

ICICI Prudential Life Insurance Ltd.



ICICI Prudential Life Insurance Ltd.

Consistently high VNB margin leading to a strong growth in VNB

CMP INR 513	Target INR 680	Potential Upside 32.6%	Market Cap (INR Mn) INR 737,975	Recommendation BUY	Sector Life Insurance
-----------------------	--------------------------	----------------------------------	---	------------------------------	---------------------------------

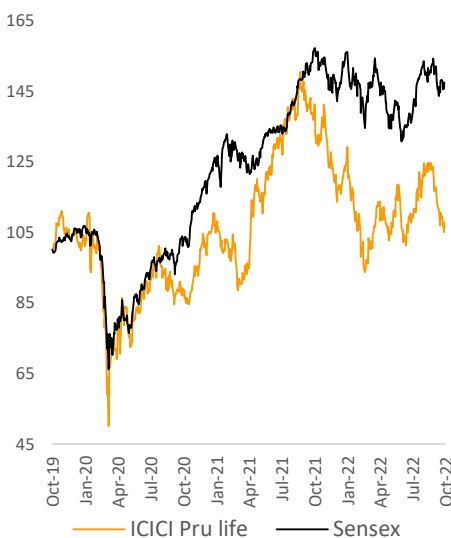
Result Highlights of Q2 FY23:

- In Q2FY23, the Gross Written Premium (GWP) grew 36.2% YoY/ 3.8% QoQ at INR 98,956 Mn driven by 26.2% YoY growth in the New Business Premium (NBP). For H1FY23, the GWP stood at INR 1,71,603 Mn, a growth of 4.6% YoY with NBP growing by 13.9% YoY.
- APE for Q2FY23 stood at INR 19,990 Mn, an increase of 31.5% YoY/ 1.1% QoQ. The VNB for Q2FY23 grew by 31.7% YoY/ 20.5% QoQ to INR 6,208 Mn. The VNB margin for Q2FY23 stood at 31.1%, up from 26.0% for Q2FY22.
- The solvency ratio as of September 30, 2022, was 200.7%. The Embedded Value as of September 30, 2022, stood at INR 326.48 bn, a growth of 8.1% YoY.

MARKET DATA

Shares outs (Mn)	1,437
Equity Cap (INR Mn)	96,295
Mkt Cap (INR Mn)	737,975
52 Wk H/L (INR)	682/430
Volume Avg (3m K)	1,120
Face Value (INR)	10
Bloomberg Code	IPRU : IN

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	58,961
NIFTY	17,487

KEY FINANCIALS

Particulars (INR Mn)	FY20	FY21	FY22	FY23E	FY24E
GWP	3,34,307	3,57,328	3,74,580	4,13,788	4,69,554
PAT	10,685	9,601	7,541	9,230	10,091
EPS (INR/Share)	7.4	6.7	5.2	6.4	7.0
NBP-APE	73,810	59,911	77,330	81,837	98,433
VNB	16,050	16,210	21,630	25,370	31,007
VNB Margin (%)	21.8%	21.8%	28.0%	31.0%	31.5%
EVPS (INR/Share)	160.4	202.7	220.0	254.8	295.8

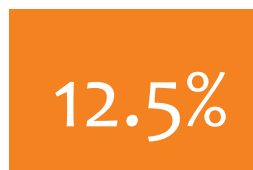
Source: Company, KRChoksey Research

Margins continue to be strong led by product mix change: IPRU reported VNB margins at 31.1%, an improvement of 501 bps YoY/ 6 bps QoQ for Q2FY23. The company saw an expansion of 372 bps in margins at 31.0% for H1FY23. This increase was owing to the shift in the underlying product mix. The VNB margin expansion led to a VNB growth of 20.5% YoY/ 31.7% QoQ at INR 6,208 Mn in Q2FY23. For H1FY23, the absolute VNB stood at INR 10,920 Mn, a growth of 25.1% YoY. The company expects to sustain the VNB margins with increasing contributions from the high-margin product mix. The growth in VNB reflects that the company is on track to achieve its target of doubling the VNB by FY23E. IPRU will have to achieve a growth of 22.8% YoY by the end of FY23E in VNB to reach its target. Going ahead, the company will focus on reviving the retail protection segment, which is a high-margin segment. The management is confident of outperforming the industry in terms of VNB growth over the medium term. We expect VNB to grow at 19.7% CAGR by FY22-24E with a sustainable rate of margins at 31.5% by FY24E.

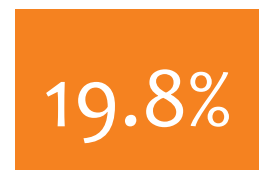
Annuity & protection segments continues to drive premium growth: The Gross Written Premium (GWP) witnessed a growth of 3.8% YoY/ 26.2% QoQ, led by 7.3% YoY/ 26.2% QoQ growth in New Business Premium in Q2FY23. The company reported GWP growth of 4.6% YoY at INR 1,71,603 Mn in H1FY23. The APE growth for the quarter saw moderation at 1.1% YoY, while for H1FY23, the growth was 10.1% YoY. The Annuity APE for H1FY23 grew by 68.8% YoY, whereas the Protection APE grew by 29.1%. The Annuity segment remains the key focus area for the company. The company believes that the under penetration of the Annuity & Protection segment offers a significant opportunity for growth. In the protection segment, IPRU continues to take advantage of the opportunity in the group business, specifically on group credit life products. It witnesses significant demand for the group protection products, especially with the pricing recalibrated closer to the pre-COVID-19 levels. Diversifying the product and distribution mix has helped the company mitigate the impact of macro uncertainties and fulfill to changing consumer. The management believes that with a solvency ratio of 200.7% as of September 2022, the company is well positioned to capture the long-term growth opportunity.

SHARE HOLDING PATTERN (%)

Particulars	Jun-22	Mar-22	Dec-21
Promoters	73.4	73.4	73.4
FIIs	16.4	16.4	16.9
DIIIs	4.7	4.7	4.3
Others	5.5	5.5	5.4
Total	100.0	100.0	100.0



GWP CAGR between FY22 and FY24E



VNB CAGR between FY22 and FY24E

ANALYST

 Vikrant Kashyap, research2@krchoksey.com, +91-22-6696 5413

KRChoksey Research

 is also available on Bloomberg KRCS<GO>
Thomson Reuters, Factset and Capital IQ

 Phone: +91-22-6696 5555, Fax: +91-22-6691 9576
www.krchoksey.com

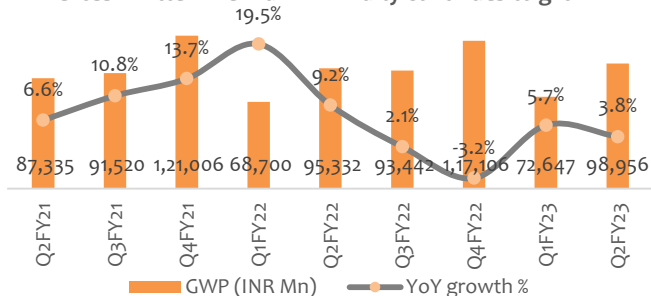
ICICI Prudential Life Insurance Ltd.

Key Concall Highlights:

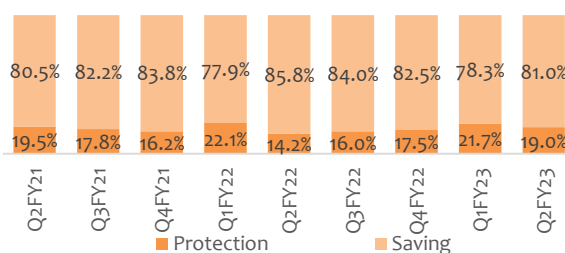
- The regulator has proposed the formation of Bima Sugam, an all-in-one digital platform for solicitation, servicing, and claims. This would be a game changer and possibly the UPI moment for the insurance industry. IPRU expects this unified platform to be used by many customers to fulfil all their insurance needs as also as insurers as well as intermediaries, in conjunction with other market participants such as insurance repositories and connectivity to external databases and ecosystems.
- The regulator has granted relief in terms of allowing specific categories of products to be launched via the use and file approach and relaxation of investment norms and documentation requirements for purchasing immediate annuity products. Further, the regulator released a series of exposure drops in distribution, management expenses, other forms of capital, and dematerialisation of insurance policies. These regulatory reforms will structurally and functionally reform the sector and boost insurance growth and development while enhancing the ease of business for the insurance industry.
- The company is focused on investment in building existing channels and also widening the distribution to maintain the diversified distribution mix.
- The diversification agenda on both the product and the distribution mix is on track, enabling the company to manage the impact of external development and respond to the changing consumer preferences from behaviour in an agile manner.
- IPRU has been leveraging the opportunity in the Group Protection business while simultaneously seeking to revive the retail protection business.
- With the VNB growth of 25.1% for H1FY23 and the favourable premium base for the coming months, IPRU management believes that the company is on track to achieve the aspiration of doubling the VNB. Its primary objective is to outperform the industry on VNB growth over the medium term.
- The retail protection growth has broadly stabilized on a sequential basis.

Valuation and view: IPRU reported a healthy growth momentum with strong growth in absolute VNB. The Annuity & Protection segment performances remained stellar. VNB margins expanded during the quarter owing to a shift in the underlying product mix, resulting in resilient growth in absolute VNB. As a result, it is inching closer to its goal of doubling the VNB by the end of FY23E. Going forward, the company aims to outperform the industry in terms of VNB growth. The company has maintained its overall market leadership amongst its private peers. It will focus on reviving the retail protection segment in upcoming quarters. IPRU has actively focused on adding new Banca partners and agency mix to gain strong premium growth. We expect GWP to grow at a CAGR of 12.0% over FY22-24E, while margins to sustain at 31.0%-31.5% levels with the expansion of the distribution mix & shift in the product mix. With rising awareness and demand for financial-saving products, Indian life insurance companies have a significant opportunity. Thus, IPRU is well positioned to capture it considering its improving market share and leadership amongst the private peers. Since our last update, the ICICI Prudential Life Insurance share has corrected by ~1.3%. **We assign a 2.3x P/EV on FY24E EVPS of INR 295.8 and a VNB multiple of 24.0x to arrive at a weighted average Target Price of INR 680 per share (unchanged) (50:50 weights on the P/EV and appraisal value methodology); indicating a 32.6% upside from the CMP. Accordingly, we re-iterate our “BUY” rating on the shares of ICICI Prudential Life Insurance Ltd.**

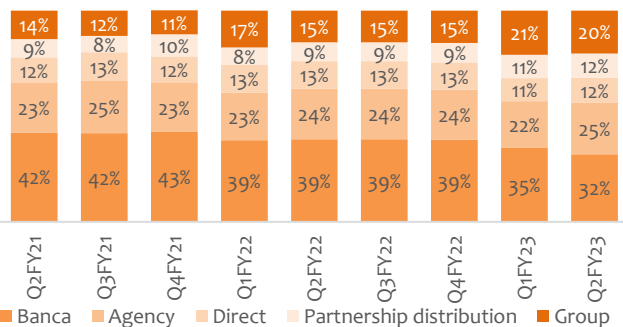
Gross Written Premium – Annuity continues to grow



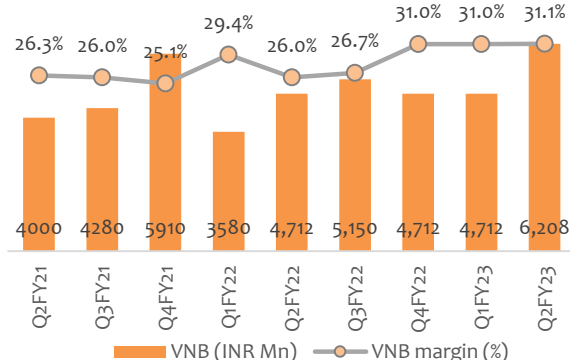
Product mix on APE basis (%)



Channel mix on APE basis (%)



Value of new business



Source: Company, KRChoksey Research

ICICI Prudential Life Insurance Ltd.

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	4,13,788	4,69,554
Reinsurance ceded	5,520	7,595	11,367	8,276	9,391
Net premiums	3,28,787	3,49,734	3,63,213	4,05,512	4,60,163
Net income from investments	-1,09,395	4,91,057	2,72,432	1,79,895	2,28,283
Total income	2,19,393	8,40,791	6,35,645	5,85,408	6,88,446
Commission expenses	15,860	15,002	16,729	24,827	28,173
Operating expenses	28,469	26,883	36,730	47,586	53,999
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	5,05,151	5,97,888
Benefits paid (net)	1,94,506	2,26,409	2,93,588	1,83,357	2,35,560
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	1,719	1,852
Surplus/(Deficit) After Tax	21,128	21,054	21,904	22,838	24,599

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	70,393	84,472
Single premiums	59,797	80,389	95,367	1,14,441	1,39,618
New business premium (NBP)	1,24,875	1,32,261	1,55,023	1,84,834	2,24,089
NBP growth (%)	20%	6%	17%	19%	21%
Renewal premiums	2,09,432	2,25,068	2,19,558	2,28,954	2,45,465
Renewal premiums growth (%)	2%	7%	-2%	4%	7%
Total premiums	3,34,307	3,57,328	3,74,580	4,13,788	4,69,554
Total premium growth (%)	8%	7%	5%	10%	13%
NBP – APE	73,810	59,911	77,330	81,837	98,433
NBP - APE growth (%)	-5%	-19%	29%	6%	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	20,338	22,099
Income from investments & other income	6,600	7,690	10,136	8,278	9,107
Total income	26,485	27,538	31,738	28,616	31,206
Total expenses	15,799	16,724	23,833	18,900	20,584
PBT	10,685	10,814	7,906	9,715	10,622
Provision for tax	0	1,213	365	486	531
PAT	10,685	9,601	7,541	9,230	10,091

Source: Company, KRChoksey Research

ANALYST

Vikrant Kashyap, research2@krchoksey.com, +91-22-6696 5413

KRChoksey Research

is also available on Bloomberg KRCS<GO>
Thomson Reuters, Factset and Capital IQ

Phone: +91-22-6696 5555, Fax: +91-22-6691 9576
www.krchoksey.com

ICICI Prudential Life Insurance Ltd.

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	82,844	90,420
Fair value change account - net	-3,228	6,158	1,342	1,342	1,342
Shareholders' fund	72,185	91,189	91,631	98,560	1,06,135
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	26,96,735	30,40,189
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	62,776	1,44,290
Total Applications of Funds	15,27,049	21,35,003	23,91,903	26,96,735	30,40,189

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	3,66,159
Unwind	17,250	16,610	20,850	22,770	26,363
VNB (or NBAP)	16,050	16,210	21,630	25,370	31,007
Operating variance	-410	2,240	-10,560	6,570	6,570
EV Operating Profit (EVOP)	32,890	35,060	31,920	54,710	63,940
Non-operating variance	-14,760	25,670	-4,370	-2,500	-2,500
EV Profit	18,130	60,730	27,550	52,210	61,440
Net capital injection	-4,050	30	-2,360	-2,301	-2,515
Closing EV	2,30,310	2,91,060	3,16,250	3,66,159	4,25,083

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	4,13,788	4,69,554
Net premium earned	3,28,787	3,49,734	3,63,213	4,05,512	4,60,163
NBP-APE	73,810	59,911	77,330	81,837	98,433
Combined ratio (%)	13.3%	11.4%	14.3%	17.5%	17.5%
Surplus/(Deficit)	21,128	21,054	21,904	22,838	24,599
VNB margin (%)	21.8%	21.8%	28.0%	31.0%	31.5%
PAT	10,685	9,601	7,541	9,230	10,091
EPS (Rs.)	7.4	6.7	5.2	6.4	7.0
EVPS (Rs.)	160.4	202.7	220.0	254.8	295.8
RoEV (%)	15.2%	15.2%	11.0%	17.3%	17.5%
RoE (%)	15.0%	11.8%	8.2%	9.7%	9.9%

Source: Company, KRChoksey Research

ICICI Prudential Life Insurance Ltd.

ICICI PruLife Insurance				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
18-Oct-22	513	680	BUY	Buy	More than 15%
18-Jul-22	521	680	BUY		
18-Apr-22	542	772	BUY	Accumulate	5% – 15%
19-Jan-22	574	772	BUY	Hold	0 – 5%
20-Oct-21	636	772	BUY	Reduce	-5% – 0
31-Aug-21	660	679	HOLD		
20-Apr-21	477	526	ACCUMULATE	Sell	Less than – 5%

ANALYST CERTIFICATION:

I, Vikrant Kashyap (PGDBM-Finance & IT), Research Analyst, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Terms & Conditions and other disclosures:

KRChoksey Shares and Securities Pvt. Ltd (hereinafter referred to as KRCSPL) is a registered member of National Stock Exchange of India Limited and Bombay Stock Exchange Limited. KRCSPL is a registered Research Entity vide SEBI Registration No. INH00001295 under SEBI (Research Analyst) Regulations, 2014.

We submit that no material disciplinary action has been taken on KRCSPL and its associates (Group Companies) by any Regulatory Authority impacting Equity Research Analysis activities.

KRCSPL prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analyst covers. The information and opinions in this report have been prepared by KRCSPL and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of KRCSPL. While we would endeavor to update the information herein on a reasonable basis, KRCSPL is not under any obligation to update the information. Also, there may be regulatory, compliance or other reasons that may prevent KRCSPL from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or KRCSPL policies, in circumstances where KRCSPL might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. KRCSPL will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. KRCSPL accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Our employees in sales and marketing team, dealers and other professionals may provide oral or written market commentary or trading strategies that reflect opinions that are contrary to the opinions expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

Associates (Group Companies) of KRCSPL might have received any commission/compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of brokerage services or specific transaction or for products and services other than brokerage services.

KRCSPL or its Associates (Group Companies) have not managed or co-managed public offering of securities for the subject company in the past twelve months.

KRCSPL encourages the practice of giving independent opinion in research report preparation by the analyst and thus strives to minimize the conflict in preparation of research report. KRCSPL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither KRCSPL nor Research Analysts have any material conflict of interest at the time of publication of this report.

It is confirmed that, Vikrant Kashyap (PGDBM-Finance & IT), Research Analyst of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific brokerage service transactions.

KRCSPL or its associates (Group Companies) collectively or its research analyst do not hold any financial interest/beneficial ownership of more than 1% (at the end of the month immediately preceding the date of publication of the research report) in the company covered by Analyst, and has not been engaged in market making activity of the company covered by research analyst.

It is confirmed that, Vikrant Kashyap (PGDBM-Finance & IT), Research Analyst do not serve as an officer, director or employee of the companies mentioned in the report.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other Jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject KRCSPL and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform them of and to observe such restriction.

Please send your feedback to research.insti@krchoksey.com

Visit us at www.krchoksey.com

KRChoksey Shares and Securities Pvt. Ltd

Registered Office:

1102, Stock Exchange Tower, Dalal Street, Fort, Mumbai – 400 001.

Phone: +91-22-6633 5000; Fax: +91-22-6633 8060.

Corporate Office:

ABHISHEK, 5th Floor, Link Road, Andheri (W), Mumbai – 400 053.

Phone: +91-22-6696 5555; Fax: +91-22-6691 9576.

ANALYST

Vikrant Kashyap, research2@krchoksey.com, +91-22-6696 5413

KRChoksey Research

is also available on Bloomberg KRCS<GO>
Thomson Reuters, Factset and Capital IQ

Phone: +91-22-6696 5555, Fax: +91-22-6691 9576

www.krchoksey.com