Stock Update
Company Update

Sharekhan by BNP PARIBAS

Powered by the Sharekhan 3R Research Philosophy

3R MATRIX	+	=	-
Right Sector (RS)		✓	
Right Quality (RQ)	✓		
Right Valuation (RV)	✓		

\+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS		↔	
RQ		↔	
RV		↔	

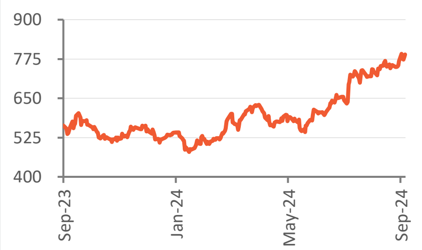
Company details

Market cap:	Rs. 1,12,671 cr
52-week high/low:	Rs. 793 / 464
NSE volume: (No of shares)	18.6 lakh
BSE code:	540133
NSE code:	ICICIPRULI
Free float: (No of shares)	39.0 cr

Shareholding (%)

Promoters	73.2
FII	13.2
DII	8.8
Others	4.8

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	3.6	28.7	28.1	37.8
Relative to Sensex	0.6	21.4	12.9	8.3

Sharekhan Research, Bloomberg

ICICI Prudential Life Insurance Company Ltd

Eyeing sustained healthy growth

Insurance	Sharekhan code: ICICIPRULI
Reco/View: Buy ↔	CMP: **Rs. 780**
Price Target: **Rs. 920** ↑	

↑ Upgrade ↔ Maintain ↓ Downgrade

Summary

- Higher APE growth from agency/direct channel is leading to market share gains and driving strong APE growth (higher than industry) for the third consecutive quarter albeit on a low base.
- Management expects to continue to grow APE ahead of the industry, as it has made considerable efforts to improve its multi-channel and multi-product approach to optimise growth.
- A lower share of non-par reduces the impact of revised surrender penalty guidelines on VNB margins. VNB growth would largely be a function of product mix, thus VNB margin would remain range bound.
- We maintain BUY with a revised PT of Rs. 920, considering the increase in the multiple, given healthy growth outlook and rollover. The stock trades at 2.3x/2.0x/1.8x its FY2025E/FY2026E/FY2027E EVPS.

ICICI Pru Life continues to guide for mid-to-high teens growth in APE (higher than the industry) and remains focused on absolute VNB growth with no specific target on VNB margins. The endeavour is to improve product level margins, thus VNB growth would largely be a function of product mix. A low (15-20%) share of non-par reduces the impact of revised surrender penalty guidelines on VNB margins and the company has introduced products with trail-based commissions to counter the impact of higher surrender values; hence, VNB margins are expected to remain range bound. The company's market share improved in retail APE to 7.2% (up 121 bps y-o-y) and in total APE to 6.3% (87 bps y-o-y) on FY2025 YTD basis. On FY2025 YTD basis, retail APE/total APE grew 40.9% y-o-y/36.2%, respectively, on a relative low base. Past efforts made, focusing on creating multi-product, multichannel distribution, reducing dependence on the parent bank etc., will likely help to sustain healthy growth going forward.

- xAPE growth to remain ahead of the industry: Management has guided for higher-than-industry APE growth, driven by faster growth in proprietary channels such as agency and direct. The parent bank will also continue to deliver Rs. 10-12 billion annual APE, as per management. Going forward, the company believes it needs to constantly enhance its offering to customers and partners at every stage, which is crucial to capitalise on large untapped demand. The company expects annuity and protection segments to offer large growth opportunities. The company also remains focused on absolute VNB growth with no specific target on VNB margins. The endeavour is to improve product level-margins, thus VNB growth would largely be a function of the product mix.
- Distribution mix is getting balanced: The company has been stepping up its agency channel and has invested in adding other proprietary channels, providing good visibility for APE growth. The company's distribution mix is getting more balanced and has now become more diversified with agency and banca contributing to APE mix at 29% each, group/ direct/partnership at 12-15%. Agency/Direct business/ Banca/other partnerships APE were up 62%/40%/34%/25% y-o-y in Q1. The company had invested in distribution mix during FY2023-FY2024 to counter the decline at the parent bank – these investments have now started to deliver.
- Impact of surrender regulations: A lower share of non-par reduces the impact of revised surrender penalty guidelines on VNB margins and the company has introduced products with trail-based commissions. A combination of better pricing, change in payout structures, and better product mix will counter the impact of higher surrender values; hence, VNB margins are expected to remain range bound.

Our Call

Valuation – Maintain BUY with a revised PT of Rs. 920: Past efforts made, focusing on creating multi-product, multi-channel distribution, reducing dependence on the parent bank etc., will likely help to sustain healthy growth going forward. Management has guided for higher-than-industry APE growth, driven by faster growth in proprietary channels such as agency and direct. VNB margins are expected to remain range bound. Valuation at 2.3x/2.0x/1.8x its FY2025E/FY2026E/FY2027E EVPS seems attractive, considering the expected 18% APE/VNB CAGR over FY2024-FY2027E.

Key Risks

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

Valuation Rs cr

Particulars	FY23	FY24	FY25E	FY26E	FY27E
APE	8,640	9,046	11,000	12,500	15,000
VNB	2,765	2,227	2,600	3,000	3,640
VNB Margin (%)	32.0	24.6	23.6	24.0	24.3
EV	35,634	42,335	49,000	56,000	62,500
PAT	813	851	950	1,050	1,200
EPS (Rs.)	5.7	5.9	6.6	7.3	8.3
ROEV (%)	17.4	14.1	15.0	15.0	15.0
P/EV (x)	3.1	2.7	2.3	2.0	1.8
P/VNB (x)	40.6	50.5	43.3	37.6	31.0

Source: Company; Sharekhan estimates

Strong retail premium growth leading to market share gains

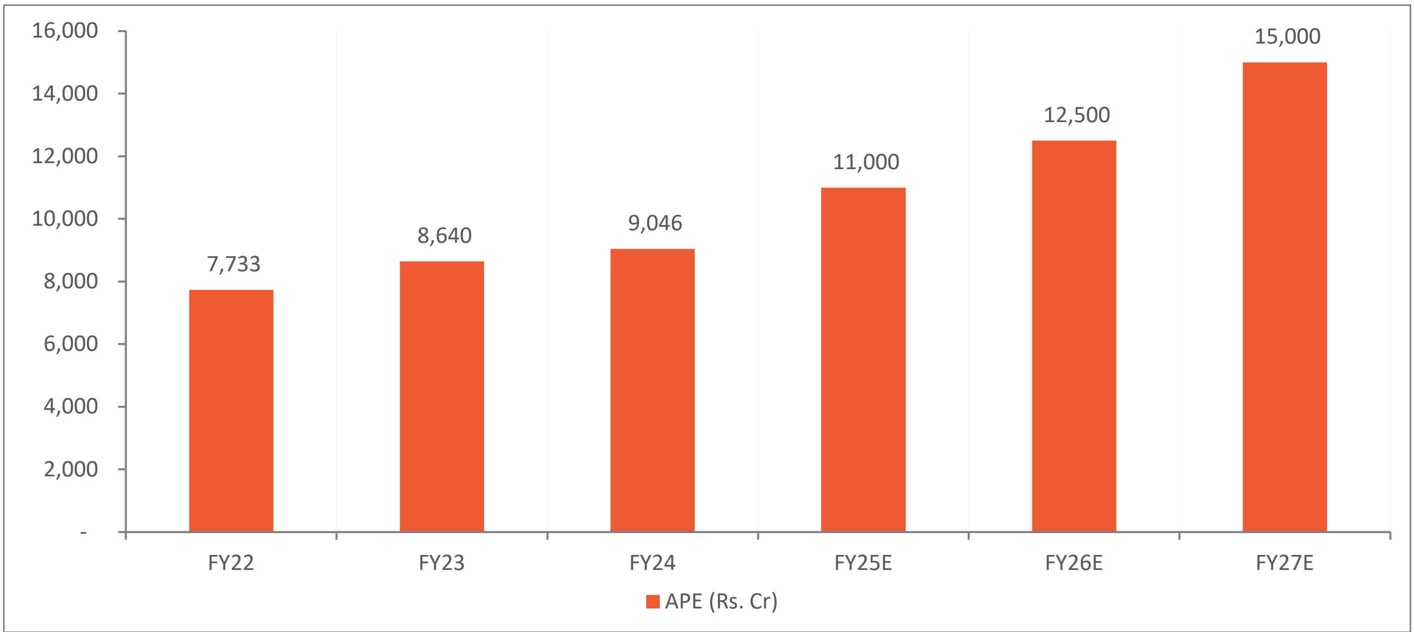
RWRP growth vs. industry

RWRP (Y-o-Y growth)	Q3-FY2024	Q4-FY2024	Q1-FY2025	July-August 2024
Overall industry	5.9%	0.3%	19.7%	14.5%
Private industry	9.4%	2.4%	23.8%	21.8%
ICICI Pru Life	10.0%	11.5%	46.8%	34.6%

Endeavour to grow ahead of industry

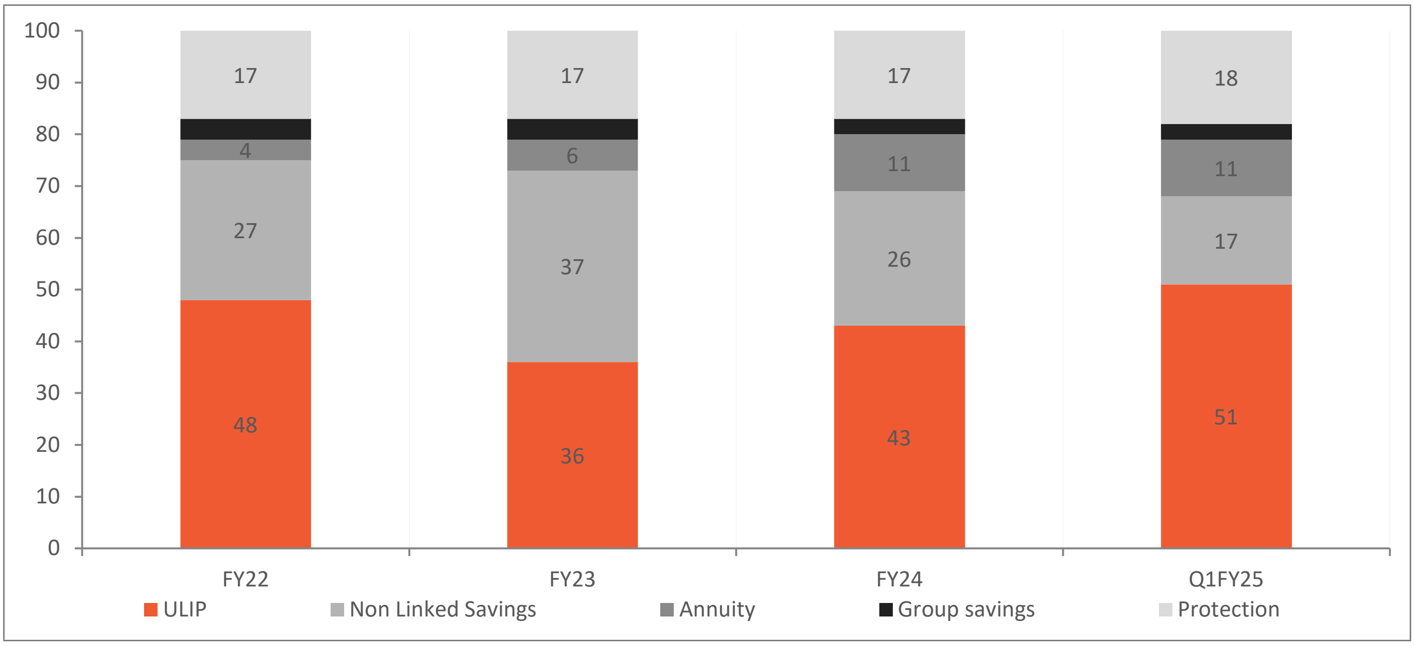
Source: Company, Sharekhan Research

APE expected to post an 18% CAGR over FY2024-FY2027E



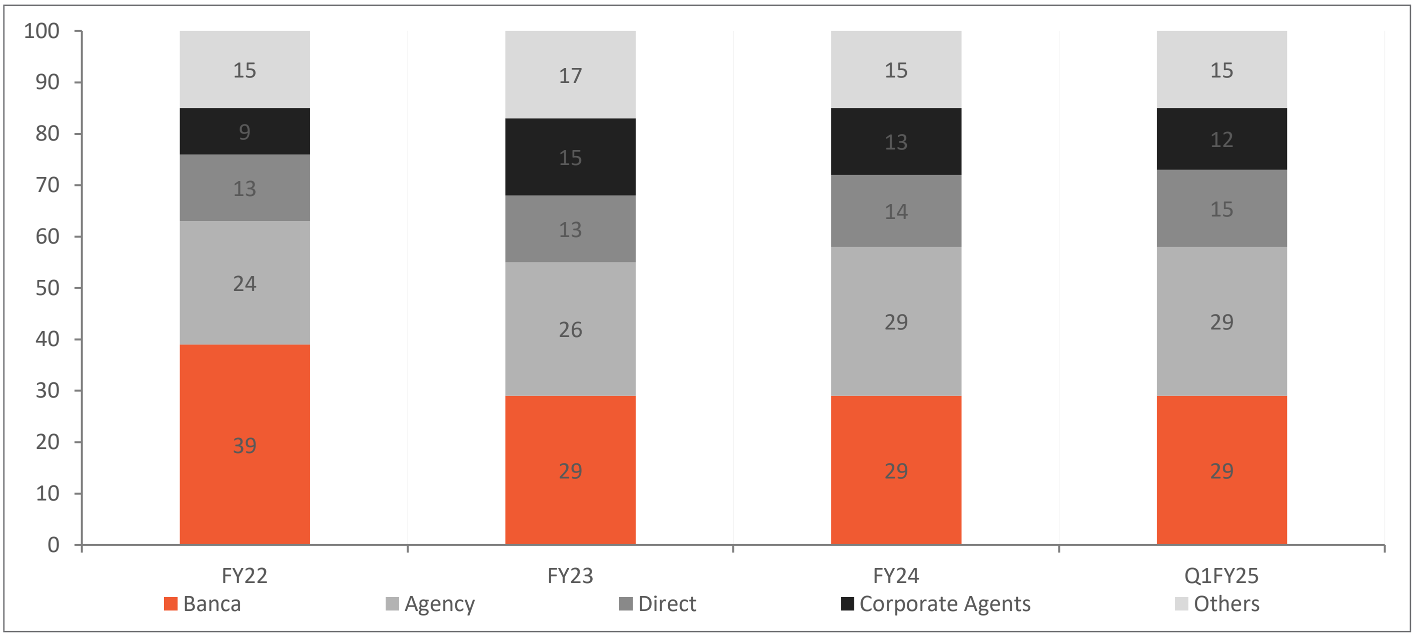
Source: Company, Sharekhan Research

Product mix as a % of APE



Source: Company, Sharekhan Research

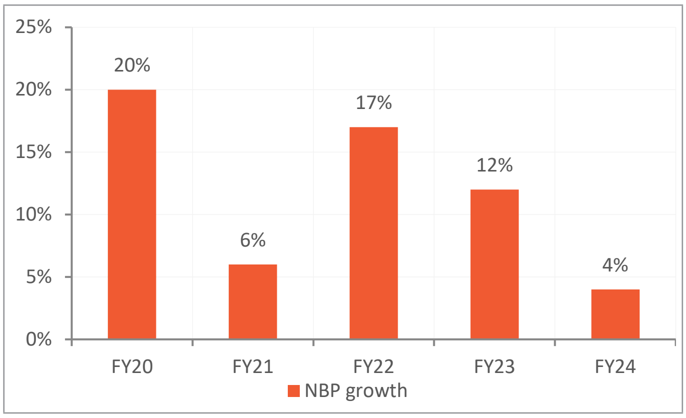
Distribution mix as a % of APE



Source: Company, Sharekhan Research

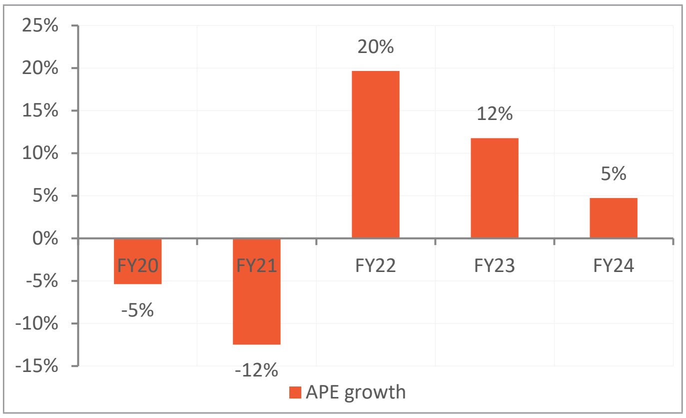
Financials in charts

Trend in NBP Growth



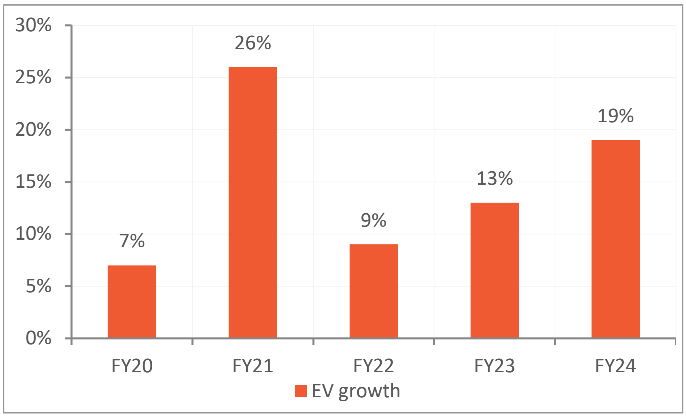
Source: Company, Sharekhan Research

Trend in APE Growth



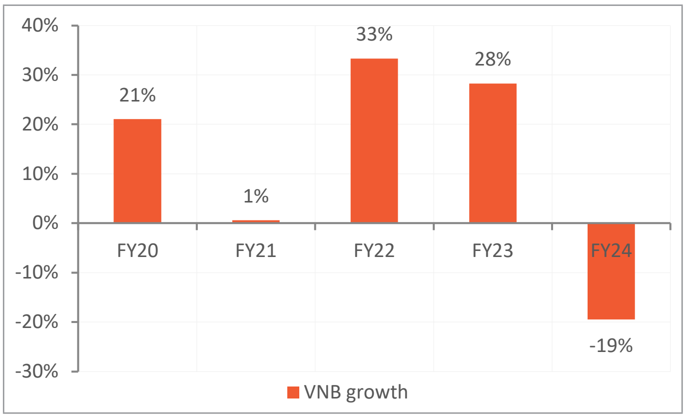
Source: Company, Sharekhan Research

Trend in EV Growth



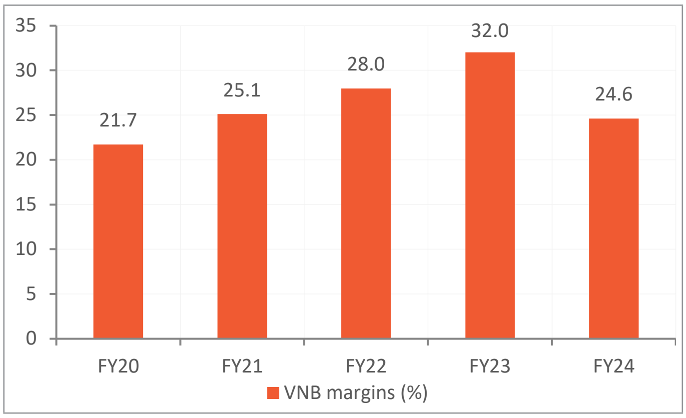
Source: Company, Sharekhan Research

Trend in VNB Growth



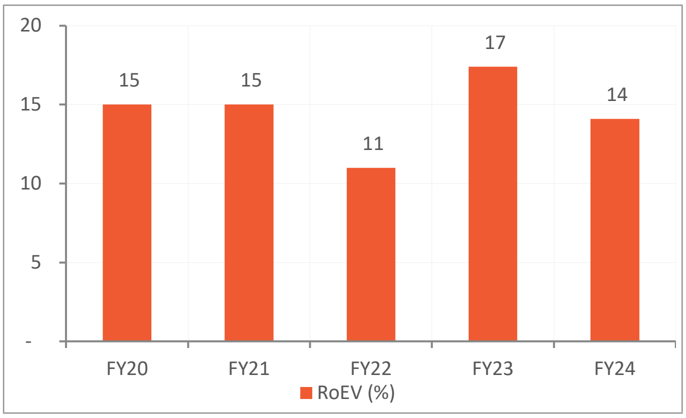
Source: Company, Sharekhan Research

Trend in VNB margins



Source: Company, Sharekhan Research

Trend in RoEV



Source: Company, Sharekhan Research

Outlook and Valuation

■ Sector View – 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 the industry

A diversified product and distribution mix are key important pillars. Management has guided that the company would grow faster than the industry's APE. The company also remains focused on absolute VNB growth with no specific target on VNB margins. The endeavour is to improve product-level margins, thus VNB growth would largely be a function of the product mix. VNB margins are likely to remain range bound. The company is looking to optimise its channel and product matrix with a focus on improving persistency. Lower dependence on the parent bank is a key positive.

■ Valuation – Maintain BUY with a revised PT of Rs. 920:

Past efforts made, focusing on creating multi-product, multi-channel distribution, reducing dependence on the parent bank etc., will likely help to sustain healthy growth going forward. Management has guided for higher-than-industry APE growth, driven by faster growth in proprietary channels such as agency and direct. VNB margins are expected to remain range bound. Valuation at 2.3x/2.0x/1.8x its FY2025E/FY2026E/FY2027E EVPS seems attractive, considering the expected 18% APE/VNB CAGR over FY2024-FY2027E.

Peer valuation

Particulars	CMP (Rs / Share)	MCAP (Rs Cr)	P/VNB (x)		P/EV (x)		RoEV (%)	
			FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
ICICI Prudential Life Insurance	780	1,12,686	43.3	37.6	2.3	2.0	15.0	15.0
HDFC Life Insurance Company	719	1,54,648	37.9	33.0	2.7	2.3	17.0	16.5

Source: Company, Sharekhan estimates

About 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 Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	ICICI Bank Ltd.	51.07
2	Prudential Corp Holdings Ltd.	21.98
3	SBI Funds Management Ltd.	2.13
4	Republic of Singapore	1.99
5	Compassvale Investments Pte Ltd.	1.99
6	CAMAS INV PTE LTD	1.77
7	ICICI Prudential Asset Management	1.75
8	GOVERNMENT PENSION FUND GLOBAL	1.66
9	Norges Bank	1.66
10	BlackRock Inc.	1.18

Source: Bloomberg

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 detoriating 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

Sharekhan
by BNP PARIBAS

DISCLAIMER

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Other registrations of Sharekhan Ltd.: SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD) / MCX - Commodity: INZ000171337; BSE – 748, NSE – 10733, MCX – 56125, DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669 (date of initial registration: 03/07/2004, and valid till 02/07/2026); IRDAI Registered Corporate Agent (Composite) License No. CA0950, valid till June 13, 2027.

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For any complaints/grievance, email us at igc@sharekhan.com or you may even call Customer Service desk on - 022- 41523200/022-69920600.