

**BUY**

TP: Rs 645 | ▲ 25%

ICICI PRUDENTIAL LIFE | Insurance

18 July 2022

### Strong APE growth and high margins but low premium growth

- Q1 APE grew 25% YoY to Rs 15.2bn led by the savings segment at 25% and protection at 22%
- NBP increased 23% YoY to Rs 34bn offset by a 6% decline in renewal premium
- We assume coverage with BUY on strong APE growth and compelling valuations; TP at Rs 645 (2.2x FY24E P/EV) carries 25% upside

Mohit Mangal

research@bobcaps.in

**Strong APE growth:** IPRU's Q1FY23 APE grew 25% YoY to Rs 15.2bn wherein protection APE (22% share) rose 22%. Savings grew 25% YoY to Rs 11.9bn led by the non-linked and annuity segments. We factor in a 16% CAGR in APE growth during FY22-FY25 to Rs 120bn owing to IPRU's focus on a balanced product mix.

**Doubling of VNB on anvil; margins high:** VNB increased 32% YoY to Rs 4.7bn in Q1FY23, validating management's target of doubling business from ~Rs 13bn in FY19 to ~Rs 26bn this year. The Q1 VNB margin of 31% (vs. 28.0% in FY22) stems from a focus on higher margin products despite a faltering retail protection business (carrying the highest margins). We expect absolute VNB to clock a 16% CAGR over FY22-FY25 to Rs 34bn with VNB margins of 28-29% over the forecast period.

**Gross premium growth muted:** Gross premium grew at a modest 6% YoY led by 26%/18% growth in single/first year premium. New business premium (NBP) increased 23% YoY whereas renewal premium declined 6%. The surplus on policyholders' account more than doubled to Rs 3.9bn and the company also reported a shareholders' profit of Rs 1.6bn (loss of Rs 1.9bn in Q1FY22).

**Channel mix healthy:** The share of the bancassurance channel in total APE dipped from 39% in Q1FY22 to 35% in Q1FY23, with the decrease in ICICI Bank's share offset by strong growth in other banks' share (15% of total APE vs. 4% three years ago). The group channel has posted robust growth with its share rising to 21%.

**Cost ratios elevated:** The opex ratio of 12.6% (11.2% in Q1FY22) looks elevated on a 20% increase in absolute opex but remained lower than new business growth. Commission ratio at 4.2% was broadly stable. We factor in opex ratios of 9.8%/9.7%/9.7% for FY23/FY24/FY25 and commission ratios at 4.5%/4.6%/4.6%.

**BUY, TP Rs 645:** The stock trades at 1.8x FY24E P/EV. Given adequate solvency margins and high persistency, offset by a decline in market share (NBP), we value the company at 2.2x FY24E P/EV – a 10% discount to long-term mean– leading to a TP of Rs 645 with 25% upside from the current price.

### Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	IPRU IN/Rs 517
Market cap	US\$ 9.3bn
Free float	27%
3M ADV	US\$ 9.4mn
52wk high/low	Rs 724/Rs 430
Promoter/FPI/DII	73%/16%/5%

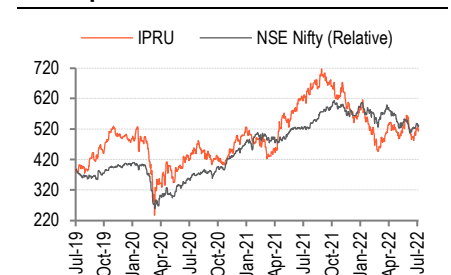
Source: NSE | Price as of 15 Jul 2022

### Key financials

Y/E 31 Mar	FY22A	FY23E	FY24E
NBP (Rs mn)	1,55,022	1,81,376	2,10,396
APE (Rs mn)	77,330	88,960	1,03,159
VNB (Rs mn)	21,652	25,798	28,885
Embedded Value (Rs mn)	3,16,250	3,64,883	4,20,250
VNB margin (%)	28.0	29.0	28.0
EVPS (Rs)	220.2	254.0	292.6
EPS (Rs)	5.3	6.4	7.6
Consensus EPS (Rs)	5.3	8.7	10.7
P/EV (x)	2.3	2.0	1.8

Source: Company, Bloomberg, BOBCAPS Research

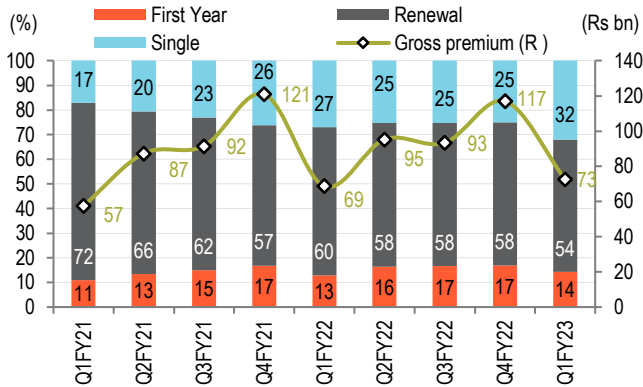
### Stock performance



Source: NSE

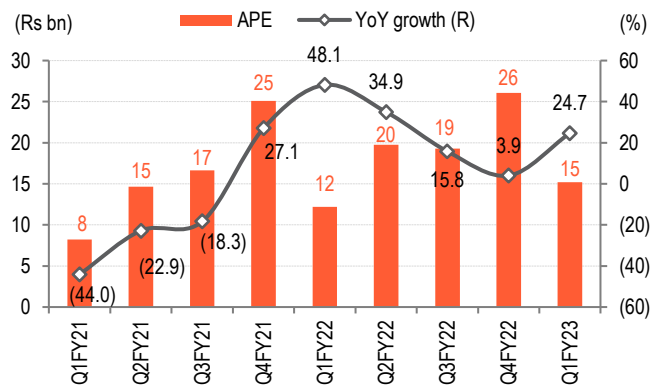


**Fig 1 – Gross premium grew 6% YoY**



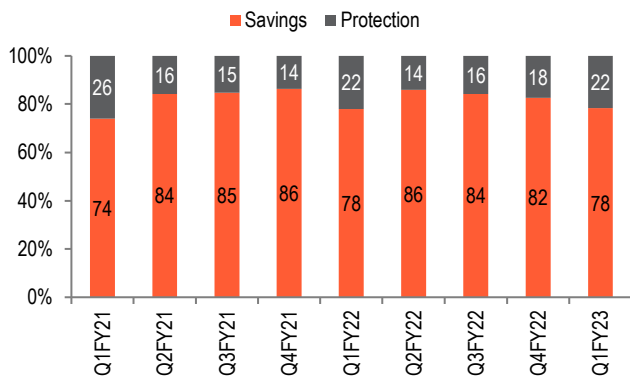
Source: Company, BOBCAPS Research

**Fig 2 – APE grew 25% YoY**



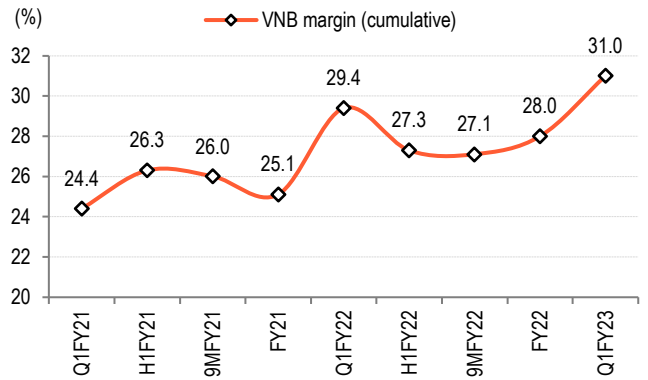
Source: Company, BOBCAPS Research

**Fig 3 – Product mix – Protection continues to gain traction**



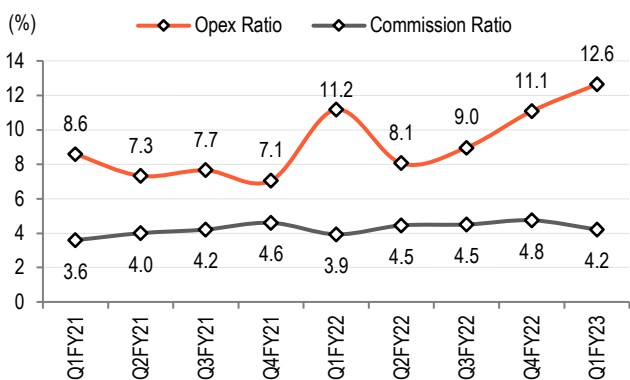
Source: Company, BOBCAPS Research | Note: The data is based on APE

**Fig 4 – VNB margins expanding**



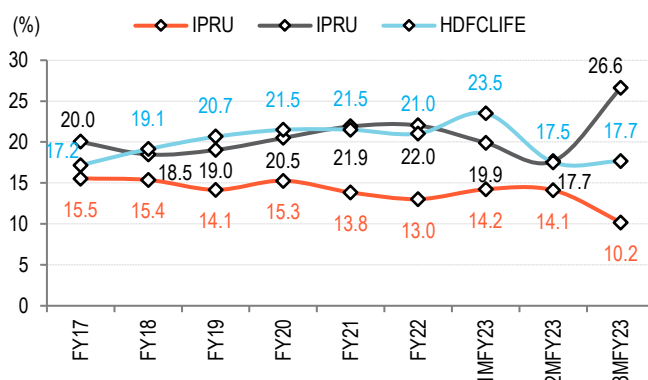
Source: Company, BOBCAPS Research

**Fig 5 – Opex ratio higher this quarter**



Source: Company, BOBCAPS Research

**Fig 6 – Market share (NBP basis) on a declining trend**



Source: Company, BOBCAPS Research

**Fig 7 – Distribution mix APE – Agency and group gaining traction**

Channel	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23
<b>Mix (Rsbn)</b>													
Bancassurance	7.7	10.1	10.9	8.8	3.3	6.4	7.0	10.7	4.7	7.9	7.6	9.9	5.3
Agency	3.1	3.8	4.5	4.3	2.0	3.3	4.2	5.9	2.7	4.8	5.0	5.8	3.4
Direct	1.9	2.5	2.4	2.6	1.0	1.8	2.2	3.1	1.6	2.6	2.6	3.3	1.7
Partnership distribution	1.0	1.4	1.5	1.6	0.7	1.3	1.3	2.6	1.0	1.7	1.6	2.8	1.7
Group	1.0	1.3	1.1	2.5	1.2	1.9	2.0	2.8	2.1	2.8	2.5	4.4	3.2
<b>Total</b>	<b>14.7</b>	<b>19.0</b>	<b>20.4</b>	<b>19.7</b>	<b>8.2</b>	<b>14.6</b>	<b>16.7</b>	<b>25.1</b>	<b>12.2</b>	<b>19.8</b>	<b>19.3</b>	<b>26.1</b>	<b>15.2</b>
<b>Mix (%)</b>													
Bancassurance	52.4	53.2	53.6	44.3	39.6	43.9	41.9	42.5	38.6	39.9	39.5	38.0	34.7
Agency	21.2	19.8	21.9	21.7	24.6	22.7	25.1	23.3	22.5	24.3	25.8	22.0	22.4
Direct	12.8	13.0	11.7	13.0	12.3	12.2	13.3	12.4	13.1	12.9	13.2	12.5	10.8
Partnership distribution	6.8	7.3	7.2	8.2	8.6	8.6	7.7	10.4	8.4	8.7	8.5	10.7	11.1
Group	6.8	6.7	5.6	12.8	14.9	12.7	12.1	11.3	17.4	14.2	13.0	16.8	20.9

Source: Company, BOBCAPS Research

**Fig 8 – Persistency improving across cohorts**

(%)	2MFY23	2MFY22
13 <sup>th</sup> month	85.5	85.0
25 <sup>th</sup> month	77.6	73.7
37 <sup>th</sup> month	67.8	66.4
49 <sup>th</sup> month	65.0	64.9
61 <sup>st</sup> month	55.7	50.8

Source: Company, BOBCAPS Research | Note: Regular and Limited pay premium

## Earnings call highlights

### Protection products

- The protection segment constituted 22% of IPRU's APE and grew 22% YoY in Q1FY23 to Rs 3.3bn.
- **Individual/Retail protection** continues to face supply-side challenges – an industrywide phenomenon owing to the pandemic. IPRU continues to improve processes and customer experience but remains watchful of this space. Sequentially, the segment has stabilised. Last year, the company started on a strong note and thus the annual decline, but the base effect should turn favourable in Q3FY23. Management emphasised on recalibrating the strategy and decongesting the process for clients/partners. Margins in retail protection, generally preferred by younger people, will be determined by the average term of the product going forward.

One of the other reasons for the decline in retail protection is that a lot of people are now being covered under group protection programmes (employer plans). Also, the number of online visits for individual protection premium quotes have come down despite the conversion being largely similar.

- The **ROP (return of premium) product** category serves mass and mass-affluent customers rather than the affluent, and should create a new category over a period of time. ROP contribution to the business is 15-18% in the industry (differs company-wise), but management expects further upsides. Retention in ROP is low as compared to a normal term policy.
- Overall protection has shown decent numbers as the group segment has performed well. **Group term business** has been a core offering for IPRU for a number of years backed by a strong sales team. The company follows a recalibrated pricing methodology for this segment and retains only Rs 2mn with the rest reinsured. The risk pertains to only one year and thus is not a long-tail experience.
- Protection plans carry vast scope to grow as only 12-13% of the addressable market is served in the country.

### Guaranteed products

- A customer who has taken a non-par guaranteed product will not exit a particular policy and re-enter a new one (for higher interest) because he loses on the premiums paid. Such a move would only make sense if there is a drastic change in interest rates, which looks unlikely. This could be a risk for a single paid policy where the surrender risk is high.
- IPRU is not yet seeing any impact from the rising interest rate cycle and believes par products can gain traction over time in such a scenario.

### **Annuity products**

- Annuity constitutes 6% of IPRU's APE and grew 69% YoY to Rs 1bn in Q1FY23.
- The National Pension Scheme (NPS) conversion opportunity from pension products to annuities will take another 5-10 years to materialise.
- Currently, there are opportunities in terms of NPS maturity for central government employees. The company targets customers at 55-58 years of age who would like to have an annual income.

### **VNB and margin**

- Cost/TWRP (total weighted received premium) ratio is a challenging metric as it includes renewal premium which declined on an annual basis. The absolute increase in cost has been lower than the new business. The ratios are computed with cost taken as actuals for one period and projected for the rest of year, and thus the company has not taken any aggressive assumptions. As the costs rationalise over the course of the year, the ratios will improve.
- IPRU expects VNB to double over FY19-FY23 and believes future growth would be in line with the industry despite any changes to the topline.

### **Investment income**

- Investment income was negative at Rs 87bn in Q1FY23 due to heavy losses in the ULIP segment amid volatile capital markets. Unit-linked investment income is directly offset by the change in valuation of policyholder liabilities, and thus P&L-neutral. Investment income is not a major determinant of profit unless it comes from a guaranteed product where the investment income rises far above that guaranteed.
- From an accounting perspective, MTM gains/losses would be impacted by market movement. However, from a P&L perspective the impact is expected to be limited.

### **Agency**

- In Q1FY23, the company added 6,821 new agents and 13 partnerships. New agents' productivity remains high if looked at on an annual basis.
- The agency channel grew 25% YoY (APE-basis) driven by innovative and new products. For instance, agents have successfully sold large annuity products. Non-par guaranteed products have also helped the agents to sell as an asset diversification tool (from ULIPs to affluent customers).

### **Yield curve**

- The steep yield curve is not affecting margins but does impact prospective pricing offered to customers.

### Distribution channels

- ICICI Bank's contribution to APE declined 11% YoY in Q1FY23. The bank's focus is predominantly on retail protection and annuity; ULIPs are also available for sale on the platform. ULIPs are impacted by market volatility whereas retail protection has ground challenges. ICICI Bank doesn't sell traditional products and thus the declining share would be reversed only when ULIPs and retail protection do well.
- Other banks contributed 15% to APE vs. 4% about three years ago. Growth here has been robust (71% YoY growth in APE in Q1), and the company has a targeted focus to gain incremental business.
- Partnership distribution grew 66% YoY to Rs 1.7bn in Q1FY23 (APE basis).

### Solvency

- In terms of economic-based solvency, the company has a 400% solvency ratio. The excess capital would be used for other lines of business and also removes any need to raise capital.

### Regulations

- There is no proposal from the IRDA to use commissions to improve the reach of life insurance in India. Rather, the regulator has focused on giving growth targets and on ease of doing business to improve the penetration.
- The proposal to allow life insurers to sell health insurance policies would be welcomed as the company is well equipped to sell these types of products, as done historically till FY15. However, ecosystems will need to be developed, such as hospital and third-party networks, once further clarity emerges.

### Covid claims

- IPRU has incurred Covid-related claims of Rs 0.16bn and has made a closing provision of Rs 0.24bn at the end of the quarter.
- At end-Q4FY22, the company had Rs 0.24bn of provisions and incurred Rs 0.16bn in claims, leaving it with Rs 0.08bn, which means it made an additional Rs 0.16bn of reserves, totalling Rs 0.24bn in Q1FY23.

**Fig 9 – Policyholders account**

(Rs mn)	Q1FY23	Q1FY22	YoY (%)	Q4FY22	QoQ (%)	FY22	FY21	YoY (%)
<b>Gross premium income</b>	<b>72,647</b>	<b>68,700</b>	<b>5.7</b>	<b>1,17,106</b>	<b>(38.0)</b>	<b>3,74,580</b>	<b>3,57,328</b>	<b>4.8</b>
First Year Premium	10,385	8,803	18.0	19,805	(47.6)	59,655	51,872	15.0
Renewal Premium	38,941	41,375	(5.9)	68,031	(42.8)	2,19,557	2,25,068	(2.4)
Single Premium	23,322	18,523	25.9	29,271	(20.3)	95,367	80,389	18.6
Reinsurance	3,805	2,681	41.9	3,517	8.2	11,367	7,595	49.7
<b>Net premium income</b>	<b>68,842</b>	<b>66,019</b>	<b>4.3</b>	<b>1,13,589</b>	<b>(39.4)</b>	<b>3,63,213</b>	<b>3,49,734</b>	<b>3.9</b>
Income from investments (Net)	(86,708)	92,103	NA	14,765	NA	2,49,695	4,74,376	(47.4)
Other income	333	243	36.9	328	1.7	1,126	934	20.5
Contribution of funds from Shareholders' A/c	2,921	8,876	(67.1)	9,776	(70.1)	21,611	15,748	37.2
<b>Total</b>	<b>(14,612)</b>	<b>1,67,241</b>	<b>NA</b>	<b>1,38,457</b>	<b>NA</b>	<b>6,35,645</b>	<b>8,40,791</b>	<b>(24.4)</b>
<b>Commission on</b>								
First Year Premium	1,801	1,582	13.8	3,514	(48.8)	10,346	9,306	11.2
Renewal Premium	714	745	(4.1)	1,313	(45.6)	4,119	3,983	3.4
Single Premium	368	244	50.9	452	(18.5)	1,448	1,011	43.3
Rewards	176	134	31.2	285	(38.3)	816	702	16.1
<b>Net Commission</b>	<b>3,059</b>	<b>2,706</b>	<b>13.1</b>	<b>5,564</b>	<b>(45.0)</b>	<b>16,729</b>	<b>15,002</b>	<b>11.5</b>
Operating Expenses related to insurance business	9,184	7,679	19.6	12,986	(29.3)	37,011	27,121	36.5
Benefits Paid (Net)	55,125	56,676	(2.7)	80,038	(31.1)	2,93,588	2,26,409	29.7
Change in actuarial liability	(87,999)	97,031	NA	25,464	NA	2,57,837	5,43,241	(52.5)
<b>Surplus/Deficit</b>	<b>3,950</b>	<b>1,550</b>	<b>154.8</b>	<b>11,441</b>	<b>(65.5)</b>	<b>21,904</b>	<b>21,054</b>	<b>4.0</b>

Source: Company, BOBCAPS Research

**Fig 10 – Shareholders account**

(Rs mn)	Q1FY23	Q1FY22	YoY (%)	Q4FY22	QoQ (%)	FY22	FY21	YoY (%)
Transfer from Policyholders' Account	2,960	2,893	2.3	10,681	(72.3)	21,602	19,849	8.8
<b>Total income under Shareholders' Account</b>								
Investment Income	1,748	3,986	(56.1)	1,664	5.0	10,114	7,687	31.6
Other income	2	5	(55.6)	(1)	NA	22	3	686.1
Expenses other than those related to insurance business	233	246	(5.3)	289	(19.5)	1,024	612	67.5
Transfer of funds to Policyholders' Account	2,921	8,876	(67.1)	9,776	(70.1)	21,611	15,748	37.2
Provisions for doubtful debts (including write off)	0	(79)	(100.0)	69	(100.0)	1,197	365	228.2
<b>Profit before tax</b>	<b>1,557</b>	<b>(2,158)</b>	<b>NA</b>	<b>2,211</b>	<b>(29.6)</b>	<b>7,906</b>	<b>10,814</b>	<b>(26.9)</b>
Provisions for tax	0	(301)	NA	364	(100.0)	(364)	(1,213)	(70.0)
<b>Profit after tax and before extraordinary items</b>	<b>1,557</b>	<b>(1,857)</b>	<b>NA</b>	<b>1,847</b>	<b>(15.7)</b>	<b>7,541</b>	<b>9,601</b>	<b>(21.5)</b>

Source: Company, BOBCAPS Research

**Fig 11 – Balance sheet**

(Rs mn)	Q1FY23	Q1FY22	YoY (%)	Q4FY22	QoQ (%)	FY22	FY21	YoY (%)
<b>Sources of funds</b>								
Share Capital	14,375	14,366	0.1	14,373	0.0	14,373	14,360	0.1
Share application money received pending allotment of shares	2	4	(45.7)	0	NA	0	6	(100.0)
Reserves and Surplus	76,748	66,167	16.0	75,915	1.1	75,915	70,671	7.4
Credit / (Debit) Fair Value Change Account	(594)	4,330	NA	1,342	NA	1,342	1,342	-
<b>Total Equity</b>	<b>90,532</b>	<b>84,866</b>	<b>6.7</b>	<b>91,631</b>	<b>(1.2)</b>	<b>91,631</b>	<b>86,379</b>	<b>6.1</b>
<b>Policyholders' Funds:</b>	<b>20,72,029</b>	<b>20,01,037</b>	<b>3.5</b>	<b>21,71,190</b>	<b>(4.6)</b>	<b>21,71,190</b>	<b>19,10,481</b>	<b>13.6</b>
Borrowing	12,000	12,000	-	12,000	-	12,000	12,000	-
Policy Liabilities	20,56,086	19,69,734	4.4	21,42,236	(4.0)	21,42,236	18,79,860	14.0
- Insurance Reserves	7,68,976	6,33,824	21.3	7,36,822	4.4	7,36,821	6,02,156	22.4
- Provision for Linked Liabilities	12,87,110	13,35,911	(3.7)	14,05,414	(8.4)	14,05,414	12,77,704	10.0
Add: Fair value change	15,943	31,303	(49.1)	28,954	(44.9)	28,954	30,622	(5.4)
FFA	14,823	12,189	21.6	13,833	7.2	13,833	13,532	2.2
FFA - provision of lapsed policies	1,01,400	1,14,944	(11.8)	1,03,249	(1.8)	1,03,249	1,07,787	(4.2)
<b>Total Sources of funds</b>	<b>22,90,784</b>	<b>22,25,036</b>	<b>3.0</b>	<b>23,91,903</b>	<b>(4.2)</b>	<b>23,91,903</b>	<b>21,34,995</b>	<b>12.0</b>
<b>Application Of Funds</b>								
<b>Investments</b>	<b>8,88,912</b>	<b>7,60,894</b>	<b>16.8</b>	<b>8,72,415</b>	<b>1.9</b>	<b>8,72,415</b>	<b>7,36,627</b>	<b>18.4</b>
- Shareholders'	90,000	92,414	(2.6)	98,535	(8.7)	98,535	1,00,902	(2.3)
- Policyholders'	7,98,913	6,68,479	19.5	7,73,880	3.2	7,73,880	6,35,726	21.7
Assets held to cover Linked Liabilities	13,88,510	14,50,855	(4.3)	15,08,663	(8.0)	15,08,663	15,08,663	-
Loans	10,063	7,138	41.0	9,401	7.0	9,401	6,628	41.8
Fixed Assets	5,096	4,825	5.6	4,872	4.6	4,872	4,572	6.6
<b>Net Current Assets</b>	<b>(1,798)</b>	<b>1,326</b>	<b>NA</b>	<b>(3,449)</b>	<b>(47.9)</b>	<b>(3,449)</b>	<b>1,676</b>	<b>(305.8)</b>
<b>Total application of funds</b>	<b>22,90,784</b>	<b>22,25,036</b>	<b>3.0</b>	<b>23,91,903</b>	<b>(4.2)</b>	<b>23,91,903</b>	<b>21,34,995</b>	<b>12.0</b>

Source: Company, BOBCAPS Research

**Fig 12 – Key ratios and growth metrics**

(Rs mn)	Q1FY23	Q1FY22	YoY (%)	Q4FY22	QoQ (%)	FY22	FY21	YoY (%)
NBP	33,707	27,325	23.4	49,076	(31.3)	1,55,022	1,32,261	17.2
APE	<b>15,200</b>	<b>12,190</b>	24.7	26,080	(41.7)	77,330	64,620	19.7
VNB	<b>4,710</b>	<b>3,580</b>	31.6	<b>7,750</b>	(39.2)	21,652	16,220	33.5
Opex ratio (%)	12.6	11.2	146bps	11.1	155bps	9.8	7.5	228bps
Commission ratio (%)	4.2	3.9	27bps	4.8	(54bps)	4.5	4.2	27bps
Expense ratio (%)	<b>16.9</b>	<b>15.1</b>	174bps	15.8	101bps	<b>14.3</b>	<b>11.7</b>	255bps
VNB margin (%)	<b>31.0</b>	<b>29.4</b>	160bps	<b>NA</b>	NA	<b>28.0</b>	<b>25.1</b>	290bps
Solvency ratio (%)	<b>203.6</b>	<b>193.7</b>	990bps	204.5	(90bps)	204	217	(1230bps)
<b>Persistency ratio (Regular Premium / Limited Premium Payment under Individual category)</b>								
13th month (%)	85.5	85.0	50bps	NA	NA	84.6	NA	NA
61st month (%)	55.7	50.8	490bps	NA	NA	54.7	NA	NA

Source: Company, BOBCAPS Research



## Valuation methodology

IPRU is trading at a P/EV of 1.8x FY24E (below -1sd) and is undervalued, in our view. We value the stock at 2.2x FY24E P/EV (10% below the mean), leading to a target price of Rs 645, offering 25% upside potential. We assume coverage with a BUY rating.

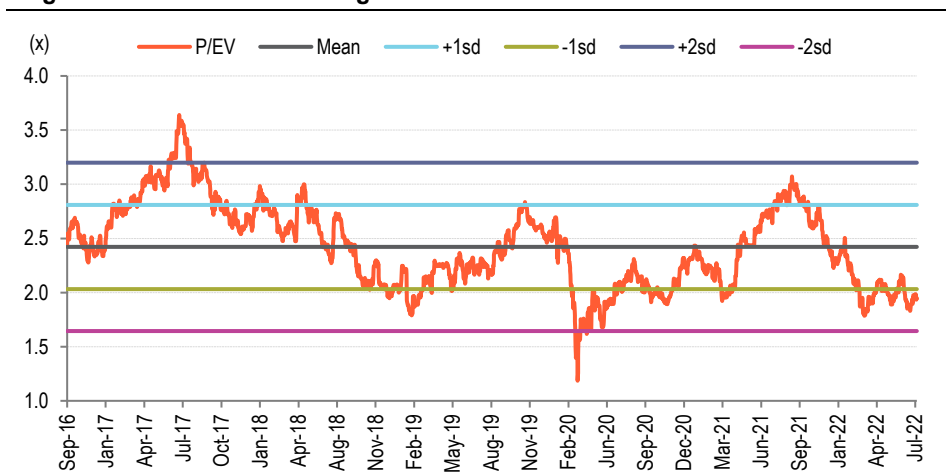
While the company has lost NBP market share (from 15.3% in FY20 to 12.5% in Q1FY23), we see key positives in terms of (i) robust VNB growth at 32% YoY to Rs 4.7bn in Q1 (31% margin) with IPRU on course to end the year at ~Rs 26bn, doubling its FY19 print, (ii) higher persistency which should support profitability, especially as the worst of Covid-19 is behind us, (iii) strong partnerships (numbering at 800 including 27 banking partners with 24,607 agents added in FY22), and (iv) a balanced product mix with strong new product additions.

**Fig 13 – Valuation summary**

Synopsis of valuation	
Embedded Value (FY24E) (Rs bn)	420
PV of Future business (Rs bn)	506
<b>Total value (Rs bn)</b>	<b>926</b>
Current P/ EV (FY24)	1.8
Implied P/ EV (FY24)	2.2
<b>Implied Target Price (Rs)</b>	<b>645</b>
Current Price (Rs)	517
Upside (%)	24.6

Source: BOBCAPS Research

**Fig 14 – 1Y fwd P/EV – Trading below -1sd**



Source: BOBCAPS Research

## Key risks

Key downside risks to our estimates are:

- **Changes in regulatory framework:** Any unfavourable change in regulations can impact business growth. For example, currently ULIP proceeds are taxed to the extent the yearly premium exceeds Rs 0.25mn. Similarly, any change in the income tax rate of insurance companies can adversely impact profitability.
- **Losses from capital and bond markets:** Prolonged weakness in capital markets could hamper the growth of ULIPs. Although insurance companies are aiming for a balanced product mix, many of them have sizeable business coming from ULIPs. For IPRU, the sensitivity of a decline in equity on EV is comparatively higher as compared to private peers.
- **Adverse economic events:** A significant economic decline may result in financial difficulties or defaults by issuers of bonds in the company's investment portfolios. Shareholders' equity & earnings and policyholders' funds may be affected by fair value re-valuation of bonds held in the investment portfolios.
- **High surrender of policies:** Life insurance companies face the risk of surrendered policies. In ULIPs, customers can withdraw policies after five years even if they have been taken for longer durations. Policies can also be surrendered in case of job loss, monetary requirements, etc., which lowers the persistency ratios.

## Financials

### Revenue Account (Technical)

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Gross premium income</b>	<b>3,57,328</b>	<b>3,74,580</b>	<b>4,15,915</b>	<b>4,67,800</b>	<b>5,30,157</b>
First year premium	51,872	59,655	68,289	79,181	91,850
Renewal premium	2,25,068	2,19,557	2,34,539	2,57,403	2,86,097
Single premium	80,389	95,367	1,13,087	1,31,215	1,52,210
<b>Net written premium</b>	<b>3,49,734</b>	<b>3,63,213</b>	<b>4,03,525</b>	<b>4,53,647</b>	<b>5,13,926</b>
Income from investments	4,74,376	2,49,695	1,39,895	2,75,948	3,13,377
Other Income	16,682	22,737	24,371	26,750	29,364
<b>Total income</b>	<b>8,40,791</b>	<b>6,35,645</b>	<b>5,67,791</b>	<b>7,56,345</b>	<b>8,56,668</b>
Commissions	15,002	16,729	18,841	21,508	24,405
Operating expenses	27,121	37,011	40,907	45,667	51,552
Benefits and bonuses paid	2,26,409	2,93,588	2,12,552	3,39,516	3,75,656
Change in liabilities (net)	5,43,241	2,57,837	2,64,315	3,13,837	3,62,819
Others	0	0	0	0	0
<b>Total expenses</b>	<b>8,11,773</b>	<b>6,05,166</b>	<b>5,36,615</b>	<b>7,20,528</b>	<b>8,14,432</b>
<b>Surplus before tax</b>	<b>29,019</b>	<b>30,479</b>	<b>31,176</b>	<b>35,816</b>	<b>42,236</b>
Provision for tax	7,965	8,576	5,877	8,247	9,320
<b>Surplus after tax</b>	<b>21,054</b>	<b>21,904</b>	<b>25,299</b>	<b>27,569</b>	<b>32,916</b>
Trf to shareholders' a/c	19,849	21,602	23,550	25,481	30,332
Balance being FFA	1,205	302	1,750	2,089	2,584

### Income Statement (Non-technical)

Y/E 31 Mar (Rs)	FY21A	FY22A	FY23E	FY24E	FY25E
Trf from policyholders' a/c	19,849	21,602	23,550	25,481	30,332
Income from investments	7,687	10,114	12,194	14,565	16,749
Contr. to policyholders' fund	15,748	21,611	23,212	25,533	28,086
Others	(609)	(1,002)	(1,104)	(1,194)	(1,292)
<b>PBT</b>	<b>11,179</b>	<b>9,103</b>	<b>11,427</b>	<b>13,318</b>	<b>17,703</b>
Provision for taxation	1,213	364	1,023	1,212	1,651
<b>PAT</b>	<b>9,966</b>	<b>8,739</b>	<b>10,404</b>	<b>12,106</b>	<b>16,052</b>
Dividend+Interim div.+DDT	2,872	793	2,884	2,884	2,884

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Equity	91,194	91,631	96,612	1,04,636	1,16,607
Policyholders' funds	19,10,481	21,71,190	24,06,551	27,20,387	30,83,206
FFA	13,532	13,833	17,292	20,750	21,787
Others	1,57,074	1,67,748	2,10,098	2,44,363	2,67,599
<b>Total liabilities</b>	<b>21,72,281</b>	<b>24,44,402</b>	<b>27,30,552</b>	<b>30,90,136</b>	<b>34,89,200</b>
Shareholders' funds	1,00,902	98,535	1,23,168	1,41,644	1,62,890
Policyholders' funds	6,35,726	7,73,880	9,12,243	11,69,626	14,52,642
Assets to cover linked liab.	13,85,491	15,08,663	16,29,356	17,10,824	17,96,365
Others	50,162	63,324	65,785	68,042	77,302
<b>Total assets</b>	<b>21,72,281</b>	<b>24,44,402</b>	<b>27,30,552</b>	<b>30,90,136</b>	<b>34,89,200</b>

### Key Metrics

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
AUM (Rs mn)	21,42,180	24,04,920	26,77,865	30,34,883	34,23,200
NBP (Rs mn)	1,32,261	1,55,022	1,81,376	2,10,396	2,44,060
APE (Rs mn)	64,620	77,330	88,960	1,03,159	1,19,664
VNB (Rs mn)	16,220	21,652	25,798	28,885	33,506
VNB margin (%)	25.1	28.0	29.0	28.0	28.0
Embedded value (Rs mn)	2,91,051	3,16,250	3,64,883	4,20,250	4,84,391
ROEV (%)	15.2	11.0	16.3	16.0	15.9
ROE (%)	11.8	8.2	9.8	10.8	13.4
Opex ratio (%)	7.5	9.8	9.8	9.7	9.7
Cost ratio (%)	11.7	14.3	14.3	14.3	14.3
Solvency ratio (%)	216.8	204.5	210.2	213.3	221.7
EPS (Rs)	6.7	5.3	6.4	7.6	10.3
BVPS (Rs)	63.5	63.8	67.3	72.8	81.2
EVPS (Rs)	202.7	220.2	254.0	292.6	337.2

Source: Company, BOBCAPS Research

## Disclaimer

### Recommendation scale: Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

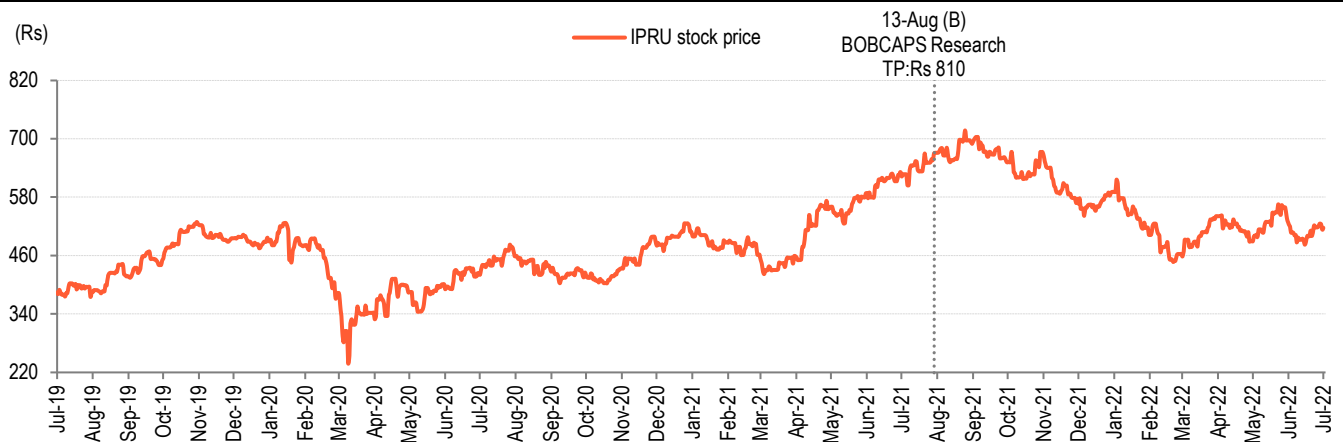
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

### Ratings and Target Price (3-year history): ICICI PRUDENTIAL LIFE (IPRU IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

### Rating distribution

As of 30 June 2022, out of 118 rated stocks in the BOB Capital Markets Limited (BOBCAPS) coverage universe, 73 have BUY ratings, 23 have HOLD ratings, 5 are rated ADD\*, 1 is rated REDUCE\* and 16 are rated SELL. Of these, 2 companies rated BUY and 1 rated ADD have been investment banking clients in the last 12 months. (\*Our ADD and REDUCE ratings are in the process of being migrated to the new recommendation structure.)

### Analyst certification

The research analyst(s) authoring this report hereby certifies that (1) all of the views expressed in this research report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOBCAPS.

### General disclaimers

BOBCAPS is engaged in the business of Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS has obtained registration as a Research Entity under SEBI (Research Analysts) Regulations, 2014, having registration No.: INH000000040 valid till 03 February 2025. BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017. BOBCAPS CIN Number: U65999MH1996GOI098009.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations 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. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation

or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have “long” or “short” positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may act as market makers or assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

In the US, this material is only for Qualified Institutional Buyers as defined under rule 144(a) of the Securities Act, 1933. No part of this document may be distributed in Canada or used by private customers in the United Kingdom.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS's prior written consent.

#### **Company-specific disclosures under SEBI (Research Analysts) Regulations, 2014**

The research analyst(s) or his/her relatives do not have any material conflict of interest at the time of publication of this research report.

BOBCAPS or its research analyst(s) or his/her relatives do not have any financial interest in the subject company. BOBCAPS or its research analyst(s) or his/her relatives do not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

The research analyst(s) has not received any compensation from the subject company in the past 12 months. Compensation of the research analyst(s) is not based on any specific merchant banking, investment banking or brokerage service transactions.

BOBCAPS or its research analyst(s) is not engaged in any market making activities for the subject company.

The research analyst(s) has not served as an officer, director or employee of the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS's associates may have financial interest in the subject company. BOBCAPS's associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.