Loss Account/Shareholder's Account

Particulars (INR Cr.)	FY19	FY20	FY21	FY22E	FY23E
Transfer from Technical account	1,077	1,988	1,985	1,982	2,514
Income from investments & other income	651	660	769	954	1,049
Total income	1,728	2,648	2,754	2,936	3,563
Total expenses	565	1,580	1,672	1,030	1,030
PBT	1,163	1,069	1,081	1,906	2,533
Provision for tax	22	0	121	95	127
PAT	1,141	1,069	960	1,810	2,407

Source: Company, KRChoksey Research

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Exhibit 4: Balance Sheet

Particulars (INR Cr.)	FY19	FY20	FY21	FY22E	FY23E
Sources of funds					
Share capital	1,436	1,436	1,436	1,436	1,436
Reserves and surplus	5,440	6,106	7,067	8,426	10,233
Fair value change account - net	171	-323	616	616	616
Shareholders' fund	7,047	7,219	9,119	10,478	12,284
Liabilities (Policyholder's Funds)					
Fair value change account - net	1,783	-253	2,993	4,213	5,930
Revaluation reserve-Investment property	65	66	69	97	136
Policy liabilities	38,552	47,356	60,216	84,749	1,19,278
Provision for linked liabilities	92,650	98,976	1,05,855	1,48,984	2,09,684
Credit/[debit] fair value change account	11,050	-10,940	21,915	30,844	43,411
Discontinued due to non-payment of premium	7,245	9,048	10,779	15,170	21,351
Sub-Total	1,51,345	1,44,254	2,01,827	2,84,057	3,99,790
Funds for future Appropriations	1,034	1,233	1,354	1,451	1,451
Total Sources of Funds	1,59,426	1,52,705	2,13,500	2,38,913	2,67,503
Application of Funds					
Investments					
- Shareholders	7,992	7,421	10,090	11,101	12,213
- Policyholders	40,071	46,750	63,573	69,930	76,923
Asset held to cover linked liabilities	1,10,946	97,085	1,38,549	1,52,404	1,67,644
Loans	270	463	663	270	270
Fixed assets - net block	476	478	457	476	476
Deferred tax asset	4	0	0	0	0
Net current assets	-332	508	168	4,732	9,977
Total Applications of Funds	1,59,426	1,52,705	2,13,500	2,38,913	2,67,503

Source: Company, KRChoksey Research

Exhibit 5: EV Calculation

Particulars (INR Cr.)	FY19	FY20	FY21	FY22E	FY23E
Opening EV	18,788	21,623	23,030	29,107	35,418
Unwind	1,584	1,725	1,661	2,099	2,833
VNB (or NBAP)	1,328	1,605	1,621	1,882	2,204
Operating variance	889	-41	224	214	214
EV Operating Profit (EVOP)	3,801	3,289	3,506	4,196	5,251
Non-operating variance	-122	-1,476	2,567	2,567	2,567
EV Profit	3,679	1,813	6,073	6,763	7,818
Net capital injection	-843	-405	4	-451	-600
Closing EV	21,624	23,031	29,107	35,418	42,637

Source: Company, KRChoksey Research

Exhibit 6: Key Financials

Particulars (INR Cr.)	FY19	FY20	FY21E	FY22E	FY23E
Total premium	30,930	33,431	35,733	40,474	46,563
Net premium earned	30,578	32,879	34,973	39,665	45,631
NBP-APE	7,799	7,381	5,991	7,529	8,815
Combined ratio (%)	13.4%	13.3%	12.3%	12.0%	12.0%
Surplus/(Deficit)	1,163	2,113	2,105	2,183	2,715
VNB margin (%)	17.0%	21.8%	25.1%	25.0%	25.0%
PAT	1,141	1,069	960	1,810	2,407
EPS (Rs.)	7.9	7.4	6.7	12.5	16.6
EVPS (Rs.)	150.6	160.4	202.7	245.0	294.9
RoEV (%)	20.2%	15.2%	15.2%	14.4%	14.8%
RoE (%)	16.4%	15.0%	11.8%	18.5%	21.1%

Source: Company, KRChoksey Research

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ICICI PruLife Insurance				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
20-Apr-21	477	526	ACCUMULATE	Buy	More than 15%
17-Mar-21	444	526	BUY		
15-Dec-20	499	526	ACCUMULATE	Accumulate	5% – 15%
27-Oct-20	409	509	BUY		
27-Apr-20	337	443	BUY	Hold	0 – 5%
22-Jan -20	489	566	BUY		
18-Oct-19	477	559	BUY	Reduce	-5% – 0
				Sell	Less than – 5%

ANALYST CERTIFICATION:

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