

# Q2FY25

## ICICI Prudential Life Insurance Ltd.



## ICICI Prudential Life Insurance Ltd.

Margins still under pressure; ULIPs driving business growth

CMP* INR 747	Target INR 750	Potential Upside 0.4%	Market Cap (INR Mn) 10,78,731	Recommendation HOLD	Sector Life Insurance
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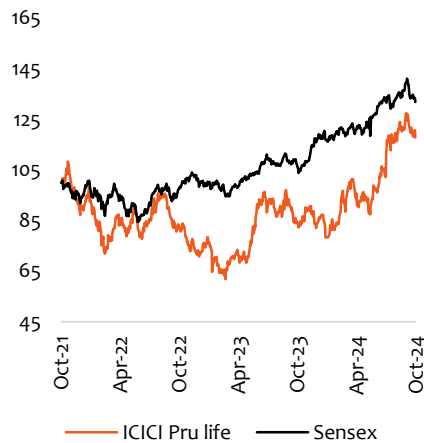
### Result Highlights Q2FY25:

- The Gross Written Premium (GWP) for Q2FY25 stood at INR 111,752 Mn, a growth of 7.2% YoY (+34.9% QoQ), primarily led by a 34.6% YoY surge in the first-year premium. GWP was lower than our estimates. The Value of the New Business (VNB) grew by 1.6% YoY (+24.2% QoQ) to INR 5,860 Mn. VNB was 2.7% higher than our estimates, led by higher APE growth. PAT for Q2FY25 was INR 2,517 Mn, an increase of 3.1% YoY/ 11.7% QoQ. As of September 30, 2024, AUM stood at INR 3,205 Bn, a growth of 17.9% YoY (+3.8% QoQ).
- The shift in product mix toward unit-linked savings products, while contributing to top-line growth, will continue to put pressure on VNB margins, as these products have lower margins compared to non-linked savings and protection offerings.
- We assign a 1.8x P/EV (unchanged) on FY26E EVPS of INR 416.0 to arrive at a Target Price of INR 750 per share (unchanged), indicating a 0.4% upside from the CMP. Accordingly, we maintain our rating of “HOLD” on the shares.

### MARKET DATA

Shares outs (Mn)	1,444
Mkt Cap (INR Mn)	10,78,731
52 Wk H/L (INR)	797/ 463
Volume Avg (3m K)	1,325
Face Value (INR)	10
Bloomberg Code	IPRU : IN

### SHARE PRICE PERFORMANCE



### MARKET INFO

SENSEX	80,082
NIFTY	24,436

### KEY FINANCIALS

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
GWP	399,328	432,356	495,986	559,451	635,909
PAT	8,107	8,524	8,137	9,245	11,128
EPS (INR)	5.6	5.9	5.6	6.4	7.7
NBP-APE	86,400	90,460	110,080	126,910	148,606
VNB	27,650	22,270	26,749	31,347	37,152
VNB Margin (%)	32.0%	24.6%	24.3%	24.7%	25.0%
EVPS (INR)	247.7	293.1	350.5	416.0	491.2

Source: Company, KRChoksey Research

### Product mix and decline in G-Sec yields impacted the VNB margins:

- For Q2FY25, the VNB margin stood at 23.4%, a decline of 458 bps YoY/ 64 bps QoQ). The decline in VNB margin was primarily due to two factors: a) the shift in the underlying product mix towards unit link and the decline in the non-participating business, and b) the impact of macroeconomic factors such as the decline in G-Sec yields.
- The company aims to maximize margins in unit-linked products through four strategies: selling longer-tenure products, attaching riders, increasing commission multiples, and ensuring composite delivery. The company is also evaluating structures to potentially increase margins, such as the platinum product on the unit link side with a trail commission format.
- The margin movement from Q1FY25 to H1FY25 was negligible (-28 bps) despite a small impact from the yield curve in Q2FY25.
- For H1FY25, the company reported a cost to TWRP of 29.4%. This ratio declined from 32.6% in Q1FY25), indicating an improvement in cost efficiency.
- The cost to TWRP for the savings line of business stood at 17.9% in H1FY25, down from 19.2% in Q1FY25.
- IPRU is working to bring down costs, particularly in the savings business, while continuing to invest in growth areas such as the protection business, which is margin accretive.
- While continuing to invest in its growth engines, such as the protection segment, IPRU aims to leverage technology and process improvements to enhance operational efficiency.

### SHARE HOLDING PATTERN (%)

Particulars	Sep-24	Jun-24	Mar-24
Promoters	73.1	73.2	73.2
FIIIs	13.0	13.2	13.4
DIIIs	9.3	8.8	8.5
Others	4.6	4.8	4.9
Total	100	100	100.0

\*Based on previous closing

Note: All the market data is as of previous closing

18.4%

APE CAGR between FY24 and FY26E

18.6%

VNB CAGR between FY24 and FY26E

## ICICI Prudential Life Insurance Ltd.

### Healthy business growth led by strong retail segment:

- Total APE stood at INR 25,040 Mn for Q2FY25, reporting a growth of 21.4% YoY/ 27.6% QoQ. This was led by a continued surge of 34.6% YoY in the first-year premium segment. The New Business Premium (NBP) saw a 12.2% YoY growth during the quarter. The single premium segment reported a muted growth of 0.9% YoY. Driven by the strong APE growth, the company gained 1.1% private sector market share on an RWRP (Renewal Weighted Received Premium) basis, reaching 10.3% in H1FY25.
- The renewal premium stood at INR 60,858 Mn, a mere increase of 3.3% YoY in Q2FY25. However, the growth in NBP led to a healthy 7.2% YoY in gross written premium.
- Together, annuity and retail protection segments constituted 48.2% of the new business premium in H1FY25, demonstrating their significance in driving overall APE growth.
- Retail APE grew by 32.7% YoY to reach INR 38.27 Bn. The strong retail APE growth was fueled by increasing customer demand for unit-linked products and steady growth in protection and annuity segments.
- Linked savings products contributed 51.6% of overall APE in H1FY25, up from 42.4% in the previous year, reflecting the market's preference for unit-linked policies. Non-linked savings products contributed 18.1% to the overall APE, down from 26.6% in H1FY24. The protection business accounted for 17.4% of the overall APE, with the retail protection segment growing significantly at 17.2% YoY.
- The credit life growth in Q2FY25 was subdued, primarily due to a slowdown in the Microfinance Institution (MFI) segment. The company actively seeks to add new financial institution partners to its credit life distribution network to broaden its reach and reduce reliance on any single partner. IPRU has added ten new partners in Q2FY25.
- Agency business APE grew by 51.1% YoY, contributing 30.4% to overall APE and 35.5% to retail APE in H1FY25. Agency and Direct business combined contributed 45.9% to overall APE and 53.6% to retail APE in H1 FY25. IPRU will continue to invest in its proprietary channels to drive business growth further.
- The bancassurance business APE grew by 30.0% YoY in H1FY25, underscoring the strength and stability of this partnership. IPRU has tie-ups with 45 banks with access to approximately 22,000 bank branches and more than 1,200 non-bank partnerships as of September 30, 2024.

### Key Concall highlights:

- IPRU continues to focus on its 3C Framework (Customer Centricity, Competency, and Catalysts) to drive sustainable growth in VNB while balancing profitability, business growth, and risk management.
- The company emphasized its strong position in the ESG space, retaining its AA ESG rating from MSCI and receiving several industry accolades for digitalization and customer service.
- ICICI Prudential Life Insurance is raising additional capital to strengthen its solvency and support ongoing business growth. The board has approved raising up to INR 14 Bn in subordinated debt through the issuance of non-convertible debentures. This capital raise is expected to further enhance the company's financial strength.
- Products have been redesigned to align with new product regulations while minimizing the impact on customer benefits. The company has been engaging in discussions with distributors regarding changes to commission structures due to the latest regulations.
- The company sees the annuity segment as a substantial opportunity for growth. While acknowledging the concerns raised by competitors regarding pricing in the annuity market, IPRU attributes its strong performance in annuities to the success of its Benefit Enhancer product rather than pricing strategies.
- The decline in G-Sec yields in recent months has presented challenges, particularly in adjusting rates for non-linked and annuity products. IPRU had limited ability to change rates in Q2FY25 due to the timing of product changes required by new regulations. However, the company has begun adjusting product rates in line with prevailing G-Sec yields starting in October.
- The new surrender value regulations have prompted a reassessment of commission structures across the industry. IPRU felt the need to adjust commission payouts to ensure alignment with these regulations and to protect customer interests. The company recognizes that high upfront commissions can incentivize mis-selling and lead to customer dissatisfaction, especially if policies are surrendered early, resulting in losses for the policyholder.
- The solvency ratio remained strong at 188.6% as of September 30, 2024, while the embedded value stood at INR 460 Bn, an increase of 5.8% YoY.
- 13-month persistency stood at 89.8%, and 49-month stood at 69.9% for H1FY25.

### Valuation and view:

IPRU's growth in H1FY25 was primarily driven by a strong performance in linked savings products supported by favorable market conditions. Thus, this weighed on VNB margins. The decline in non-linked savings products, slower renewal premium growth, and continued pricing pressure in the group-term business posed challenges. We expect GWP to grow at a CAGR of 13.8% over FY24–26E. We expect VNB margins to remain range-bound between 24.0-25.0% in FY25E and FY26E, given the multiple changes within the business. We see embedded value growing at a CAGR of 19.1% over FY24–26E, with RoEV at 15.3% in FY26E from 14.1% in FY24.

**We assign a 1.8x P/EV (unchanged) on FY26E EVPS of INR 416.0 and a VNB multiple of 15.4x to arrive at a weighted average target price of INR 750 per share (unchanged) (50:50 weights on the P/EV and appraisal value methodology), indicating a 0.4% upside from the CMP. Accordingly, we maintain our rating of “HOLD” on the shares of ICICI Prudential Life Insurance Ltd.**

## ICICI Prudential Life Insurance Ltd.

### Result Snapshot Q2FY25

In INR Mn.	Q2FY25	Q1FY25	Q2FY24	Q-o-Q	Y-o-Y	H1FY25	H1FY24	Y-o-Y
<b>Key Financial &amp; Actuarial Metrics</b>								
First year Premium	20,587	15,221	15,290	35.3%	34.6%	35,808	25,517	40.3%
Single Premium	30,307	24,267	30,052	24.9%	0.9%	54,574	51,998	5.0%
New Business Premium	50,895	39,488	45,342	28.9%	12.2%	90,382	77,515	16.6%
Renewal Premium	60,858	43,350	58,917	40.4%	3.3%	104,207	100,492	3.7%
<b>Gross Written Premium</b>	<b>111,752</b>	<b>82,837</b>	<b>104,259</b>	<b>34.9%</b>	<b>7.2%</b>	<b>194,589</b>	<b>178,007</b>	<b>9.3%</b>
<b>Profit After Tax</b>	<b>2,517</b>	<b>2,254</b>	<b>2,443</b>	<b>11.7%</b>	<b>3.1%</b>	<b>4,771</b>	<b>4,512</b>	<b>5.8%</b>
Assets Under Management (AUM in Bn)	3,205	3,089	2,719	3.8%	17.9%	3,205	2,719	17.9%
Value of new business (VNB)	5,860	4,720	5,770	24.2%	1.6%	10,580	10,150	4.2%
Net Worth	115,802	112,914	107,160	2.6%	8.1%	115,802	107,160	8.1%
Total APE	25,040	19,630	20,620	27.6%	21.4%	44,670	35,230	26.8%
<b>Key Financial Ratios</b>								
Solvency Ratio	189%	188%	199%	70 bps	(1,080 bps)	189%	199%	(1,080 bps)
<b>Persistency Ratio</b>								
13th Month	89.8%	89.7%	86.9%	10 bps	290 bps	89.8%	86.9%	290 bps
61st Month	69.9%	65.9%	65.0%	400 bps	490 bps	69.9%	65.0%	490 bps
Value of New Business Margin %	23.4%	24.0%	28.0%	(64 bps)	(458 bps)	23.7%	28.8%	(513 bps)

Source: Company, KRChoksey Research

### Key Financials:

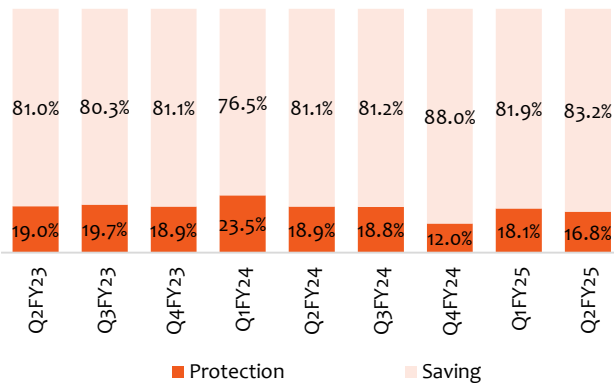
Particulars (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Total premium</b>	<b>399,328</b>	<b>432,356</b>	<b>495,986</b>	<b>559,451</b>	<b>635,909</b>
Net premium earned	385,595	417,597	481,106	541,548	615,560
NBP-APE	86,400	90,460	110,080	126,910	148,606
Combined Ratio	16.1%	18.2%	18.3%	18.5%	18.5%
Surplus/(Deficit)	23,021	10,892	17,840	20,216	22,143
VNB margin (%)	32.0%	24.6%	24.3%	24.7%	25.0%
PAT	8,107	8,524	8,137	9,245	11,128
EPS (Rs.)	5.6	5.9	5.6	6.4	7.7
EVPS (Rs.)	247.7	293.1	350.5	416.0	491.2
RoEV (%)	17.4%	14.1%	15.6%	15.3%	15.2%
RoE (%)	8.4%	8.1%	7.2%	7.6%	8.5%

Source: Company, KRChoksey Research

EV Calculation (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Opening EV	316,250	356,340	423,370	506,279	600,916
Unwind	27,080	30,710	36,410	43,540	51,679
<b>VNB (or NBAP)</b>	<b>27,650</b>	<b>22,270</b>	<b>26,749</b>	<b>31,347</b>	<b>37,152</b>
Operating variance	150	-2,810	2,750	2,750	2,750
<b>EV Operating Profit (EVOP)</b>	<b>54,880</b>	<b>50,170</b>	<b>65,909</b>	<b>77,637</b>	<b>91,580</b>
Non-operating variance	-14,490	16,910	16,000	16,000	16,000
<b>EV Profit</b>	<b>40,390</b>	<b>67,080</b>	<b>81,909</b>	<b>93,637</b>	<b>107,580</b>
Net capital injection	-300	-50	1,000	1,000	1,000
<b>Closing EV</b>	<b>356,340</b>	<b>423,370</b>	<b>506,279</b>	<b>600,916</b>	<b>709,497</b>

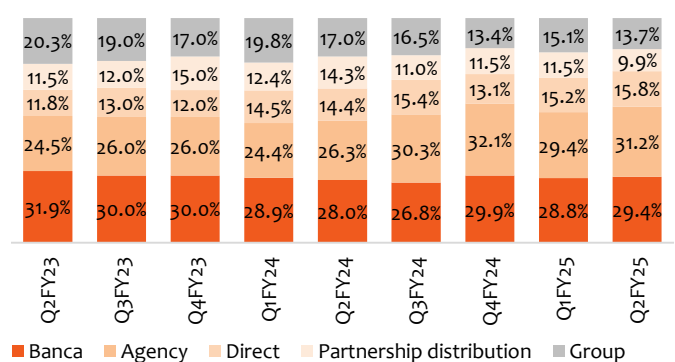
Source: Company, KRChoksey Research

### Product mix on APE basis (%): Linked segment mix stood at 51.8%



Source: Company, KRChoksey Research

### Channel mix on APE basis (%): Banca and Agency share improves



## ICICI Prudential Life Insurance Ltd.

### Financials:

#### Exhibit 1: Revenue Account

Revenue Account (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Gross premiums</b>	399,328	432,356	495,986	559,451	635,909
Reinsurance ceded	13,733	14,760	14,880	17,902	20,349
Net premiums	385,595	417,597	481,106	541,548	615,560
<b>Net income from investments</b>	<b>119,186</b>	<b>485,476</b>	<b>221,643</b>	<b>239,110</b>	<b>266,135</b>
Total income	504,781	903,073	702,749	780,658	881,695
<b>Commission expenses</b>	<b>18,639</b>	<b>37,220</b>	<b>44,639</b>	<b>50,351</b>	<b>57,232</b>
Operating expenses	45,832	41,260	46,127	53,148	60,411
Service tax on linked charges	6,609	6,603	6,915	7,054	7,195
Other expenses/provisions	626	-430	750	750	750
<b>Operating profit</b>	<b>433,075</b>	<b>818,421</b>	<b>604,318</b>	<b>669,356</b>	<b>756,107</b>
Benefits paid (net)	310,042	400,060	432,996	487,393	554,004
Interim Bonuses Paid	0	0	0	0	0
Change in reserves	98,170	406,391	151,500	159,500	177,500
Provisions	1,842	1,079	1,982	2,246	2,460
<b>Surplus/(Deficit) After Tax</b>	<b>23,021</b>	<b>10,892</b>	<b>17,840</b>	<b>20,216</b>	<b>22,143</b>

#### Exhibit 2: Profit and Loss Statement

Profit & Loss Account (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Transfer from Technical account	20,162	14,719	18,840	20,966	22,893
Income from investments & other income	8,774	13,835	10,840	11,382	11,951
Total income	28,936	28,554	29,680	32,348	34,844
Total expenses	19,967	19,322	20,639	22,076	22,479
<b>PBT</b>	<b>8,969</b>	<b>9,232</b>	<b>9,041</b>	<b>10,272</b>	<b>12,365</b>
Provision for tax	862	708	904	1,027	1,236
<b>PAT</b>	<b>8,107</b>	<b>8,524</b>	<b>8,137</b>	<b>9,245</b>	<b>11,128</b>

#### Exhibit 4: Premium

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
First year premiums	64,938	70,315	97,035	112,561	132,822
Single premiums	109,187	116,473	130,450	143,494	157,844
<b>New business premium (NBP)</b>	<b>174,125</b>	<b>186,788</b>	<b>227,485</b>	<b>256,055</b>	<b>290,666</b>
NBP growth (%)	12.3%	7.3%	21.8%	12.6%	13.5%
<b>Renewal premiums</b>	<b>225,203</b>	<b>245,568</b>	<b>268,501</b>	<b>303,395</b>	<b>345,244</b>
Renewal premiums growth (%)	2.6%	9.0%	9.3%	13.0%	13.8%
<b>Total premiums</b>	<b>399,328</b>	<b>432,356</b>	<b>495,986</b>	<b>559,451</b>	<b>635,909</b>
Total premium growth (%)	6.6%	8.3%	14.7%	12.8%	13.7%
<b>NBP - APE</b>	<b>86,400</b>	<b>90,460</b>	<b>110,080</b>	<b>126,910</b>	<b>148,606</b>
NBP - APE growth (%)	11.7%	4.7%	21.7%	15.3%	17.1%

Source: Company, KRChoksey Research

#### Exhibit 3: Balance Sheet

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
<b>Sources of funds</b>					
Share capital	14,386	14,406	14,406	14,406	14,406
Reserves and surplus	83,730	92,223	99,547	107,867	117,882
Fair value change account - net	2,801	3,453	3,453	3,453	3,453
<b>Shareholders' fund</b>	<b>100,916</b>	<b>110,082</b>	<b>117,406</b>	<b>125,726</b>	<b>135,741</b>
<b>Liabilities (Policyholder's Funds)</b>					
Fair value change account - net	27,963	49,866	55,451	61,662	68,568
Revaluation reserve- Investment property	364	407	452	503	559
Policy liabilities	903,074	1,101,621	1,225,002	1,362,202	1,514,769
Provision for linked liabilities	1,182,735	1,194,626	1,328,424	1,477,207	1,642,654
Credit/[debit] fair value change account	169,589	384,547	427,616	475,509	528,766
Discontinued due to non-payment of premium	88,257	69,251	77,007	85,632	95,223
<b>Sub-Total</b>	<b>2,371,981</b>	<b>2,800,318</b>	<b>3,113,953</b>	<b>3,462,716</b>	<b>3,850,540</b>
Funds for future Appropriations	16,693	12,866	12,866	12,866	12,866
<b>Total Sources of Funds</b>	<b>2,501,591</b>	<b>2,935,269</b>	<b>3,257,569</b>	<b>3,616,146</b>	<b>4,015,648</b>
<b>Application of Funds</b>					
Investments					
- Shareholders'	98,514	105,755	111,043	116,595	122,425
- Policyholders'	943,110	1,143,182	1,394,682	1,701,512	2,075,845
Asset held to cover linked liabilities	1,440,581	1,648,424	1,722,603	1,768,252	1,785,935
Loans	13,141	17,606	20,247	21,260	22,323
Fixed assets - net block	5,956	7,180	7,180	7,180	7,180
Deferred tax asset	0	0	0	0	0
Net current assets	290	13,122	1,813	1,347	1,941
<b>Total Applications of Funds</b>	<b>2,501,591</b>	<b>2,935,269</b>	<b>3,257,569</b>	<b>3,616,146</b>	<b>4,015,648</b>



## ICICI Prudential Life Insurance Ltd.

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Date	CMP (INR)	TP (INR)	Recommendation
24-Oct-24	747	750	HOLD
27-Jul-24	725	750	HOLD
25-Apr-24	564	605	ACCUMULATE
18-Jan-24	486	545	ACCUMULATE
19-Oct-23	521	625	BUY
20-Jul-23	548	665	BUY

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

### ANALYST CERTIFICATION:

I, **Dipak Saha** (MBA, Finance), 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.

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