

BUY

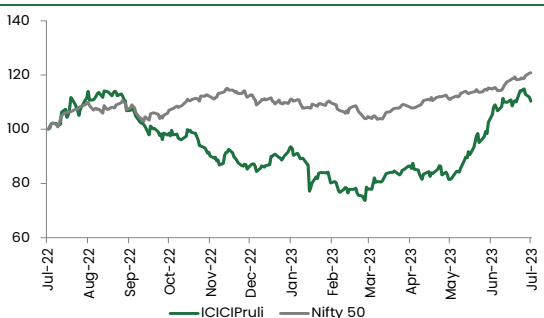
CMP (Rs)	575
Target Price (Rs)	679
Potential Upside	18.0%
Sensex	66,795
Nifty	19,749

Key Stock data	
BSE Code	540133
NSE Code	ICICIPRULI
Bloomberg	IPRU:IN
Shares o/s, Cr (FV 10)	143.9
Market Cap (Rs Cr)	82,778.5
3M Avg Volume	2,207,740.9
52 week H/L	616/381

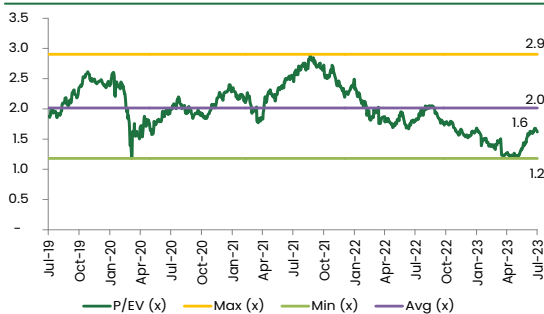
Shareholding Pattern

(%)	Sep-22	Dec-22	Mar-23
Promoter	73.4	73.4	73.4
FII	16.6	15.4	15.2
DII	5.0	5.9	6.1
Public	5.0	5.3	5.3

1 Year relative price performance



1 year forward P/EV (x)



Research Analyst

Akshay Tiwari

akshay.tiwari@religare.com

Muted Top-line; Return of ULIPs in Product Mix

Q1FY24 Result Update | Sector: Insurance | July 19, 2023

Flat top-line, increase in costs: ICICI Prudential's (IPRU) top-line remained muted in Q1FY24 as net premium income increased by 2% YoY to Rs 7,020cr. The flat net premium income was mainly due to decline in first year premium and single premium by 2% YoY and 6% YoY, respectively. Even though, the premium income remained flattish, net commission remained elevated at 25% YoY as first year commission and single commission saw a growth of 23% YoY and 94% YoY, respectively. Annualized premium equivalent declined by 4% YoY to Rs 1,460cr.

VNB margins remained under pressure: The private insurer's value of new business (VNB) saw a decline of 7% YoY to Rs 440cr as cost increased. The management iterated that the increase in cost was mainly due to increase in manpower cost and expanding capacity utilization and expects to yield its results in the next two quarters going forward.

Rise of ULIPs in product mix: The product mix in terms of APE saw increase in the share of ULIPs from 27% in Q4FY23 to 38.8% in Q1FY24. While ULIPs share increased, non-participating products saw a decline from 51.4% in Q4FY23 to 27.7% in Q1FY24. The decline in non-participating mix was expected due to the accelerated sales in this product segment in the last quarter to avoid taxation norms. Protection plans continued to maintain its growth momentum to 24% of the total APE mix. The management expects to increase its footprint in all the segments as consumer preference changes rapidly in the changing environment.

Distribution channels: The company Bancassurance channels remain steady as it contributed 29% of the total APE with equal contribution from both ICICI Bank and other banks. It has partnership with 29 banks providing access to more than 19,000 bank branches. Other than bancassurance channels, direct and group also saw increase in the APE share which was driven by analytics driven upsell channel. The management shall continue to invest in these distribution channels going forward to reach its customers.

Persistency ratio improvement: IPRU's another positive element for the quarter was improvement in overall persistency levels. The 13th month and 61st month persistency ratio levels improved by 80bps YoY and 630bps, respectively. The management remains confident of its existing product line-up and aims to continue with the same products going forward.

Valuation: We remain positive on the insurance company as we believe that the company will see business growth going forward. We believe the growth will be driven by the company's capacity expansion and establishing relationships with the banking partners. The growth in ULIP products if sustained will be another driver for growth of the company. We have revised the target price of the company upwards to Rs 679 and also changed rating to Buy from Accumulate valuing the company at a P/EV of 1.9x of its FY25E embedded value per share.

Financial Summary - consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Gross premiums	37,458	39,933	44,505	48,541
Total Income	63,565	50,478	65,132	70,547
Total Benefits	54,929	40,821	64,430	68,723
Surplus/(Deficit) after tax	2,190	1,102	399	1,509
APE	7,733	8,640	10,503	12,621
VNB	2,163	2,765	3,586	4,599
New business premium (NBP)	15,036	16,922	20,156	24,329
Embedded value (EV)	31,630	35,639	41,759	51,305
EV per share	219.2	247.0	289.4	355.6
P/EV	2.62	2.33	1.99	1.62

Source : RBL Research

Net premium income remained muted at 2% YoY growth due to accelerated policy sales in last quarter

Con-call highlights: 1) The company shall increase VNB through 4P strategy – premium growth, protection focus, persistency improvement and productivity enhancement. 2) The premium growth was flattish as some part of the premium income was pulled in March due to which it saw a decline 3) Growth in premium income is being derived from both increase in average ticket size and increase in number of policies. 4) With regards to premium of more than Rs 5 lakhs, the company is seeing from non-par segment to ULIP segment to avoid tax burden. 5) The company is seeing good traction in its product Non-Constant Maturity which was launched in May and is one of its kind products. 6) Going forward, the company believes that it is the growth that will drive forward instead of margins.

Policyholders account – consolidated

Particulars, Rs cr	Q1FY24	Q1FY23	Y-o-Y %	Q4FY23	Q-o-Q %
First year premium	1,022.7	1,038.5	-1.5%	2,632.8	-61.2%
Renewal premium	4,157.5	3,894.1	6.8%	7,230.3	-42.5%
Single premium	2,194.6	2,332.2	-5.9%	3,128.9	-29.9%
Total premium	7,374.8	7,264.7	1.5%	12,992.0	-43.2%
Net premium income	7,020.0	6,884.2	2.0%	12,629.1	-44.4%
Income from investments	16,030.9	-8,670.8	-284.9%	-1,905.3	-941.4%
Other income	44.7	33.3	34.0%	43.6	2.3%
Transfer of funds from shareholders ac	445.6	292.1	52.6%	732.4	-39.2%
Total	23,541.2	-1,461.2	-1711.1%	11,499.8	104.7%
Commission					
First year premium	221.1	180.1	22.8%	530.6	-58.3%
Renewal premium	75.2	71.4	5.3%	140.3	-46.4%
Single premium	71.3	36.8	93.5%	41.0	73.7%
Total commission	367.6	288.3	27.5%	711.9	-48.4%
Net commission	383.5	305.9	25.4%	753.5	-49.1%
Expenses of management	1,494.7	1,224.3	22.1%	2,320.4	-35.6%
Other expenses	153.2	162.9	-5.9%	47.1	225.5%
Provision for taxes	8.8	44.1	-80.0%	47.1	-81.2%
Benefits paid	7,945.8	5,512.5	44.1%	8,760.7	-9.3%
Change in actuarial liability	13,738.0	-8,799.9	-256.1%	-693.0	-2082.3%
Total	23,340.5	-1,856.1	-1357.5%	10,640.5	119.4%
Surplus/(deficit)	200.7	395.0	-49.2%	859.3	-76.6%

Source : RBL Research

Shareholders account – consolidated

Revenue by Geographies (Rs Cr)	Q1FY24	Q1FY23	Y-o-Y	Q4FY23	Q-o-Q
Transfer from policyholders account	379.6	296.0	28.2%	822.3	-53.8%
Investment income	331.7	175.8	88.7%	260.0	27.6%
Other income	1.9	3.0	-37.7%	4.2	-55.0%
Expenses other than insurance business	23.2	25.8	-10.3%	32.7	-29.2%
Transfer of funds to policyholders ac	445.6	292.1	52.6%	732.4	-39.2%
Provision for diminution in value of investments	35.9	-	NA	4.1	770.6%
Profit/(loss) before tax	208.5	156.8	32.9%	317.2	-34.3%
Provision for taxes	1.6	0.3	503.8%	81.9	-98.1%
PAT	206.9	156.6	32.2%	235.3	-12.1%

Source : RBL Research

PAT growth of 32.2% YoY was mainly due to income from investments

APE declined by 4% YoY in Q1FY24

Agency and Partnership Distribution channels grew by 4.7% and 28.5% YoY

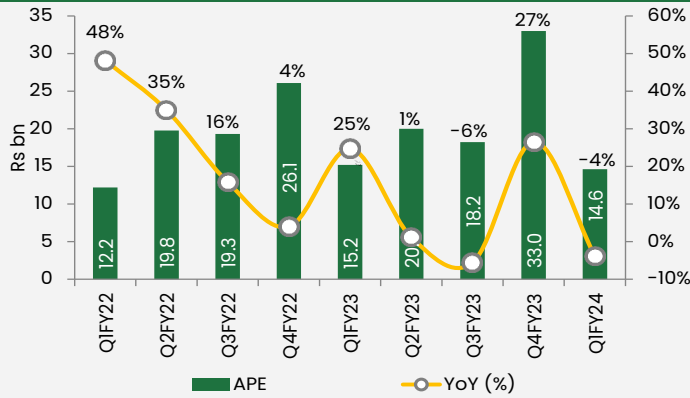
Business parameters – consolidated

Particulars, Rs cr	Q1FY24	Q1FY23	Y-o-Y %	Q4FY23	Q-o-Q %
APE Mix (Rs cr)					
Linked	566.0	616.0	-8.1%	888.0	-36.3%
Non-linked	404.0	421.0	-4.0%	1,695.0	-76.2%
Annuity	91.0	98.0	-7.1%	170.0	-46.5%
Group funds	55.0	56.0	-1.8%	92.0	-40.2%
Savings	1,116.0	1,191.0	-6.3%	2,846.0	-60.8%
Protection	344.0	330.0	4.2%	454.0	-24.2%
Total APE	1,460.0	1,521.0	-4.0%	3,300.0	-55.8%
APE Mix (%)					
Unit Linked	38.8	40.5	-173bps	26.9	1186bps
Non-linked	27.7	27.7	-1bps	51.4	-2369bps
Annuity	6.2	6.4	-21bps	5.2	108bps
Group funds	3.8	3.7	9bps	2.8	98bps
Savings	76.4	78.3	-187bps	86.2	-980bps
Protection	23.6	21.7	187bps	13.8	980bps
Distribution Mix (Rs cr)					
Banc assurance	423	528	-19.9%	910	-53.5%
Agency	357	341	4.7%	904	-60.5%
Direct	212	165	28.5%	388	-45.4%
Partnership distribution	181	169	7.1%	657	-72.5%
Group	289	318	-9.1%	441	-34.5%
Total APE	1,462	1,521	-3.9%	3,300	-55.7%
Distribution Mix (%)					
Banc assurance	28.9	34.7	-578bps	27.6	136bps
Agency	24.4	22.4	200bps	27.4	-298bps
Direct	14.5	10.8	365bps	11.8	274bps
Partnership distribution	12.4	11.1	127bps	19.9	-753bps
Group	19.8	20.9	-114bps	13.4	640bps
Persistency ratio (%)					
13th month	84.4	83.6	80bps	84.2	20bps
61st month	63.0	56.7	630bps	64.1	-110bps
Solvency Ratio (%)	203.4	203.6	-20bps	208.9	-550bps
Annual premium equivalent	1,461.0	1520	-3.9%	3300	-55.7%
New business premium	3,051.0	3184	-4.2%	5635	-45.9%
Value of new business	438.0	471	-7.0%	1055	-58.5%
VNB margin (%)	30.0	31.6	-156bps	36.1	-613bps

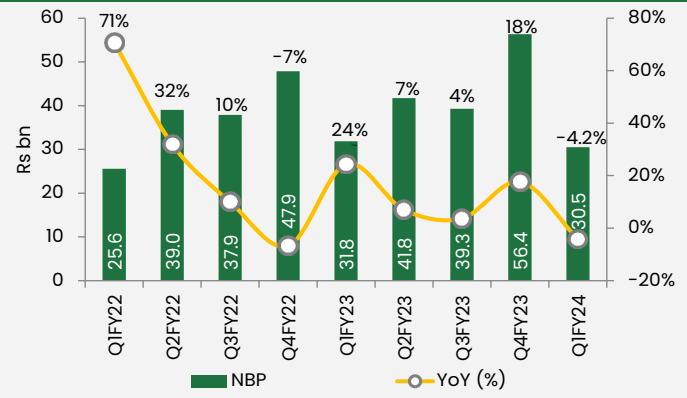
Source : RBL Research

Story in charts

Annualized premium equivalent (APE) declined by 4% YoY in Q1FY24

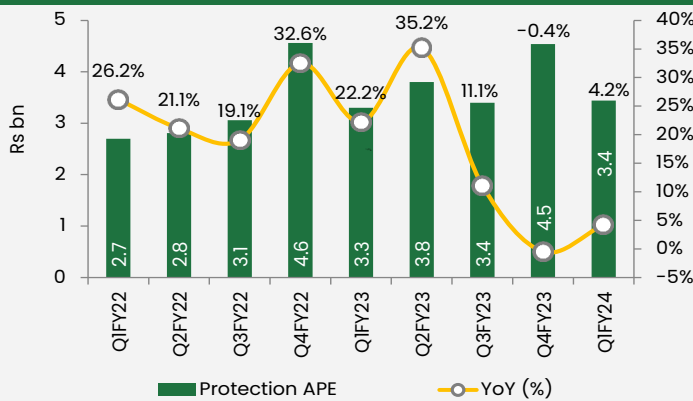


New business premium (NBP) declined by 4% YoY in Q1FY24

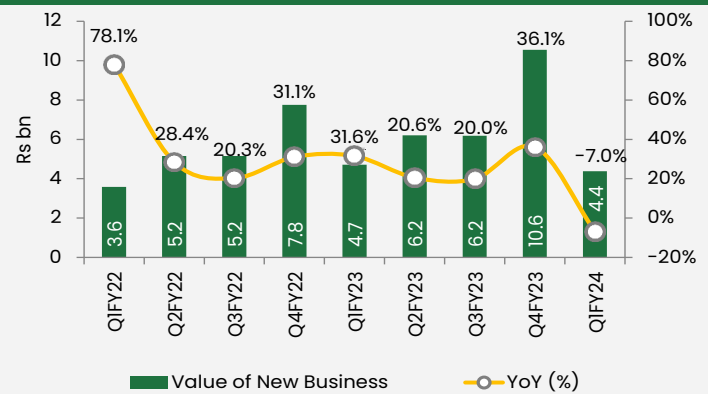


Source : RBL Research

Protection APE increased marginally by 4%

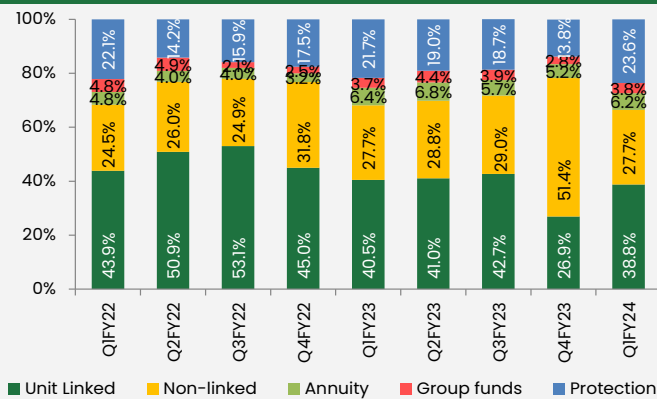


VNB declined due to increase in cost

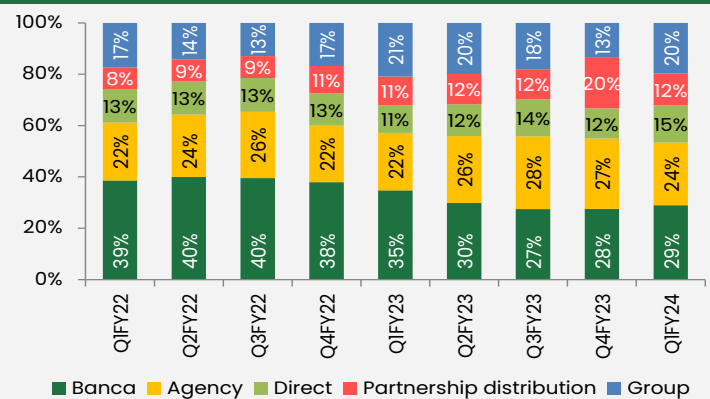


Source : RBL Research

United linked and Protection plan in product mix saw a rise

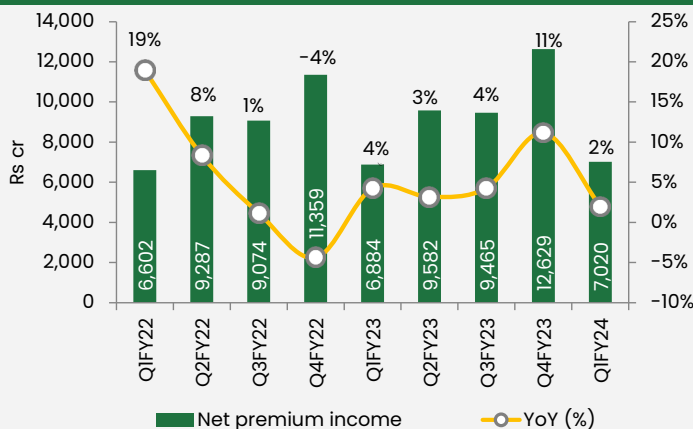


Banca network remains strong

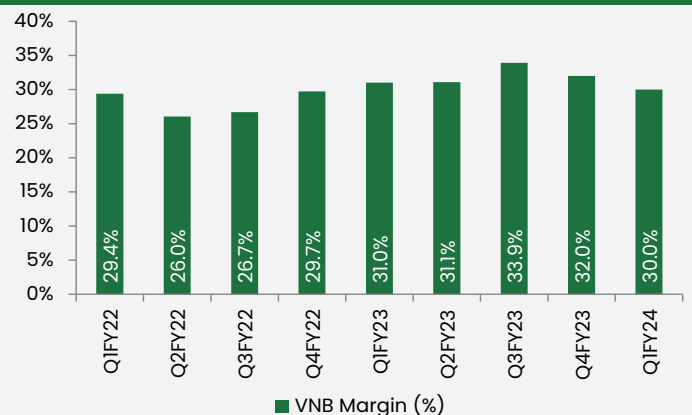


Source : RBL Research

Net premium income saw a marginal increase of 2% YoY



VNB margin declined due to increase in cost



Source : RBL Research

Technical account – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Gross premiums	37,458	39,933	44,505	48,541
Net premiums	36,955	38,563	42,975	46,872
Investment income	36,955	38,563	42,975	46,872
Contribution from the Shareholders account	2,161	1,802	2,127	2,510
Total Income	63,565	50,478	65,132	70,547
Commissions	1,673	1,864	1,972	2,151
Operating expenses	3,673	4,583	4,368	4,798
Benefits paid	29,145	31,004	36,244	42,059
Change in valuation of life reserves	25,784	9,817	28,186	26,665
Total Benefits	54,929	40,821	64,430	68,723
Surplus/(Deficit) before tax	2,357	2,486	702	1,823
Tax	-166	-1,384	-303	-315
Surplus/(Deficit) after tax	2,190	1,102	399	1,509

Source : RBL Research

Balance Sheet – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Share capital	1,437	1,439	1,439	1,439
Reserves and surplus	7,586	8,371	12,751	16,437
Fair value change account	134	280	427	550
Shareholder's equity	9,158	10,089	14,616	18,426
Borrowings	1,200	1,200	1,200	1,200
Fair value change account	2,895	2,833	2,744	2,733
Policy liabilities	224,548	234,365	232,370	233,090
Funds for future appropriations	1,383	1,669	1,655	1,660
Total liabilities	230,027	240,067	237,969	238,683
Total liabilities and shareholders equity	239,185	250,157	252,586	257,109
Shareholders investments	9,847	9,847	10,493	10,808
Policyholders investments	77,388	94,311	99,026	104,275
Unit linked investments	150,866	144,058	139,554	138,987
Loans	940	1,314	1,419	1,575
Fixed assets	488	596	598	604
Net current assets/(liabilities)	-345	30	-864	-1,125
Total assets	239,185	250,157	252,586	257,109

Source : RBL Research

Shareholders account – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Transfer from policyholder's a/c	2,160	2,016	2,097	2,212
Investment income	1,014	880	585	667
Other income	12	14	15	16
Total income	3,186	2,910	3,375	3,663
Operating expenses	111	115	98	112
Contribution to the policyholders a/c	2,161	1,802	1,718	1,975
Profit before tax	795	900	1,558	1,576
Tax	-36	-87	-139	-83
Profit after tax	759	814	1,420	1,493

Source : RBL Research

Key ratios – consolidated

Particulars	FY22	FY23	FY24E	FY25E
VNB	2,163	2,765	3,586	4,599
VNB growth (%)	33%	28%	30%	28%
VNB margin (%)	28%	32%	34%	36%
APE	7,733	8,640	10,503	12,621
APE growth (%)	20%	12%	22%	20%
NBP	15,036	16,922	20,156	24,329
NBP growth (%)	15%	13%	19%	21%

Source : RBL Research

EV movement – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Opening EV	29,110	31,630	35,639	41,759
Value of New Business (VNB)	2,163	2,765	3,586	4,599
Unwind	2,085	2,708	2,887	3,132
Operating assumption changes	-91	-161	-181	-213
Operating variance	-964	-	-	-
EVOP	3,193	5,488	6,291	7,518
Economic assumption change	-437	-1,449	2,187	4,013
Net capital injection	-236	-30	-2,359	-1,985
Embedded value (EV)	31,630	35,639	41,759	51,305
Return on embedded value (ROEV)	11%	17%	18%	18%

Source : RBL Research

Research Team

Name	Email ID
Siddarth Bhamre	siddarth.bhamre@religare.com
Ajit Mishra	ajit.mishra@religare.com
Manoj Vayalar	manoj.vayalar@religare.com
Nirvi Ashar	nirvi.ashar@religare.com
Gaurav Arora	gaurav.arora3@religare.com
Akshay Tiwari	akshay.tiwari@religare.com
Abhijeet Banerjee	abhijeet.banerjee@religare.com
Gaurav Sharma	gauravsharma2@religare.com
Rohan Shah	rohan.shah@religare.com

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Statements on ownership and material conflicts of interest, compensation– Research Analyst (RA)

S. No.	Statement	Answer	
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]

Nature of Interest (if answer to F (a) above is Yes :

.....

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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