

ICICI Prudential Life Insurance Ltd.



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VNB margins continues to expand; overall persistency improves

CMP INR 542	Target INR 772	Potential Upside 42.4%	Market Cap (INR Mn) INR 7,83,332	Recommendation BUY	Sector Life Insurance
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Result Highlights of Q4FY22 & FY22:

- In Q4FY22, the GWP grew 25.8% QoQ while declining 3.2% YoY on last year's high base. For the full year FY22, the GWP grew by 4.8% YoY due to improved growth traction in New Business Premium (NBP).
- The VNB for FY22 grew by 33.4% YoY to INR 21.63 bn. The VNB margin for FY22 stood at 28.0%, up from 25.1% for FY21. This was led by a robust growth of 20% in APE. In Q4FY22, VNB margins stood at 29.7% vs 23.6% in Q4FY21.
- The solvency ratio was 204.5% against the regulatory requirement of 150%. The total assets under management of the company were INR 2,404.92 bn as on March 31, 2022, a growth of 12.3% over INR 2,142.18 bn as on March 31, 2021.

MARKET DATA

Shares outs (Mn)	1,437
Equity Cap (INR Mn)	91,631
Mkt Cap (INR Mn)	7,83,332
52 Wk H/L (INR)	724/430
Volume Avg (3m K)	1,797
Face Value (INR)	10
Bloomberg Code	IPRU : IN

KEY FINANCIALS

Particulars (INR Mn)	FY20	FY21	FY22	FY23E	FY24E
GWP	3,34,307	3,57,328	3,74,580	4,16,889	4,74,291
PAT	10,685	9,601	7,541	12,385	13,314
EPS (INR/Share)	7.4	6.7	5.2	8.6	9.2
NBP-APE	73,810	59,911	77,330	83,221	1,00,098
VNB	16,050	16,210	21,630	23,718	29,028
VNB Margin (%)	21.8%	21.8%	28.0%	28.5%	29.0%
EVPS (INR/Share)	160.4	202.7	218.7	260.2	308.2

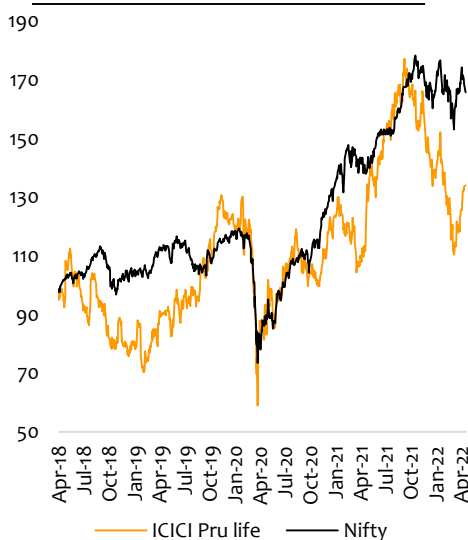
Source: Company, KRChoksey Research

Strong APE growth reported on a sequential basis: IPRU reported a strong APE growth of 35.2% QoQ while 4.0% YoY in Q4FY22. The protection APE for the quarter saw a strong growth of 32.8% YoY, contributing 17.5% to the total product portfolio. New business premium de-grew by 5.4% YoY at INR 49,076 Mn in Q4FY22. The company continued to focus on its well-diversified product mix with linked savings at 48%, traditional savings at 28%, protection at 17%, and a balance of 7% for FY22. The annuity New Business Premium (NBP) grew by 29% YoY, while the protection NBP segment grew 35% YoY in FY22. The company believes that these segments are underpenetrated in India and offer a tremendous growth opportunity. The new business sum assured stood at INR 77,31,460 Mn for FY22, making IPRU the market leader. This was aided by IPRU's innovative product pipeline & vast distribution network. The management is optimistic about the long-term structural play for the Protection business and believes that retail protection, which has a high-rated profit segment, will see a strong recovery in upcoming quarters. The company's market share climbed to 13.4% for 11MFY22, up from 12.5% in FY21, maintaining its private sector market leadership.

Expansion of VNB margins strong with outlook intact: The VNB for Q4FY22 grew by 31.1% YoY to INR 7,750 Mn, with the VNB margin for Q4FY22 at 29.7%, an improvement of 302 bps/615bps QoQ/YoY, respectively with improvement in the Annuity and Protection business contribution and overall healthy growth in APE. The management maintains its guidance of doubling the VNB by FY23E driven by a robust business model, innovative & diverse & high margin product offerings, coupled with a diverse distribution mix.

Persistency improves; expenses slightly higher: IPRU continues to see improvements in the 13th and 61st-month persistency ratios. The 13th-month persistency ratio has improved by 90 bps YoY to 85.7% at the end of March-22. Similarly, its 61st-month persistency ratio has improved to 54.4% at the end of March-21, an improvement of 170 bps QoQ. The company reported higher operating expenses in Q4FY22 due to higher discretionary expenses considering the pandemic's easing and investment in capacity for future growth.

SHARE PRICE PERFORMANCE



MARKET INFO

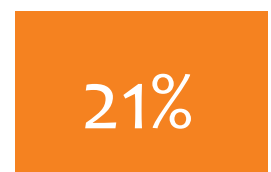
SENSEX	57,167
NIFTY	17,174

SHARE HOLDING PATTERN (%)

Particulars	Mar-22	Dec-21	Sep-21
Promoters	73.4	73.4	73.4
FIs	16.4	16.9	17.2
DIs	4.7	4.3	4.1
Others	5.5	5.4	5.3
Total	100.0	100.0	100.0



GWP CAGR between FY21 and FY24E



VNB CAGR between FY21 and FY24E

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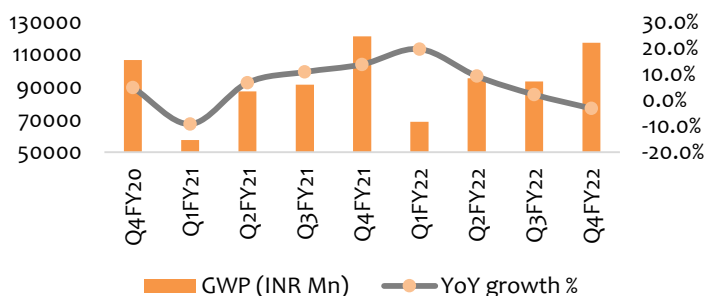
Key Concall Highlights:

- The rate of high infection due to Omicron virus in the month of Jan-Feb'22, the company had to face some loss in terms of productivity.
- IPRU's focus areas for upcoming quarters will be a revival of the retail protection business, which is currently showing subdued growth and expanding its annuity business further by increasing the contribution.
- The company is well focused on its 4P strategy, leading to a substantial expansion in VNB margins and the aspiration to double the VNB by FY23E.
- Protection remains a long-term growth story for the industry.
- The company has achieved partnerships with 27 banks as of 31st March 2022 and is performing well for the company. The non-ICICI contribution has increased for IPRU from 4% in FY19 to 14% in FY22.
- ICICI bank reported subdued growth in APE due to a slow down in the retail protection segment. The management expects this to turn around for a select set of products in the upcoming months.
- IPRU has taken a minimum price hike in the retail protection segment, which has not impacted the business.
- The retail protection segment is expected to trigger VNB's margin expansion in FY23E.
- The company is expected to focus on increasing the contribution from the agency & direct segments to attain the growth opportunities.
- IPRU continued to invest in new digital initiatives and adding employees, which has led to higher cost ratios for FY22. However, this increase is not expected to continue in FY23E. According to the management, the share from ULIP has fallen sharply in FY22, which has led to a well-diversified mix.

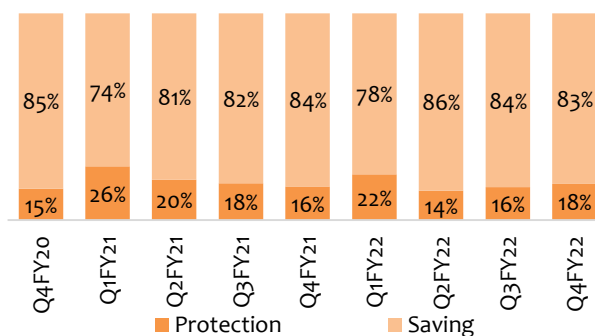
Valuation and view

IPRU in Q4FY22 has shown a healthy performance on margin & APE front. The company's increasing focus on the Annuity & Protection segment has helped IPRU to deliver higher margins of 29.7% in Q4FY22. In addition, this expansion will support attaining its objective of doubling its VNB by FY23E. IPRU continues to improve its market share every quarter, which is better than its peers. Thus, we believe IPRU is well-positioned to grab the upcoming growth opportunity in the long-term structural story. We expect GWP to grow at a CAGR of 10% over FY21-24E and margins at ~29.0% with increased contribution from the high-margin product segment & improving its customer base using new distribution partnerships. Since our last update, the ICICI Prudential Life Insurance share has corrected by ~6%. **We assign a 2.5x P/EV on FY24E EVPS of INR 310 and a VNB multiple of 31x to arrive at a weighted average Target Price (unchanged) of INR 772 per share (50:50 weights on the P/EV and appraisal value methodology); indicating a 42.4% upside from the CMP. Accordingly, we re-iterate our "BUY" rating on the shares of ICICI Prudential Life Insurance Ltd.**

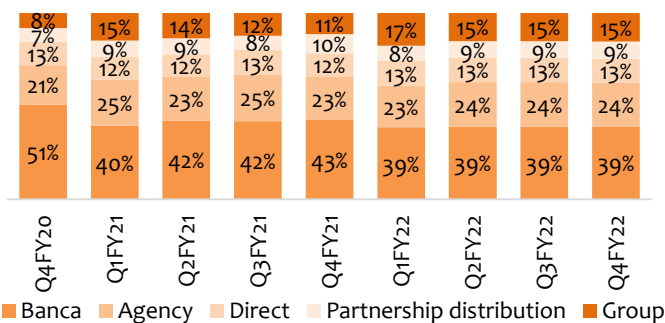
Gross Written Premium – Annuity segment continues to grow strongly



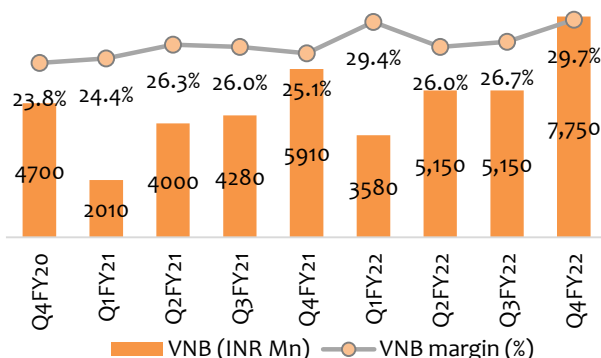
Product mix on APE basis (%)



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 Mn)	FY20	FY21	FY22	FY23E	FY24E
Gross premiums	3,34,307	3,57,328	3,74,580	4,16,889	4,74,291
Reinsurance ceded	5,520	7,595	11,367	8,338	9,486
Net premiums	3,28,787	3,49,734	3,63,213	4,08,551	4,64,806
Net income from investments	-1,09,395	4,91,057	2,72,432	2,05,982	2,29,580
Total income	2,19,393	8,40,791	6,35,645	6,14,533	6,94,385
Commission expenses	15,860	15,002	16,729	24,180	27,509
Operating expenses	28,469	26,883	36,730	47,942	54,544
Service tax on linked charges	6,534	6,546	6,914	7,593	8,136
Other expenses/provisions	19	238	281	250	250
Operating profit	1,68,511	7,92,122	5,74,991	5,34,567	6,03,947
Benefits paid (net)	1,94,506	2,26,409	2,93,588	2,09,237	2,37,927
Interim Bonuses Paid	2,132	0	0	0	0
Change in reserves	-50,569	5,43,241	2,57,838	2,97,237	3,35,878
Provisions	1,314	1,418	1,662	2,528	2,713
Surplus/(Deficit) After Tax	21,128	21,054	21,904	25,565	27,429

Source: Company, KRChoksey Research

Exhibit 2: Premium Schedule

Particulars (INR Mn)	FY20	FY21	FY22	FY23E	FY24E
First year premiums	65,078	51,872	59,655	71,586	85,903
Single premiums	59,797	80,389	95,367	1,16,348	1,41,945
New business premium (NBP)	1,24,875	1,32,261	1,55,023	1,87,934	2,27,848
NBP growth (%)	20%	6%	17%	21%	21%
Renewal premiums	2,09,432	2,25,068	2,19,558	2,28,954	2,46,443
Renewal premiums growth (%)	2%	7%	-2%	4%	8%
Total premiums	3,34,307	3,57,328	3,74,580	4,16,889	4,74,291
Total premium growth (%)	8%	7%	5%	11%	14%
NBP – APE	73,810	59,911	77,330	83,221	1,00,098
NBP - APE growth (%)	-5%	-19%	29%	8%	20%

Source: Company, KRChoksey Research

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

Particulars (INR Mn)	FY20	FY21	FY22	FY23E	FY24E
Transfer from Technical account	19,885	19,849	21,602	25,065	26,679
Income from investments & other income	6,600	7,690	10,136	8,278	9,107
Total income	26,485	27,538	31,738	33,342	35,786
Total expenses	15,799	16,724	23,833	20,305	21,772
PBT	10,685	10,814	7,906	13,037	14,014
Provision for tax	0	1,213	365	652	701
PAT	10,685	9,601	7,541	12,385	13,314

Source: Company, KRChoksey Research

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Exhibit 4: Balance Sheet

Particulars (INR Mn)	FY20	FY21	FY22	FY23E	FY24E
Sources of funds					
Share capital	14,358	14,360	14,373	14,373	14,373
Reserves and surplus	61,056	70,671	75,915	85,213	95,208
Fair value change account - net	-3,228	6,158	1,342	1,342	1,342
Shareholders' fund	72,185	91,189	91,631	1,00,928	1,10,923
Liabilities (Policyholder's Funds)					
Fair value change account - net	-2,525	29,935	28,275	31,842	35,982
Revaluation reserve-Investment property	656	687	680	765	865
Policy liabilities	4,73,556	6,02,156	7,36,822	8,29,790	9,37,663
Provision for linked liabilities	9,89,764	10,58,551	11,61,143	13,07,650	14,77,645
Credit/[debit] fair value change account	-1,09,397	2,19,153	2,44,271	2,75,092	3,10,854
Discontinued due to non-payment of premium	90,482	1,07,787	1,03,249	1,16,276	1,31,392
Sub-Total	14,42,537	20,18,269	22,74,439	25,61,417	28,94,401
Funds for future Appropriations	12,327	13,540	13,833	14,500	14,500
Total Sources of Funds	15,27,049	21,35,003	23,91,903	26,99,104	30,44,977
Application of Funds					
Investments					
- Shareholders	74,209	1,00,902	98,535	1,08,406	1,19,265
- Policyholders	4,67,503	6,35,726	7,73,880	8,51,268	9,36,395
Asset held to cover linked liabilities	9,70,850	13,85,491	15,08,663	16,59,529	18,25,482
Loans	4,631	6,628	9,401	10,000	10,000
Fixed assets - net block	4,776	4,572	4,872	4,756	4,756
Deferred tax asset	0	0	0	0	0
Net current assets	5,080	1,684	-3,449	65,145	1,49,078
Total Applications of Funds	15,27,049	21,35,003	23,91,903	26,99,104	30,44,977

Source: Company, KRChoksey Research

Exhibit 5: EV Calculation

Particulars (INR Mn)	FY20	FY21	FY22	FY23E	FY24E
Opening EV	2,16,230	2,30,300	2,91,060	3,16,250	3,76,221
Unwind	17,250	16,610	20,850	22,770	27,088
VNB (or NBAP)	16,050	16,210	21,630	23,718	29,028
Operating variance	-410	2,240	-10,560	6,570	6,570
EV Operating Profit (EVOP)	32,890	35,060	31,920	53,058	62,686
Non-operating variance	-14,760	25,670	-4,370	10,000	10,000
EV Profit	18,130	60,730	27,550	63,058	72,686
Net capital injection	-4,050	30	-2,360	-3,087	-3,319
Closing EV	2,30,310	2,91,060	3,16,250	3,76,221	4,45,588

Source: Company, KRChoksey Research

Exhibit 6: Key Financials

Particulars (INR Mn)	FY20	FY21	FY22	FY23E	FY24E
Total premium	3,34,307	3,57,328	3,74,580	4,16,889	4,74,291
Net premium earned	3,28,787	3,49,734	3,63,213	4,08,551	4,64,806
NBP-APE	73,810	59,911	77,330	83,221	1,00,098
Combined ratio (%)	13.3%	11.4%	14.3%	17.3%	17.3%
Surplus/(Deficit)	21,128	21,054	21,904	25,565	27,429
VNB margin (%)	21.8%	21.8%	28.0%	28.5%	29.0%
PAT	10,685	9,601	7,541	12,385	13,314
EPS (Rs.)	7.4	6.7	5.2	8.6	9.3
EVPS (Rs.)	160.4	202.7	220.0	261.8	310.0
RoEV (%)	15.2%	15.2%	11.0%	16.8%	16.7%
RoE (%)	15.0%	11.8%	8.2%	12.9%	12.6%

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
19-Apr-22	542	772	BUY	Buy	More than 15%
19-Jan-22	574	772	BUY		
20-Oct-21	636	772	BUY	Accumulate	5% – 15%
31-Aug-21	660	679	HOLD	Hold	0 – 5%
20-Apr-21	477	526	ACCUMULATE	Reduce	-5% – 0
17-Mar-21	444	526	BUY		
15-Dec-20	499	526	ACCUMULATE	Sell	Less than – 5%

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