



3R MATRIX

	+	=	-
Right Sector (RS)	Green	Grey with check	Red
Right Quality (RQ)	Green with check	Grey	Red
Right Valuation (RV)	Green with check	Grey	Red

+ Positive = Neutral - Negative

What has changed in 3R MATRIX

	Old		New
RS	Grey	↔	Grey
RQ	Green	↔	Green
RV	Green	↔	Green

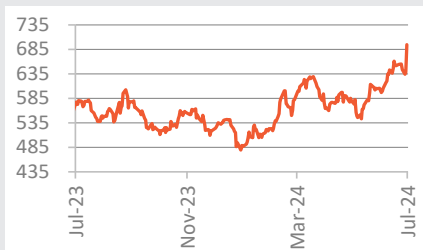
Company details

Market cap:	Rs. 1,01,124 cr
52-week high/low:	Rs. 704 / 464
NSE volume: (No of shares)	21.2 lakh
BSE code:	540133
NSE code:	ICICIPRULI
Free float: (No of shares)	38.9 cr

Shareholding (%)

Promoters	73.2
FII	13.2
DII	8.8
Others	4.8

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	16.8	24.3	44.2	21.5
Relative to Sensex	13.5	16.1	31.8	1.1

Sharekhan Research, Bloomberg

ICICI Prudential Life Insurance

Mixed bag Q1, outlook improving

Insurance	Sharekhan code: ICICIPRULI		
Reco/View: Buy	↔	CMP: Rs. 701	Price Target: Rs. 800
↑ Upgrade	↔ Maintain	↓ Downgrade	↑

Summary

- ICICI Prudential reported a ~34% y-o-y growth in APE, albeit on a lower base led by strong growth across its distribution channels. VNB margins stood at 24% vs estimates of 24.5% and 30% y-o-y.
- VNB margins lagged on an adverse product mix and higher expense ratio. VNB grew by 8% y-o-y to Rs. 472 crore.
- Management expects APE growth to outpace industry led by sustained strong growth across its distribution channels, while VNB growth would depend upon product mix and expense ratio.
- We maintain a Buy with a revised PT of Rs. 800 by increasing the multiple, given growth outlook improving. The trades at 2.1x/1.8x its FY2025E/FY2026E EVPS.

ICICI Prudential Life Insurance (IPRU) reported 34% y-o-y growth in APE in Q1FY25. Value of New Business (VNB) grew by ~8% y-o-y while VNB margin stood at ~24.0%, fell by 600 bps y-o-y led by adverse product mix and higher cost. Growth was primarily led by ULIPs and annuities, which grew by 78% y-o-y and 135% y-o-y respectively, while non-linked savings declined by 18% y-o-y and retail protection grew by 1% y-o-y. Agency/direct channel posted strong growth of 62%/41% y-o-y. Bancassurance also grew by 34% y-o-y led by higher share from parent bank as other bancassurance channels are highly competitive in terms of payouts and prefer to sell high-margin products. The company reported improvement in persistency in most buckets however 61st month persistency fell 60 bps y-o-y. The company also introduced products with trail based commissions to counter the impact of higher surrender values.

Key positives

- Company witnessed strong growth in APE across its channel network.

Key negatives

- VNB margins fell 600 bps y-o-y reflecting adverse product mix and higher commission cost.
- Retail protection growth was muted at 2% y-o-y.

Management Commentary

- Management highlighted that VNB margins should be comparable to full-year margins reported in FY24. changes in growth expectations and product mix can lead to a revision. There is no targeted product mix.
- The company launched a new annuity product with 100% surrender value and trail commissions, which garnered strong traction during the quarter.
- The company also launched the 'Protect N Gain' product with higher sum assured that has gained traction in the ULIP segment.
- ICICI Bank does business of Rs. 100 crore per month and retail protection has grown well.

Our Call

Valuation – Maintain Buy with a revised PT of Rs. 800 - IPRU trades at 2.1x/1.8x its FY2025E/FY2026E EVPS. The strategy of approaching customers with a wider product bouquet through all channels will support APE growth in the medium term. The company continues to add and invest in new partnerships, offering a diversified product through a different channel. VNB margins to remain rangebound as pressure on payouts and investment in growth continues.

Key Risks

Slower growth in APE, lower VNB margins and any adverse regulatory policies/guidelines may affect its profitability.

Valuation (Consolidated)

	Rs cr				
Particulars	FY22	FY23	FY24	FY25E	FY26E
APE	7,733	8,640	9,046	11,000	12,500
VNB	2,163	2,765	2,227	2,640	3,000
VNB Margin (%)	28.0	32.0	24.6	24.0	24.0
EV	31,625	35,634	42,335	49,000	56,500
PAT	754	813	851	940	1,020
EPS (Rs.)	5.3	5.7	5.9	6.5	7.1
ROEV (%)	8.7	12.8	18.8	15.0	14.7
P/EV (x)	3.2	2.8	2.4	2.1	1.8
P/VNB (x)	46.1	36.4	45.2	38.2	33.7

Source: Company, Sharekhan Research

Key result highlights

- ♦ **Product mix:** Retail protection grew by 2% y-o-y while Group Protection segment grew by 4% y-o-y in Q1. ULIP and annuities reported strong growth of 78% y-o-y/135% y-o-y, respectively. Weak demand led to an 18% y-o-y decline in non-linked saving business. The company launched a new annuity product with 100% surrender value and trail commissions, which garnered strong traction during the quarter. The company also launched the 'Protect N Gain' product with higher sum assured that has gained traction in ULIP segment. Management expects APE growth to be ahead of industry in FY25E.
- ♦ **Persistency trends:** Persistency improved in most buckets but the 61st month persistency was down 60 bps y-o-y.
- ♦ **Distribution mix:** Strong growth across channels supported the APE growth. Agency/direct channel posted strong growth of 62%/41% y-o-y. Bancassurance also grew by 34% y-o-y led by higher share from parent bank as other bancassurance channels are highly competitive in terms of payouts and prefer to sell high-margin products. Together, agency and direct distribution contributed 52.5% to the total retail APE mix in Q1. IPRU guided that it will continue to invest in the proprietary channels to drive the business growth further.

Results (Consolidated)

					Rs cr
Particulars	Q1FY25	Q1FY24	Q4FY24	y-o-y	q-o-q
New Business Premium	3,949	3,217	6,722	23%	-41%
Net Premium	7,875	7,020	14,788	12%	-47%
Income from investments	17,353	16,031	7,265	8%	139%
Other income	54	45	55	22%	-1%
Net Commission	946	383	1,566	147%	-40%
Operating Expenses	1,040	1,111	984	-6%	6%
Benefits Paid	9,523	7,946	12,516	20%	-24%
Surplus/(Deficit)	284	201	206	42%	38%
PBT	259	207	234	25%	11%
PAT	224	206	174	9%	29%

Source: Company, Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Large opportunity but competition and regulatory risk higher

Insurance penetration is still low as compared to international benchmarks. Factors such as a large protection gap and expanding per capita income are key long-term growth drivers for the sector. India has a high protection gap; and credit protection products are still at an early stage and have the potential to grow multi-fold as penetration of retail loans improves in the country. Hence, we believe the insurance sector has a huge growth potential in India. Against this backdrop, we believe that strong players with the right mix of products, services, and distribution are likely to gain disproportionately from the opportunity. However, there is a high risk of regulatory changes/ competition, which can impact profitability.

■ Company Outlook – Aiming to outpace industry

A diversified product and distribution mix are key important pillars. Management is guiding that company would grow faster than industry in FY25E. VNB margins to remain rangebound as pressure on payouts and investment in growth continues along with change in product mix. The company is looking to optimise its channel and product matrix with a focus on improving persistency. Lower dependence on ICICI Bank is a key positive.

■ Valuation – Maintain Buy with a revised PT of Rs. 800

IPRU trades at 2.1x/1.8x its FY2025E/FY2026E EVPS. The strategy of approaching customers with a wider product bouquet through all channels will support APE growth in the medium term. The company continues to add and invest in new partnerships, offering a diversified product through a different channel. VNB margins to remain rangebound as pressure on payouts and investment in growth continues.

Peer Comparison

Companies	CMP (Rs/Share)	MCAP (Rs Cr)	P/VNB (x)		P/EV (x)		RoEV (%)	
			FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
ICICI Prudential Life Insurance	701	1,01,124	38.2	33.7	2.1	1.8	15.0	14.7
HDFC Life Insurance Company	684	1,47,052	36.1	31.4	2.6	2.3	17.0	17.0

Source: Company, Sharekhan Research

About the company

IPRU is promoted by ICICI Bank Limited and a foreign partner headquartered in the United Kingdom. The company began its operations in fiscal 2001 and has consistently been among the top private sector life insurance companies in India on a Retail Weighted Received Premium (RWRP) basis. The company offers an array of products in the protection and savings category, which match the different life stage requirements of customers, enabling them to provide a financial safety net to their families as well as achieve their long-term financial goals. The company distributes its products through a large pan-India network of individual agents, corporate agents, banks, and brokers, along with the company's proprietary sales force and its website. The company is the third-largest, private-sector life insurance company in the country.

Investment theme

Diversifying product mix and distribution mix are key important pillars. The company is looking to optimise its channel and product matrix with a focus on improving persistency and lower dependence on ICICI Bank, which is a key positive.

Key Risks

Slower growth in APE, lower VNB margins and any adverse regulatory policies/guidelines may affect its profitability.

Additional Data

Key management personnel

Anup Bagchi	Managing Director and Chief Executive Officer
Dhiren Salian	Chief Financial Officer

Source: Company

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	ICICI Bank Ltd	51.20
2	Prudential Corp Holdings Ltd	22.04
3	Compassvale Investments Pte Ltd	1.99
4	SBI Funds Management Ltd	1.98
5	GOVERNMENT OF SINGAPORE	1.94
6	ICICI Prudential Asset Management	1.84
7	CAMAS INV PTE LTD	1.77
8	GOVERNMENT PENSION FUND GLOBAL	1.59
9	BlackRock Inc	1.22
10	Vanguard Group Inc/The	1.07

Source: Bloomberg data as at April 2024

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Understanding the Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Sharekhan Research

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