

HOLD
 TP: Rs 556 | ▲ 8%

ICICI PRUDENTIAL LIFE | Insurance

18 January 2024

Subdued growth

- 9MFY24 VNB margin contracted 500bps YoY to 26.7% owing to a change in product mix and cost pressures
- APE grew just 2% YoY in 9M (+5% YoY in Q3) as non-linked and group products declined
- Maintain HOLD with a revised TP of Rs 556 (vs. Rs 604) on a lower target FY26E P/EV of 1.5x (vs. 1.6x)

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VNB margin decline a negative surprise: IPRU's VNB margin contracted 500bps QoQ to 23% at end-Q3FY24 (-500bps YoY in 9MFY24 to 26.7%) due to a change in product mix towards lower yielding products (ULIP and par) and cost pressures. Protection share in APE was flat at 19% in Q3FY24, with growth in retail protection being offset by a decline in group term business. Baking in the results, we lower our FY24-FY26 forecasts for VNB margin by 200-300bps and absolute VNB by 8-12%.

APE growth muted: IPRU's APE grew 5% YoY to Rs 19.1bn at end-Q3FY24 (2% YoY to Rs 54.3bn in 9MFY24). Linked APE grew 9% YoY to Rs 8.5bn whereas non-linked APE declined 1% to Rs 5.2bn. NBP increased 4% YoY to Rs 42.1bn but was below our estimate of Rs 45bn, whereas gross premium grew 5% YoY to Rs 103bn vs. Rs 107bn expected. We lower APE estimates by 2-3% for FY24-FY26.

Bancassurance lags: APE from bancassurance climbed a paltry 2% YoY at the end of Q3 to Rs 5.1bn, but management is optimistic that ICICI Bank's monthly business run-rate of Rs 0.8bn-1bn would be sustained. Both agency and direct channels posted double-digit growth in Q3.

Higher commissions push up cost ratios: Total commissions swelled 156% YoY, leading to a 31% rise in total expenses for the quarter. This translated to higher cost ratios of 18.3% in Q3 (14.7% in Q3FY23) and 18.9% in 9MFY24 (15.3% in 9MFY23).

Persistency ratio improves: Persistency improved across cohorts with the 13th-month ratio rising from 86.1% at end-8MFY23 to 87.4% at end-8MFY24 and the 61st-month cohort moving up from 64.2% to 64.9% respectively.

Maintain HOLD: Based on our revised estimates, we move to a new TP of Rs 556 (vs. Rs 604), set at an implied FY26E P/EV multiple of 1.5x (vs. 1.6x earlier), a 35% discount to the long-term mean. We remain cautious on IPRU due to the company's prolonged market share bleed, weak APE growth and slow business from the parent. The stock carries 8% upside and hence we maintain HOLD.

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	IPRU IN/Rs 515
Market cap	US\$ 9.0bn
Free float	27%
3M ADV	US\$ 12.1mn
52wk high/low	Rs 616/Rs 381
Promoter/FPI/DII	73%/17%/5%

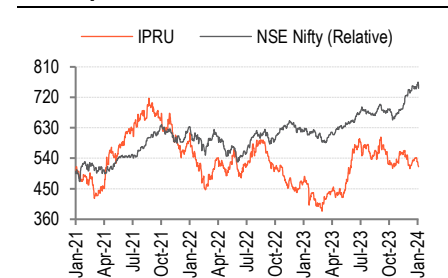
Source: NSE | Price as of 17 Jan 2024

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
NBP (Rs mn)	1,74,125	1,68,646	1,86,302
APE (Rs mn)	86,400	84,693	93,319
VNB (Rs mn)	27,648	22,444	25,196
Embedded Value (Rs mn)	3,56,338	4,08,849	4,67,313
VNB margin (%)	32.0	26.5	27.0
EVPS (Rs)	248.0	284.4	325.1
EPS (Rs)	5.6	7.5	9.0
Consensus EPS (Rs)	5.6	7.5	8.6
P/EV (x)	2.1	1.8	1.6

Source: Company, Bloomberg, BOBCAPS Research

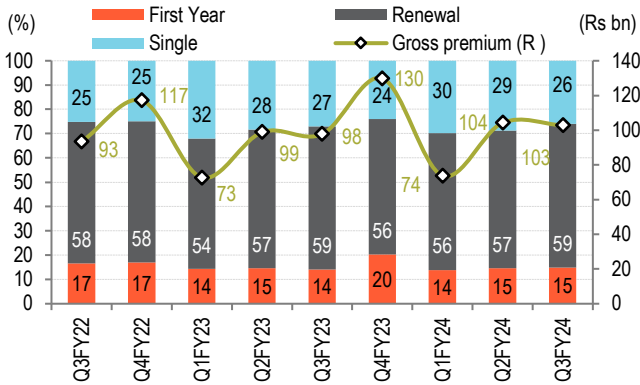
Stock performance



Source: NSE

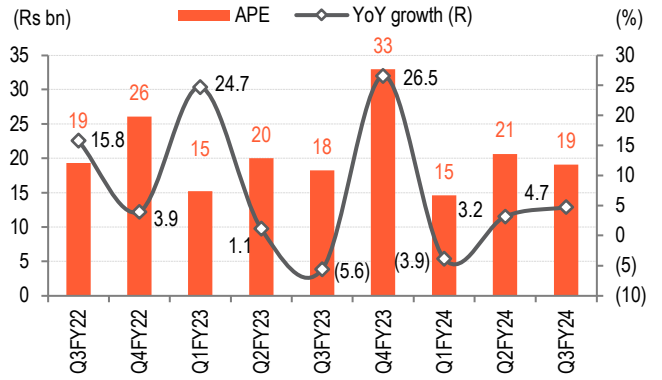


Fig 1 – Gross premium up 5% YoY in Q3FY24



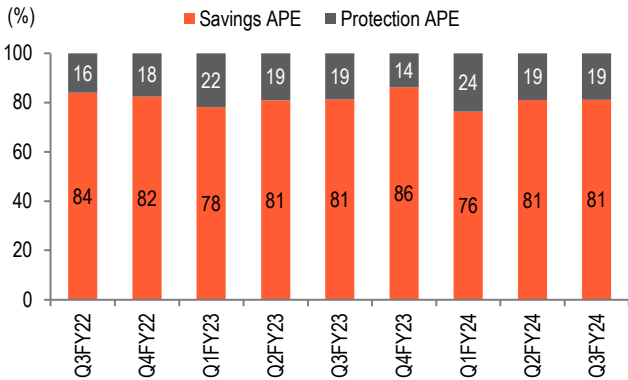
Source: Company, BOBCAPS Research

Fig 2 – APE grew at a muted 5% YoY



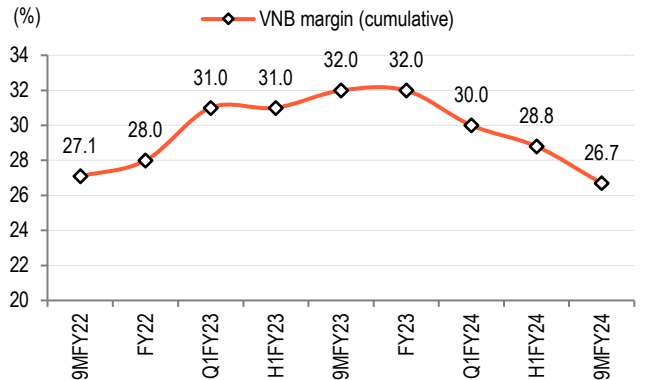
Source: Company, BOBCAPS Research

Fig 3 – Product mix – Savings business remained stable



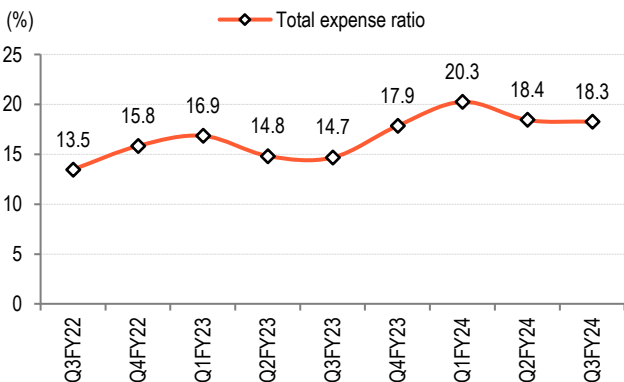
Source: Company, BOBCAPS Research

Fig 4 – VNB margin slides to 26.7% at end-9M



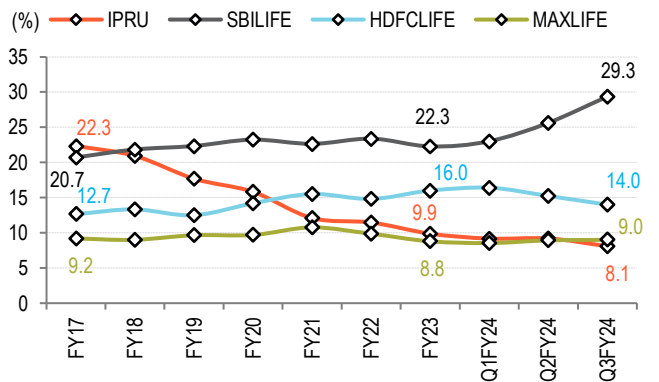
Source: Company, BOBCAPS Research

Fig 5 – Total expense ratio has moderated but remains high



Source: Company, BOBCAPS Research

Fig 6 – Market share (individual APE basis) decline continued in Q3 as well



Source: Company, BOBCAPS Research

Fig 7 – Distribution mix APE – Direct and partnership channels gaining traction YoY

Channel	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
Mix (Rs bn)															
Bancassurance	3.3	6.4	7.0	10.7	4.7	7.9	7.6	9.9	5.3	6.0	5.0	9.1	4.2	5.8	5.1
Agency	2.0	3.3	4.2	5.9	2.7	4.8	5.0	5.8	3.4	5.2	5.2	9.0	3.6	5.4	5.8
Direct	1.0	1.8	2.2	3.1	1.6	2.6	2.6	3.3	1.7	2.5	2.6	3.9	2.1	3.0	3.0
Partnership distribution	0.7	1.3	1.3	2.6	1.0	1.7	1.6	2.8	1.7	2.4	2.1	6.6	1.8	2.9	2.1
Group	1.2	1.9	2.0	2.8	2.1	2.8	2.5	4.4	3.2	4.0	3.3	4.4	2.9	3.5	3.1
Total	8.2	14.6	16.7	25.1	12.2	19.8	19.3	26.1	15.2	20.0	18.2	33.0	14.6	20.6	19.1
Mix (%)															
Bancassurance	39.6	43.9	41.9	42.5	38.6	39.9	39.5	38.0	34.7	29.8	27.5	27.6	28.9	28.1	26.8
Agency	24.6	22.7	25.1	23.3	22.5	24.3	25.8	22.0	22.4	26.0	28.4	27.4	24.4	26.3	30.3
Direct	12.3	12.2	13.3	12.4	13.1	12.9	13.2	12.5	10.8	12.5	14.4	11.8	14.5	14.4	15.5
Partnership distribution	8.6	8.6	7.7	10.4	8.4	8.7	8.5	10.7	11.1	11.8	11.7	19.9	12.4	14.3	11.0
Group	14.9	12.7	12.1	11.3	17.4	14.2	13.0	16.8	20.9	19.9	18.0	13.4	19.8	17.0	16.4

Source: Company, BOBCAPS Research

Fig 8 – Persistency improving across cohorts

(%)	8MFY24	8MFY23	Change (bps)
13 th month	87.4	86.1	130bps
25 th month	79.6	77.1	250bps
37 th month	71.5	70.0	150bps
49 th month	67.1	63.9	320bps
61 st month	64.9	64.2	70bps

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

Earnings call highlights

VNB and Margin

- IPRU's VNB margin in 9MFY24 decreased materially to 26.7% from 32% in the year-ago period because of (i) a change in product mix towards ULIP and participating products which carry comparatively lower margins, (ii) higher expense ratios primarily due to higher commissions, (iii) competitive pressure on pricing in both the non-par as well as annuity businesses, and (iv) lower deal sizes in group term policies, indicating that premiums have normalised post Covid.
- The Q3FY24 VNB margin fell sharply to 23% vs. 28% in the preceding quarter for the reasons stated above. Notably, within the non-linked business, which consists of par and non-par products, the share of par has increased to 50% at the expense of non-par plans.
- VNB fell 15% YoY to Rs 14.5bn at the end of 9MFY24 and was down 29% YoY to Rs 4.4bn at the end of Q3FY24. Management indicated that it will continue to target expansion in VNB.

Growth and guidance

- IPRU's APE grew 5% YoY to Rs 19.1bn at end-Q3FY24 (+2% YoY to Rs 54.3bn in 9MFY24).
- The company witnessed reasonable growth in the affluent customer category where policy premiums are above Rs 0.5mn. However, non-par policies with ticket size less than Rs 0.5mn have declined, although the fall is lower than the overall decline at the company level.
- NBP grew 4% YoY to Rs 42.1bn at end-Q3 whereas gross premium grew 5% YoY to Rs 103bn.
- Management has guided for double-digit growth in APE on an annualised basis in Q4FY24 despite the higher base of Mar'23 (when customers brought forward insurance purchases owing to the budget). Growth is expected to come from a combination of products and distribution channels in which the company has invested over a period of 18 months.

Product mix

- During Q3FY24, the product mix remained tilted towards ULIPs. The savings segment constituted 81% of total APE and protection made up the balance. Linked APE grew 9% YoY to Rs 8.5bn, whereas non-linked APE declined 1% to Rs 5.2bn. Annuity witnessed good traction with 17% YoY growth in Q3 to Rs 1.2bn, whereas the group business declined 16% YoY to Rs 0.6bn.
- Protection share in APE was flat both YoY and QoQ at 19% in Q3FY24, with growth in retail protection being offset by the decline in group term business.
 - Retail protection growth held strong at 27% YoY to Rs 1.1bn in Q3 (+56% YoY in 9M). Group term (protection) business declined 2% YoY in Q3 (-10% YoY in 9M) despite an increase in number of deals because of lower average ticket size. Moreover, the higher base aggravated the decline.

Distribution channels

- At the end of Q3, APE from the agency route increased by 12% YoY to Rs 5.8bn while that from direct channels expanded by 13% YoY to Rs 3bn, accounting for 30% and 15% of total APE respectively.
- APE from the bancassurance channel grew 2% YoY to Rs 5.1bn at end-Q3, constituting 27% of the total. ICICI Bank contributed 50% share and has been generating Rs 0.8bn-1.0bn of business every month.
- About 51% of the company's retail business is through proprietary channels.
- IPRU continues to invest in distribution channels, adding 28,788 advisors/agents across the country during 9MFY24 and entering 144 new non-bank partnerships that took its tally to 1,052. However, the company's net agent count remained flattish at end-9MFY24 vs. end-FY23 because the company decided to retrench those with lower productivity.
- The company has 42 bank partnerships (3 added in 9MFY24), lending access to over 20,300 branches for distribution of its products.

Cost ratios

- The total expense ratio remained high at 18.3% in Q3 (14.7% in Q3FY23) and 18.9% in 9MFY24 (15.3% in H1FY23).
- Per management, commission rates have gone up across the industry.

Others

- In Q3FY24, the company launched (i) a new Guaranteed Pension Plan Flexi with Benefit Enhancer, the industry's first annuity plan that provides customers with an option to receive a 100% refund of premiums paid starting from the day of purchase. (ii) On the protection side, it launched ICICI Pru iProtect Smart Life Continuity Option with the flexibility to either receive the money as a lumpsum or as monthly income for a duration of up to 30 years or a combination of both. During 2023, the company launched a slew of innovative products, such as ICICI Pru Gold, GIFT Pro, iShield, and Protect N Gain.
- The Constant Maturity Fund was launched in Q1FY24 when the capital gains indexation benefit on debt funds was withdrawn. It started moderately but is now an active fund, though buoyant equity markets are straining its growth.
- AUM grew to Rs 2.9tn at end-9MFY24 vs. Rs 2.5tn in 9MFY23.
- The company's solvency ratio remained strong at 196.5% as of Dec'23.
- The company indicated that it issued ~80% of policies using digital KYC in Q3FY24.

Fig 9 – Policyholders’ account

(Rs mn)	Q3FY24	Q3FY23	YoY (%)	Q2FY24	QoQ (%)	9MFY24	9MFY23	YoY (%)
Gross premium income	1,02,850	97,805	5.2	1,04,259	(1.4)	2,80,856	2,69,408	4.2
First Year Premium	15,334	13,781	11.3	15,290	0.3	40,852	38,610	5.8
Renewal Premium	60,796	57,533	5.7	58,917	3.2	1,61,288	1,52,900	5.5
Single Premium	26,719	26,491	0.9	30,052	(11.1)	78,717	77,898	1.1
Reinsurance	3,562	3,160	12.7	4,035	(11.7)	11,144	10,103	10.3
Net premium income	99,288	94,645	4.9	1,00,224	(0.9)	2,69,712	2,59,304	4.0
Income from investments (Net)	1,63,152	77,218	111.3	69,389	135.1	3,92,850	1,18,699	231.0
Other income	534	366	45.9	518	3.1	1,498	1,079	38.7
Contribution of funds from Shareholders’ A/c	3,505	3,122	12.2	5,137	(31.8)	13,098	10,700	22.4
Total	2,66,478	1,75,351	52.0	1,75,269	52.0	6,77,158	3,89,783	73.7
Commission on								
First Year Premium	3,363	2,201	52.8	3,679	(8.6)	9,253	6,359	45.5
Renewal Premium	1,122	1,086	3.3	1,114	0.7	2,988	2,875	4.0
Single Premium	3,732	411	807.1	1,634	128.4	6,079	1,165	421.8
Rewards	1,800	215	735.7	1,282	40.5	3,241	705	359.6
Net Commission	10,017	3,914	155.9	7,709	29.9	21,561	11,104	94.2
Operating Expenses related to insurance business	8,786	10,445	(15.9)	11,522	(23.7)	31,421	30,164	4.2
Benefits Paid (Net)	1,00,797	87,091	15.7	94,643	6.5	2,74,898	2,22,435	23.6
Change in actuarial liability	1,41,037	66,239	112.9	56,408	150.0	3,34,824	1,05,100	218.6
Surplus/Deficit	3,818	5,247	(27.2)	3,008	26.9	8,833	14,431	(38.8)

Source: Company, BOBCAPS Research

Fig 10 – Shareholders’ account

(Rs mn)	Q3FY24	Q3FY23	YoY (%)	Q2FY24	QoQ (%)	9MFY24	9MFY23	YoY (%)
Transfer from Policyholders’ Account	4,098	4,119	(0.5)	3,647	12.4	11,541	11,939	(3.3)
Total income under Shareholders’ Account								
Investment Income	1,846	2,389	(22.7)	4,260	(56.7)	9,423	6,170	52.7
Other income	118	3	3,379.4	2	7,786.7	139	9	1,492.0
Expenses other than those related to insurance business	237	261	(8.9)	288	(17.5)	756	738	2.5
Transfer of funds to Policyholders’ Account	3,505	3,122	12.2	5,137	(31.8)	13,098	10,700	22.4
Provisions for doubtful debts (including write off)	0	879	(100.0)	0	NA	359	879	(59.2)
Profit before tax	2,321	2,249	3.2	2,483	(6.5)	6,889	5,801	18.8
Provisions for tax	46	43	7.9	41	14.0	103	43	139.2
Profit after tax and before extraordinary items	2,275	2,206	3.1	2,443	(6.9)	6,786	5,758	17.9

Source: Company, BOBCAPS Research

Fig 11 – Balance sheet

(Rs mn)	Q3FY24	Q3FY23	YoY (%)	Q2FY24	QoQ (%)	9MFY24	9MFY23	YoY (%)
Sources of funds								
Share Capital	14,401	14,386	0.1	14,396	0.0	14,401	14,386	0.1
Share application money received pending allotment of shares	0	0	NA	4	(100.0)	0	0	NA
Reserves and Surplus	90,228	81,354	10.9	87,787	2.8	90,228	81,354	10.9
Credit / (Debit) Fair Value Change Account	6,122	5,180	18.2	4,973	23.1	6,122	5,180	18.2
Total Equity	1,10,751	1,00,919	9.7	1,07,160	3.4	1,10,751	1,00,919	9.7
Policyholders' Funds:	26,44,017	22,89,378	15.5	24,97,385	5.9	26,44,017	22,89,378	15.5
Borrowing	12,000	12,000	-	12,000	-	12,000	12,000	-
Policy Liabilities	26,00,836	22,56,532	15.3	24,55,592	5.9	26,00,836	22,56,532	15.3
- Insurance Reserves	10,34,967	8,48,181	22.0	9,88,244	4.7	10,34,967	8,48,181	22.0
- Provision for Linked Liabilities	15,65,869	14,08,350	11.2	14,67,348	6.7	15,65,869	14,08,350	11.2
Add: Fair value change	43,181	32,846	31.5	41,792	3.3	43,181	32,846	31.5
FFA	13,985	16,322	(14.3)	14,265	(2.0)	13,985	16,322	(14.3)
FFA - provision of lapsed policies	77,642	94,053	(17.4)	81,849	(5.1)	77,642	94,053	(17.4)
Total Sources of funds	28,58,395	25,12,672	13.8	27,12,659	5.4	28,58,395	25,12,672	13.8
Application Of Funds								
Investments	11,86,824	9,87,482	20.2	11,30,365	5.0	11,86,824	9,87,482	20.2
- Shareholders'	1,05,741	1,03,138	2.5	1,01,976	3.7	1,05,741	1,03,138	2.5
- Policyholders'	10,81,083	8,84,344	22.2	10,28,389	5.1	10,81,083	8,84,344	22.2
Assets held to cover Linked Liabilities	16,43,511	15,02,403	9.4	15,49,197	6.1	16,43,511	15,02,403	9.4
Loans	16,237	11,930	36.1	15,206	6.8	16,237	11,930	36.1
Fixed Assets	7,043	5,363	31.3	6,693	5.2	7,043	5,363	31.3
Net Current Assets	4,779	5,494	(13.0)	11,198	(57.3)	4,779	5,494	(13.0)
Total application of funds	28,58,395	25,12,672	13.8	27,12,659	5.4	28,58,395	25,12,672	13.8

Source: Company, BOBCAPS Research

Fig 12 – Key ratios and growth metrics

(Rs mn)	Q3FY24	Q3FY23	YoY (%)	Q2FY24	QoQ (%)	9MFY24	9MFY23	YoY (%)
NBP	42,054	40,272	4.4	45,342	(7.3)	1,19,569	1,16,508	2.6
APE	19,070	18,210	4.7	20,620	(7.5)	54,310	53,410	1.7
VNB	4,360	6,180	(29.4)	5,770	(24.4)	14,510	17,100	(15.1)
Opex ratio (%)	8.5	10.7	(214bps)	11.1	(251bps)	11.2	11.2	(1bps)
Commission ratio (%)	9.7	4.0	574bps	7.4	235bps	7.7	4.1	356bps
Expense ratio (%)	18.3	14.7	360bps	18.4	(16bps)	18.9	15.3	355bps
VNB margin (%)	22.9	33.9	(1,107bps)	28.0	(512) bps	26.7	32.0	(530) bps
Solvency ratio (%)	196.5	212.2	(1,570bps)	199.4	(290bps)	196.5	212.2	(1,570bps)
Persistency ratio (Regular Premium / Limited Premium Payment under Individual category)								
13th month (%) – Cumulative	87.4	86.1	130bps	86.9	50bps	87.4	86.1	130bps
61st month (%) - Cumulative	64.9	64.2	70bps	65.0	(10bps)	64.9	64.2	70bps

Source: Company, BOBCAPS Research

Valuation methodology

IPRU has registered a 180bps drop in individual APE market share to 8.1% over FY23-Q3FY24, continuing with the declining trend of the past few years. Factoring in the below-expected Q3FY24 performance, we prune our gross premium estimates for FY24-FY26 by 5-6%, APE estimates by 2-3% and VNB margin forecasts by 200-300bps. Our VNB assumptions stand reduced by 8-12% over our forecast period as we now anticipate a 19% YoY decline in FY24.

Based on our revised estimates, we move to a lower TP of Rs 556 (vs. Rs 604), set at an implied FY26E P/EV multiple of 1.5x (vs. 1.6x earlier), a 35% discount to the stock's long-term mean. We remain cautious on IPRU due to the company's prolonged market share bleed, weak APE growth and slow business from the parent. The stock carries 8% upside and hence we maintain our HOLD rating. IPRU's growth path, product mix and ability to recoup market share losses would be key monitorables.

Fig 13 – Revised estimates

(Rs bn)	New			Old			Change (%)		
	FY24	FY25	FY26	FY24	FY25	FY26	FY24	FY25	FY26
Gross Premium	404	428	459	427	452	487	(5.6)	(5.3)	(5.6)
Net Premium	389	414	443	414	438	471	(5.8)	(5.6)	(5.9)
VNB	22	25	27	25	27	31	(10.9)	(8.3)	(12.2)
APE	85	93	102	87	95	104	(2.5)	(1.6)	(2.5)
Embedded Value (EV)	409	467	533	412	473	542	(0.7)	(1.1)	(1.8)
VNB Margin (%)	26.5	27.0	27.0	29.0	29.0	30.0	(250bps)	(200bps)	(300bps)

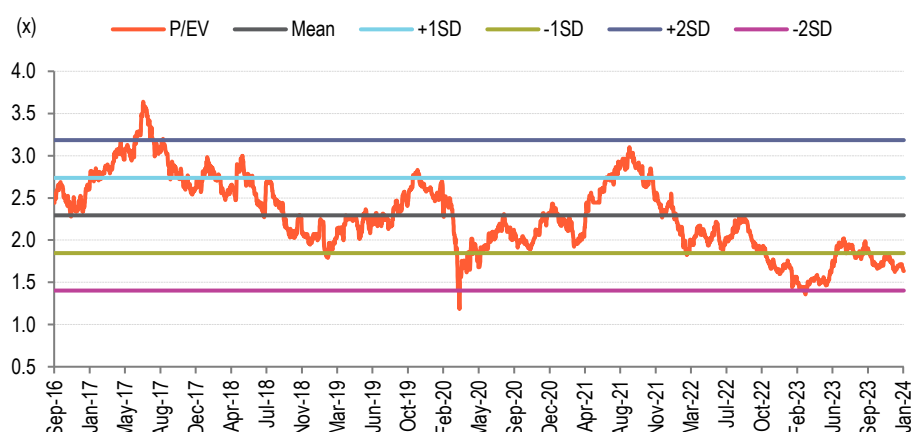
Source: BOBCAPS Research

Fig 14 – Valuation summary

Synopsis of valuation	
Embedded Value (FY26E) (Rs bn)	533
PV of Future business (Rs bn)	272
Total value (Rs bn)	804
Current P/EV (FY26E)	1.4
Implied P/EV (FY26E)	1.5
Implied Target Price (Rs)	556
Current Price (Rs)	515
Upside (%)	8

Source: BOBCAPS Research

Fig 15 – 1Y fwd P/EV – Trading below -1SD



Source: Bloomberg, BOBCAPS Research

Key risks

Key upside risks to our estimates are:

- **Favourable changes in regulatory framework:** Any favourable change in regulations, such as increased 80C income tax deduction limits, can positively impact IPRU's growth.
- **Increase in market share:** IPRU has been losing market share for several years now. Any reversal of trend will be a positive.
- **Bancassurance channel growth:** If ICICIBC were to alter its marketing strategy to include all types of insurance products or if the contribution from other banks rises substantially, business growth could come in ahead of our estimates.
- **Profits from capital and bond markets:** Prolonged strength in capital markets could push up growth in ULIPs. Although insurance companies are aiming for a balanced product mix, many of them still have sizeable business coming from ULIPs.

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.

Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
HDFC Life	HDFCLIFE IN	15.8	607	850	BUY
ICICI Prudential Life	IPRU IN	9.0	515	556	HOLD
LIC	LICI IN	68.3	888	965	BUY
SBI Life	SBILIFE IN	17.3	1,421	1,970	BUY

Source: BOBCAPS Research, NSE | Price as of 17 Jan 2024

Glossary

Glossary of Abbreviations			
APE	Annual Premium Equivalent	KYC	Know Your Customer
EOM	Expenses of Management	NBP	New Business Premium
EV	Embedded Value	ROEV	Return on Embedded Value
EVOP	Embedded Value Operating Profit	RWRP	Retail Weighted Received Premium
HNI	High Net Worth Individuals	ULIP	Unit Linked Insurance Plan
IRDAI	Insurance Regulatory and Development Authority	VNB	Value of New Business

Source: BOBCAPS Research

Financials

Revenue Account (Technical)

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Gross premium income	3,74,580	3,99,328	4,03,660	4,28,408	4,59,343
First year premium	59,655	64,938	63,882	70,335	76,649
Renewal premium	2,19,557	2,25,203	2,35,014	2,42,106	2,56,202
Single premium	95,367	1,09,187	1,04,764	1,15,967	1,26,492
Net written premium	3,63,213	3,85,595	3,89,445	4,13,576	4,43,302
Income from investments	2,49,695	99,646	4,60,280	3,29,949	3,46,426
Other Income	22,737	19,540	20,827	22,085	23,444
Total income	6,35,645	5,04,781	8,70,551	7,65,609	8,13,171
Commissions	16,729	18,639	30,997	31,387	33,394
Operating expenses	37,011	46,458	44,120	47,076	50,680
Benefits and bonuses paid	2,93,588	3,10,042	3,43,559	3,49,474	3,72,567
Change in liabilities (net)	2,57,837	98,170	4,19,934	3,02,407	3,14,229
Others	0	0	0	0	0
Total expenses	6,05,166	4,73,309	8,38,610	7,30,345	7,70,870
Surplus before tax	30,479	31,473	31,942	35,265	42,301
Provision for tax	8,576	8,451	10,117	8,358	8,805
Surplus after tax	21,904	23,021	21,825	26,907	33,496
Trf to shareholders' a/c	19,609	20,162	19,816	24,080	30,292
Balance being FFA	2,295	2,860	2,009	2,827	3,204

Income Statement (Non-technical)

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Trf from policyholders' a/c	21,602	20,162	19,816	24,080	30,292
Income from investments	10,114	8,761	13,004	12,073	13,884
Contr. to policyholders' fund	21,611	18,024	18,926	19,872	20,865
Others	(1,002)	(1,009)	(1,010)	(1,031)	(1,052)
PBT	9,103	9,890	12,884	15,250	22,259
Provision for taxation	364	862	1,196	1,433	2,134
PAT	8,739	9,027	11,688	13,817	20,125
Dividend+Interim div.+DDT	793	864	1,440	1,440	1,440

Balance Sheet

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24E	FY25E	FY26E
Equity	91,631	1,00,918	1,07,430	1,18,887	1,36,651
Policyholders' funds	21,71,190	22,83,724	25,05,743	28,08,149	31,22,378
FFA	13,833	16,693	12,520	13,146	17,089
Others	1,67,748	1,57,138	1,40,761	1,56,585	1,95,090
Total liabilities	24,44,402	25,58,472	27,66,453	30,96,766	34,71,208
Shareholders' funds	98,535	98,514	1,18,217	1,35,949	1,56,342
Policyholders' funds	7,73,880	9,43,110	10,36,577	11,99,002	13,88,259
Assets to cover linked liab.	15,08,663	14,40,581	15,12,610	16,63,871	18,30,258
Others	63,324	76,268	99,049	97,944	96,349
Total assets	24,44,402	25,58,472	27,66,453	30,96,766	34,71,208

Key Metrics

Y/E 31 Mar	FY22A	FY23A	FY24E	FY25E	FY26E
AUM (Rs mn)	24,04,920	25,11,910	26,86,309	30,16,868	33,91,643
NBP (Rs mn)	1,55,022	1,74,125	1,68,646	1,86,302	2,03,142
APE (Rs mn)	77,330	86,400	84,693	93,319	1,01,710
VNB (Rs mn)	21,652	27,648	22,444	25,196	27,462
VNB margin (%)	28.0	32.0	26.5	27.0	27.0
Embedded value (Rs mn)	3,16,250	3,56,338	4,08,849	4,67,313	5,32,720
ROEV (%)	11.0	17.4	15.1	14.7	14.3
ROE (%)	8.2	8.4	10.3	11.4	15.0
Opex ratio (%)	9.8	11.5	10.8	10.8	10.9
Cost ratio (%)	14.3	16.1	18.5	18.2	18.2
Solvency ratio (%)	204.5	208.9	201.1	208.9	213.2
EPS (Rs)	5.3	5.6	7.5	9.0	13.4
BVPS (Rs)	63.8	70.2	74.7	82.7	95.1
EVPS (Rs)	220.2	248.0	284.4	325.1	370.6

Source: Company, BOBCAPS Research

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BUY – Expected return >+15%

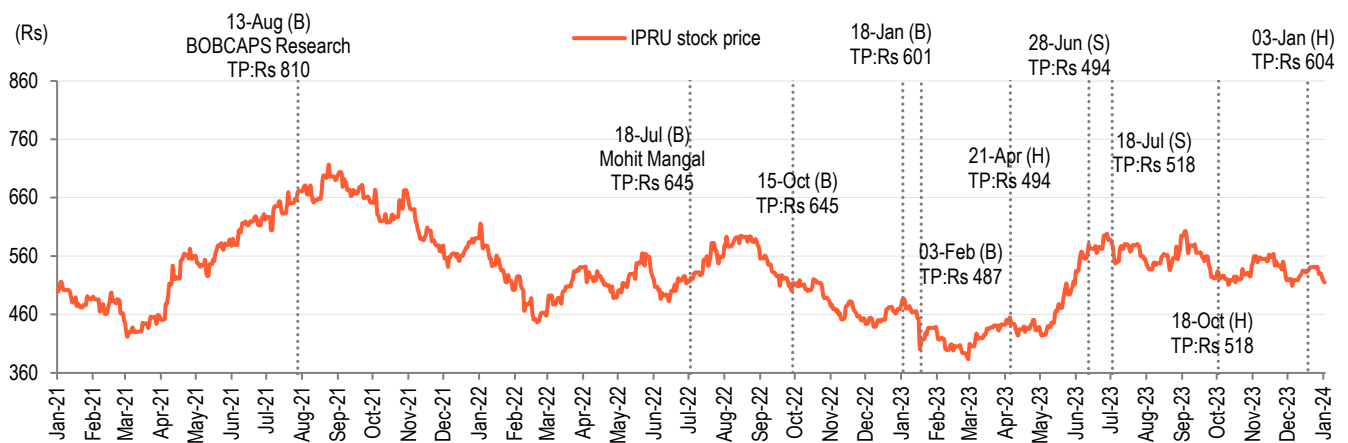
HOLD – Expected return from -6% to +15%

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)



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