

HOLD

TP: Rs 518 | ▼ 1%

ICICI PRUDENTIAL LIFE

| Insurance

| 18 October 2023

Growth subdued; raise to HOLD post correction

- Q2 APE growth muted at 3% YoY due to a 15% drop in the ICICIBC channel; ULIP and protection businesses showed traction
- VNB margin down 220bps YoY to 28.8% owing to a product mix shift; cost ratios rise further on higher commission and ad spends
- Valuations cheap following the recent correction; raise from SELL to HOLD with an unchanged TP of Rs 518

Mohit Mangal

research@bobcaps.in

APE growth muted: IPRU's APE grew just 3% YoY to Rs 20.6bn in Q2FY24 but increased 7% YoY ex-ICICI Bank (ICICIBC). The ICICIBC channel continues to decline, reporting a 15% drop in APE for Q2, and now contributes only 13.7% share. The product mix shifted to ULIPs which clocked strong 13% YoY growth. Protection business inched up 3% YoY as an 84% surge in retail protection business was offset by a 15% decline in group protection. Annuity APE slipped 7% YoY in Q2 as high interest rates drew customers to bank deposits over insurance products. Owing to muted growth, we lower our FY24 APE estimate by 3%.

VNB margin declines: IPRU's VNB margin contracted 220bps YoY to 28.8% at end-H1FY24 due to a change in product mix as the high-margin non-par business saw lower demand. While the share of protection plans in APE grew 60bps YoY to 21%, the non-linked share fell 180bps YoY at end-H1. We continue to model for 29% VNB margins over our forecast period. Persistency improved across cohorts with the 13th-month ratio rising from 85.9% at end-5MFY23 to 86.9% at end-5MFY24 and the 61st-month cohort climbing from 61.2% to 65% respectively.

Higher commissions push up cost ratios: Total commissions swelled 87% YoY, leading to a 31% rise in total expense for the quarter. This translated to a total cost ratio of 18.4% in Q2 (14.8% in Q2FY23) and 19.2% in H1FY24 (15.7% in H1FY23). Commissions have shot up as caps on the same were removed by the regulator. Operating expenses moved up 9% YoY owing to higher employee, advertising and sales costs.

Valuation cheap post correction; raise to HOLD: We continue to value the stock at 1.6x FY25E P/EV, a 30% discount to the long-term mean, for an unchanged TP of Rs 518. We remain cautious on IPRU due to the company's prolonged market share bleed (both on NBP and individual APE basis), weak APE growth, slow business from the parent and regulatory headwinds. However, the stock is now fairly priced following an 8% correction over the past 45 days, leading us to move it from SELL to HOLD.

Key changes

Target	Rating
◀ ▶	▲

Ticker/Price	IPRU IN/Rs 521
Market cap	US\$ 9.1bn
Free float	27%
3M ADV	US\$ 12.2mn
52wk high/low	Rs 616/Rs 381
Promoter/FPI/DII	73%/17%/5%

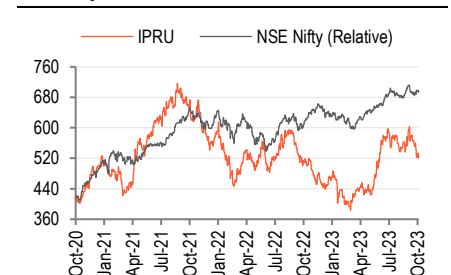
Source: NSE | Price as of 18 Oct 2023

Key financials

Y/E 31 Mar	FY23A	FY24E	FY25E
NBP (Rs mn)	174,125	192,472	210,674
APE (Rs mn)	86,400	78,031	88,227
VNB (Rs mn)	27,648	22,629	25,586
Embedded Value (Rs mn)	356,338	409,034	467,903
VNB margin (%)	32.0	29.0	29.0
EVPS (Rs)	248.0	284.6	325.5
EPS (Rs)	5.6	6.0	6.1
Consensus EPS (Rs)	5.6	8.0	8.6
P/EV (x)	2.1	1.8	1.6

Source: Company, Bloomberg, BOBCAPS Research

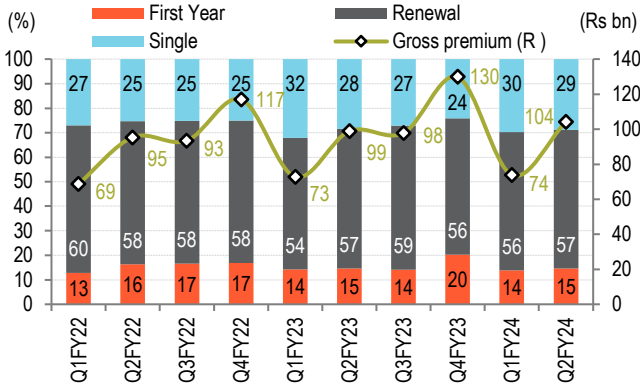
Stock performance



Source: NSE

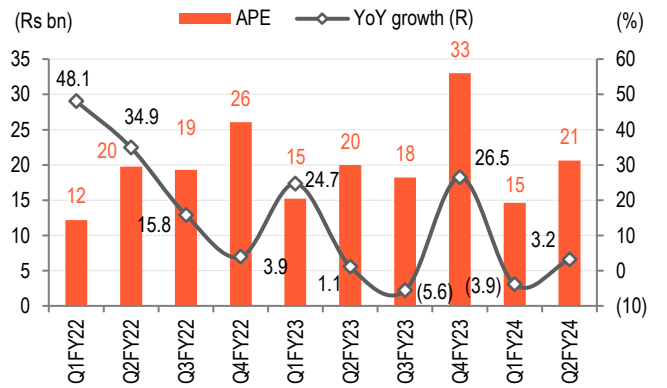


Fig 1 – Gross premium up 5% YoY in Q2FY24



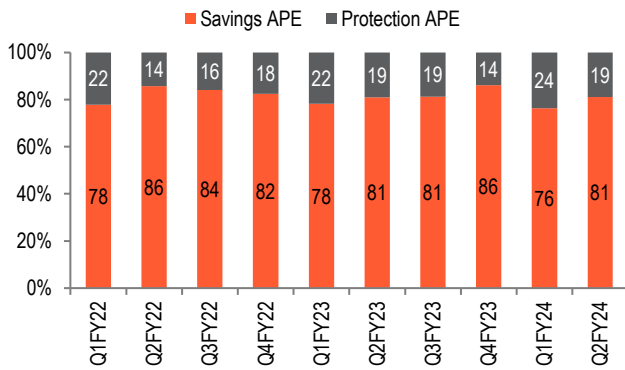
Source: Company, BOBCAPS Research

Fig 2 – APE grew 3% YoY



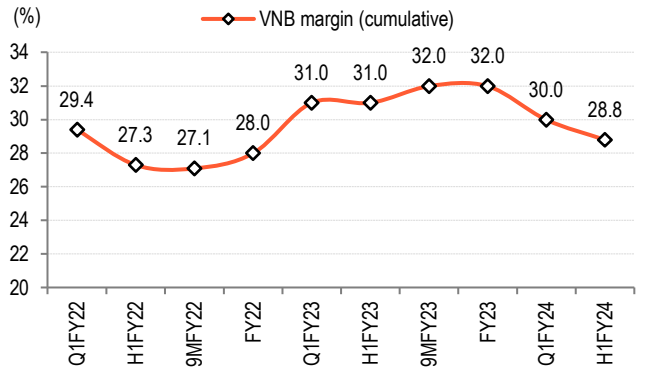
Source: Company, BOBCAPS Research

Fig 3 – Product mix – Savings business moved up



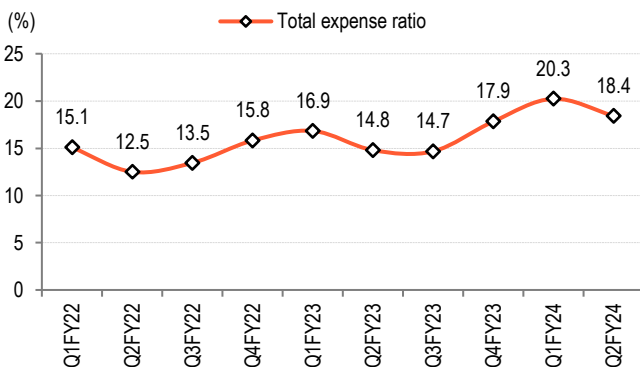
Source: Company, BOBCAPS Research

Fig 4 – VNB margin slides to 28.8% at end-H1



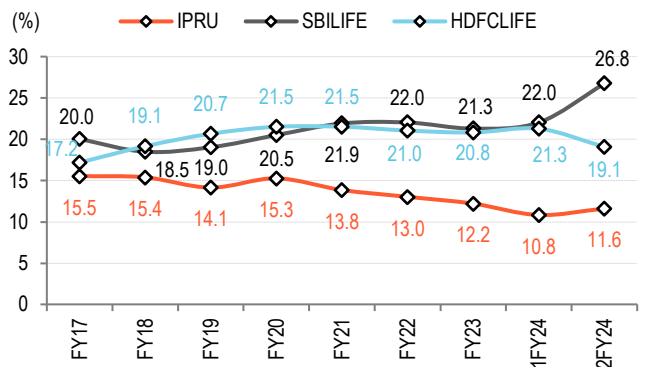
Source: Company, BOBCAPS Research

Fig 5 – Total expense ratio has moderated but remains high



Source: Company, BOBCAPS Research

Fig 6 – Market share (NBP basis) inched up in Q2 though Aug-Sep share was lower than July



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
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
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
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
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
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
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
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
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
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
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
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

Source: Company, BOBCAPS Research

Fig 8 – Persistency improving across cohorts

(%)	5MFY24	5MFY23	Change (bps)
13 th month	86.9	85.9	100
25 th month	78.9	77.2	170
37 th month	71.4	68.7	270
49 th month	65.8	63.6	220
61 st month	65.0	61.2	380

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

Earnings call highlights

Product mix

- IPRU's APE grew 3% YoY to Rs 20.6bn at end-Q2FY24 (+7% ex-parent ICICIBC's contribution to Rs.17.8bn). At end-H1FY24, APE was flattish YoY at Rs 35.2bn
- During Q2, the product mix shifted towards ULIP products. The savings segment constituted 81% of total APE and protection made up the balance. Linked APE grew 13% YoY to Rs 9.3bn whereas non-linked APE declined 8% to Rs 5.3bn.
- Annuity APE slipped 7% YoY during the quarter because high interest rates on deposits saw some bank partners prioritise deposit mobilisation as their primary objective rather than insurance sales.
- Gift Pro, launched in H1FY24, offers customers inflation-adjusted income over the long term. Of the 14% of non-participating business during H1, ~22% came from Gift Pro in its first month of launch. Per management, the product now forms ~40% of non-participating business.

Protection products

- Protection share in APE was flat YoY at 19% in Q2FY24.
- Retail protection growth held strong at 84% YoY to Rs 1.3bn. The return of premium (ROP) variant is roughly 15-20% of the retail protection business.
- Group term (protection) business declined 13% YoY in H1FY24 (-15% YoY in Q2) despite a 38% increase in the number of deals, because the average ticket size fell by 40-50%. Moreover, renewals came at lower pricing due to the favourable Covid experience.

VNB and Margin

- VNB margin in H1FY24 stood at 28.8% vs. 31% in the year-ago period largely because of a change in the product mix. IPRU saw no major change in segment margins.
- Management indicated a continuation of its strategy of expanding absolute VNB while managing margins through the product mix and cost control.

Distribution channels

- Parent ICICIBC's share in business continues to spiral downward with a 15% YoY fall in APE originated by the bank at end-Q2, as it remains focused solely on protection and annuity product sales. On the positive side, the bancassurance channel (ex-ICICIBC) saw 13% YoY growth.
- IPRU continues to invest in distribution channels, adding 18,409 advisors/agents across the country during H1FY24 and entering into 105 new non-bank partnerships that took its tally to 1,013.
- The company has 40 bank partnerships (1 added), lending access to over 19,900 branches for distribution of its products.

- APE from the agency channel grew just 4% YoY to Rs 5.4bn owing to a muted September. Per management, this channel witnessed 15-20% growth MoM over May to August.
- The company continues to invest in technology platforms which is driving traction on its website.

Cost ratios

- The total expense ratio remained high at 18.4% in Q2 (14.8% in Q2FY23) and 19.2% in H1FY24 (15.7% in H1FY23).
- Per management, commission rates have gone up across the industry.
- Opex increased due to higher employee, advertising and sales costs. Management intends to continue investing in capacity building to support growth.

Others

- On the fund side, IPRU launched a Constant Maturity Fund in H1FY24, an industry-first ULIP debt fund with fixed maturity. Launched at the peak of the interest rate cycle, it offers wealth preservation and tax-efficient returns.
- The company also introduced three unique insurance policies during the first half of FY24: ICICI Gift Pro, iShield, and Protect & Gain.
- AUM grew 11% YoY to Rs 2.7tn at end-H1FY24.
- The company's solvency ratio remained strong at 199.4% as of Sep'23.
- The company indicated that it issued ~80% of policies using digital KYC in the month of September.

Fig 9 – Policyholders’ account

(Rs mn)	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)	H1FY24	H1FY23	YoY (%)
Gross premium income	104,259	98,956	5.4	73,748	41.4	178,007	171,603	3.7
First Year Premium	15,290	14,444	5.9	10,227	49.5	25,517	24,829	2.8
Renewal Premium	58,917	56,426	4.4	41,575	41.7	100,492	95,367	5.4
Single Premium	30,052	28,086	7.0	21,946	36.9	51,998	51,407	1.1
Reinsurance	4,035	3,139	28.6	3,547	13.7	7,582	6,944	9.2
Net premium income	100,224	95,817	4.6	70,200	42.8	170,425	164,659	3.5
Income from investments (Net)	69,389	128,189	(45.9)	160,309	(56.7)	229,698	41,481	453.8
Other income	518	380	36.1	447	15.9	964	714	35.1
Contribution of funds from Shareholders’ A/c	5,137	4,657	10.3	4,456	15.3	9,594	7,578	26.6
Total	175,269	229,044	(23.5)	235,412	(25.5)	410,681	214,432	91.5
Commission on								
First Year Premium	3,679	2,357	56.1	2,211	66.4	5,890	4,158	41.7
Renewal Premium	1,114	1,075	3.7	752	48.2	1,867	1,789	4.3
Single Premium	1,634	385	324.2	713	129.3	2,347	754	211.5
Rewards	1,282	314	308.5	159	706.5	1,441	490	194.2
Net Commission	7,709	4,131	86.6	3,835	101.0	11,544	7,190	60.6
Operating Expenses related to insurance business	11,522	10,535	9.4	11,112	3.7	22,634	19,719	14.8
Benefits Paid (Net)	94,643	80,219	18.0	79,458	19.1	174,101	135,344	28.6
Change in actuarial liability	56,408	126,860	(55.5)	137,380	(58.9)	193,787	38,861	398.7
Surplus/Deficit	3,008	5,234	(42.5)	2,007	49.9	5,015	9,184	(45.4)

Source: Company, BOBCAPS Research

Fig 10 – Shareholders’ account

(Rs mn)	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)	H1FY24	H1FY23	YoY (%)
Transfer from Policyholders’ Account	3,647	4,861	(25.0)	3,796	(3.9)	7,443	7,821	(4.8)
Total income under Shareholders’ Account								
Investment Income	4,260	2,033	109.5	3,317	28.4	7,577	3,781	100.4
Other income	2	3	(48.3)	19	(92.0)	20	5	281.1
Expenses other than those related to insurance business	288	245	17.4	232	24.1	519	477	8.8
Transfer of funds to Policyholders’ Account	5,137	4,657	10.3	4,456	15.3	9,594	7,578	26.6
Provisions for doubtful debts (including write off)	0	0	NA	359	(100.0)	359	0	NA
Profit before tax	2,483	1,995	24.5	2,085	19.1	4,568	3,552	28.6
Provisions for tax	41	0	NA	16	158.6	56	0	NA
Profit after tax and before extraordinary items	2,443	1,995	22.4	2,069	18.0	4,512	3,552	27.0

Source: Company, BOBCAPS Research

Fig 11 – Balance sheet

(Rs mn)	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)	H1FY24	H1FY23	YoY (%)
Sources of funds								
Share Capital	14,396	14,386	0.1	14,389	0.1	14,396	14,386	0.1
Share application money received pending allotment of shares	4	0	NA	5	(26.4)	4	0	NA
Reserves and Surplus	87,787	79,141	10.9	85,882	2.2	87,787	79,141	10.9
Credit / (Debit) Fair Value Change Account	4,973	2,769	79.6	4,903	1.4	4,973	2,769	79.6
Total Equity	107,160	96,295	11.3	105,178	1.9	107,160	96,295	11.3
Policyholders' Funds:	2,497,385	2,216,208	12.7	2,433,403	2.6	2,497,385	2,216,208	12.7
Borrowing	12,000	12,000	-	12,000	-	12,000	12,000	-
Policy Liabilities	2,455,592	2,187,634	12.2	2,392,605	2.6	2,455,592	2,187,634	12.2
- Insurance Reserves	988,244	807,849	22.3	939,169	5.2	988,244	807,849	22.3
- Provision for Linked Liabilities	1,467,348	1,379,785	6.3	1,453,435	1.0	1,467,348	1,379,785	6.3
Add: Fair value change	41,792	28,574	46.3	40,798	2.4	41,792	28,574	46.3
FFA	14,265	15,194	(6.1)	14,904	(4.3)	14,265	15,194	(6.1)
FFA - provision of lapsed policies	81,849	96,712	(15.4)	88,429	(7.4)	81,849	96,712	(15.4)
Total Sources of funds	2,712,659	2,436,408	11.3	2,653,914	2.2	2,712,659	2,436,408	11.3
Application Of Funds								
Investments	1,130,365	937,587	20.6	1,092,042	3.5	1,130,365	937,587	20.6
- Shareholders'	101,976	95,865	6.4	105,854	(3.7)	101,976	95,865	6.4
- Policyholders'	1,028,389	841,721	22.2	986,188	4.3	1,028,389	841,721	22.2
Assets held to cover Linked Liabilities	1,549,197	1,476,497	4.9	1,541,864	0.5	1,549,197	1,476,497	4.9
Loans	15,206	10,945	38.9	14,102	7.8	15,206	10,945	38.9
Fixed Assets	6,693	5,238	27.8	6,373	5.0	6,693	5,238	27.8
Net Current Assets	11,198	6,142	82.3	(468)	(2,494.2)	11,198	6,142	82.3
Total application of funds	2,712,659	2,436,408	11.3	2,653,914	2.2	2,712,659	2,436,408	11.3

Source: Company, BOBCAPS Research

Fig 12 – Key ratios and growth metrics

(Rs mn)	Q2FY24	Q2FY23	YoY (%)	Q1FY24	QoQ (%)	H1FY24	H1FY23	YoY (%)
NBP	45,342	42,530	6.6	32,173	40.9	77,515	76,236	1.7
APE	20,620	19,990	3.2	14,610	41.1	35,230	35,190	0.1
VNB	5,770	6,210	(7.1)	4,380	31.7	10,150	10,920	(7.1)
Opex ratio (%)	11.1	10.6	40bps	15.1	402bps	12.7	11.5	122bps
Commission ratio (%)	7.4	4.2	322bps	5.2	219bps	6.5	4.2	230bps
Expense ratio (%)	18.4	14.8	362bps	20.3	182bps	19.2	15.7	352bps
VNB margin (%) – Cumulative	28.8	31.0	(220bps)	30.0	120bps	28.8	31.0	(220bps)
Solvency ratio (%)	199.4	199.9	(50bps)	203.4	400bps	199.4	199.9	(50bps)
Persistency ratio (Regular Premium / Limited Premium Payment under Individual category)								
13th month (%) – Cumulative	86.9	85.9	100bps	86.4	50bps	86.9	85.9	100bps
61st month (%) - Cumulative	65.0	61.2	380bps	66.5	150bps	65.0	61.2	380bps

Source: Company, BOBCAPS Research

Valuation methodology

Factoring in IPRU's Q2FY24 performance, we raise our FY24/FY25 gross premium estimates slightly but trim our VNB forecast for FY24 by 3% (with a marginal increase for FY25). Our VNB margin estimates stay at a muted 29% for both years. We highlight a 60bps fall in NBP market share to 11.6% in Q2FY24 over FY23 and a 70bps drop in individual APE share to 9.2%, continuing with the declining trend seen over the past few years.

Despite our estimate revisions, we have an unchanged TP of Rs 518 based on an implied FY25E P/EV multiple of 1.6x (unchanged), a 30% discount to the long-term mean. We remain cautious on IPRU due to the company's prolonged market share bleed, weak APE growth, slow business from the parent and regulatory headwinds. However, the stock is now fairly priced following an 8% correction over the past 45 days, leading us to move it from SELL to HOLD.

Fig 13 – Revised estimates

(Rs bn)	New		Old		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Gross Premium	427	445	425	442	0.7	0.8
Net Premium	414	431	411	428	0.7	0.8
VNB	23	26	23	25	(2.6)	0.9
APE	78	88	80	87	(2.6)	0.9
Embedded Value (EV)	409	468	409	467	0.1	0.1
VNB Margin (%)	29.0	29.0	29.0	29.0	0bps	0bps

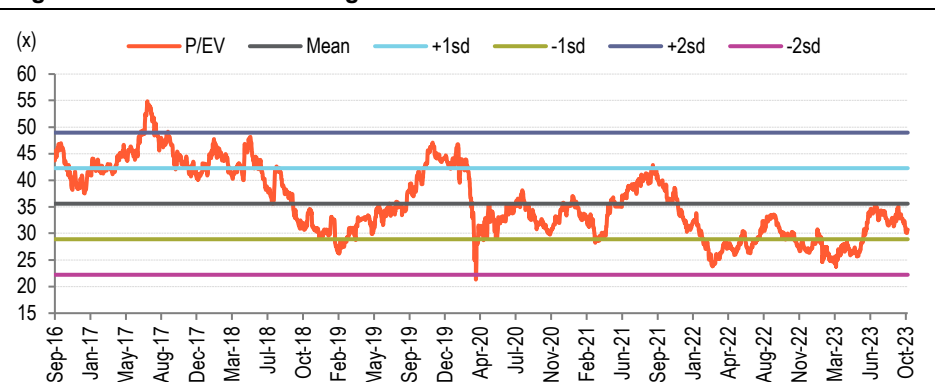
Source: BOBCAPS Research

Fig 14 – Valuation summary

Synopsis of valuation	
Embedded Value (FY25E) (Rs bn)	351
PV of Future business (Rs bn)	398
Total value (Rs bn)	749
Current P/EV (FY25E)	1.6
Implied P/EV (FY25E)	1.6
Implied Target Price (Rs)	518
Current Price (Rs)	521
Upside (%)	(1)

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	16.8	645	700	HOLD
ICICI Prudential Life	IPRU IN	9.1	521	518	HOLD
LIC	LICI IN	49.0	637	770	BUY
SBI Life	SBILIFE IN	16.5	1,356	1,500	BUY

Source: BOBCAPS Research, NSE | Price as of 18 Oct 2023

Glossary

Glossary of Abbreviations

APE	Average 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
IRDA	Insurance Regulatory and Development Authority	VNB	Value of New Business

Source: BOBCAPS Research

Financials

Revenue Account (Technical)

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23A	FY24E	FY25E
Gross premium income	357,328	374,580	399,328	427,486	445,371
First year premium	51,872	59,655	64,938	54,735	62,659
Renewal premium	225,068	219,557	225,203	235,014	234,697
Single premium	80,389	95,367	109,187	137,736	148,015
Net written premium	349,734	363,213	385,595	413,564	431,427
Income from investments	474,376	249,695	99,646	370,888	308,446
Other Income	16,682	22,737	19,540	20,287	21,387
Total income	840,791	635,645	504,781	804,739	761,260
Commissions	15,002	16,729	18,639	27,296	28,633
Operating expenses	27,121	37,011	46,458	50,275	52,429
Benefits and bonuses paid	226,409	293,588	310,042	379,591	300,204
Change in liabilities (net)	543,241	257,837	98,170	318,542	348,639
Others	0	0	0	0	0
Total expenses	811,773	605,166	473,309	775,704	729,904
Surplus before tax	29,019	30,479	31,473	29,035	31,356
Provision for tax	7,965	8,576	8,451	10,491	9,403
Surplus after tax	21,054	21,904	23,021	18,544	21,953
Trf to shareholders' a/c	19,849	19,609	20,162	16,340	19,463
Balance being FFA	1,205	2,295	2,860	2,203	2,491

Income Statement (Non-technical)

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23A	FY24E	FY25E
Trf from policyholders' a/c	19,849	21,602	20,162	16,340	19,463
Income from investments	7,687	10,114	8,761	14,088	12,073
Contr. to policyholders' fund	15,748	21,611	18,024	18,926	19,872
Others	(609)	(1,002)	(1,009)	(1,010)	(1,031)
PBT	11,179	9,103	9,890	10,492	10,633
Provision for taxation	1,213	364	862	957	971
PAT	9,966	8,739	9,027	9,535	9,662
Dividend+Interim div.+DDT	2,872	793	864	1,440	1,440

Balance Sheet

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23A	FY24E	FY25E
Equity	91,194	91,631	100,918	105,277	112,578
Policyholders' funds	1,910,481	2,171,190	2,283,724	2,404,350	2,752,989
FFA	13,532	13,833	16,693	23,370	18,696
Others	157,074	167,748	157,138	198,128	185,930
Total liabilities	2,172,281	2,444,402	2,558,472	2,731,125	3,070,193
Shareholders' funds	100,902	98,535	98,514	118,217	135,949
Policyholders' funds	635,726	773,880	943,110	1,022,003	1,182,242
Assets to cover linked liab.	1,385,491	1,508,663	1,440,581	1,512,610	1,663,871
Others	50,162	63,324	76,268	78,296	88,131
Total assets	2,172,281	2,444,402	2,558,472	2,731,125	3,070,193

Key Metrics

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23A	FY24E	FY25E
AUM (Rs mn)	2,142,180	2,404,920	2,511,910	2,670,951	2,999,206
NBP (Rs mn)	132,261	155,022	174,125	192,472	210,674
APE (Rs mn)	64,620	77,330	86,400	78,031	88,227
VNB (Rs mn)	16,220	21,652	27,648	22,629	25,586
VNB margin (%)	25.1	28.0	32.0	29.0	29.0
Embedded value (Rs mn)	291,051	316,250	356,338	409,034	467,903
ROEV (%)	15.2	11.0	17.4	15.2	14.7
ROE (%)	11.8	8.2	8.4	8.4	8.0
Opex ratio (%)	7.5	9.8	11.5	11.6	11.6
Cost ratio (%)	11.7	14.3	16.1	18.0	18.0
Solvency ratio (%)	216.8	204.5	208.9	204.8	201.5
EPS (Rs)	6.7	5.3	5.6	6.0	6.1
BVPS (Rs)	63.5	63.8	70.2	73.2	78.3
EVPS (Rs)	202.7	220.2	248.0	284.6	325.5

Source: Company, BOBCAPS Research

NOT FOR DISTRIBUTION, DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES OF AMERICA (“US”) OR IN OR INTO ANY OTHER JURISDICTION IF SUCH AN ACTION IS PROHIBITED BY APPLICABLE LAW.

Disclaimer

Name of the Research Entity: **BOB Capital Markets Limited**
 Registered office Address: **1704, B Wing, Parinee Crescenzo, G Block, BKC, Bandra East, Mumbai 400051**
 SEBI Research Analyst Registration No: **INH000000040 valid till 03 February 2025**
 Brand Name: **BOBCAPS**
 Trade Name: **www.barodaetrade.com**
 CIN: **U65999MH1996GOI098009**



Investments in securities market are subject to market risks. Read all the related documents carefully before investing.
 Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

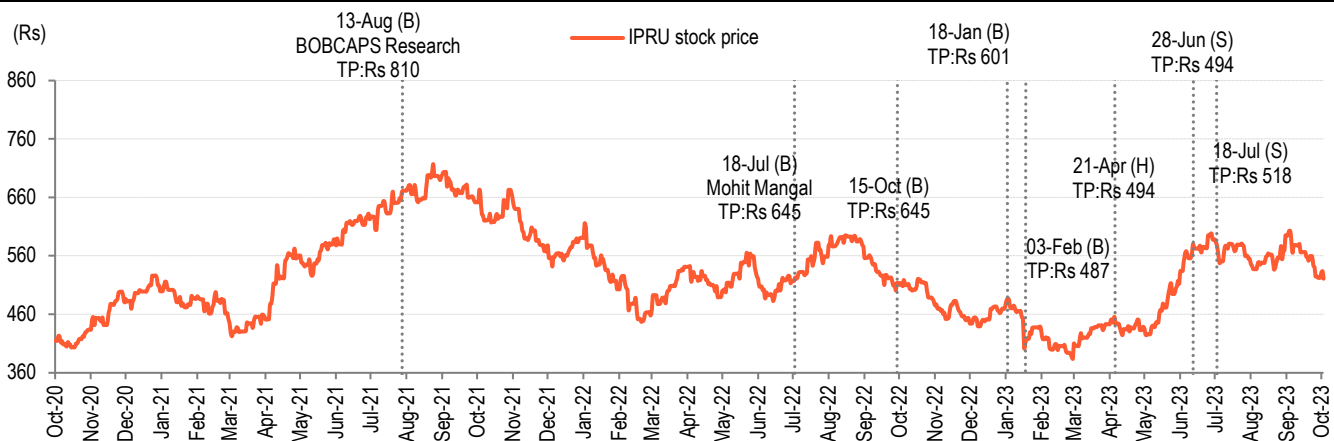
Recommendation scale: Recommendations and Absolute returns (%) over 12 months

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

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 BOB Capital Markets Limited (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 is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

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. 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. BOBCAPS research reports follow rules laid down by Securities and Exchange Board of India and individuals employed as research analysts are separate from other employees who are performing sales trading, dealing, corporate finance advisory or any other activity that may affect the independence of its research reports.

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 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.

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 or third party in the past 12 months in connection with research report/activities. 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.

Other disclaimers

BOBCAPS and MAYBANK (as defined below) make no representation or warranty, express or implied, as to the accuracy or completeness of any information obtained from third parties and expressly disclaim the merchantability, suitability, quality and fitness of this report. The information in this report has not been independently verified, is provided on an “as is” basis, should not be relied on by you in connection with any contract or commitment, and should not be used as a substitute for enquiries, procedures and advice which ought to be undertaken by you. This report also does not constitute an offer or solicitation to buy or sell any securities referred to herein and you should not construe this report as investment advice. All opinions and estimates contained in this report constitute BOBCAPS’s judgment as of the date of this report and are subject to change without notice, and there is no obligation on BOBCAPS or MAYBANK to update this report upon issuance. This report and the information contained herein may not be reproduced, redistributed, disseminated or copied by any means without the prior consent of BOBCAPS and MAYBANK.

To the full extent permitted by law neither BOBCAPS, MAYBANK nor any of their respective affiliates, nor any other person, accepts any liability howsoever arising, whether in contract, tort, negligence, strict liability or any other basis, including without limitation, direct or indirect, special, incidental, consequential or punitive damages arising from any use of this report or the information contained herein. By accepting this report, you agree and undertake to fully indemnify and hold harmless BOBCAPS and MAYBANK from and against claims, charges, actions, proceedings, losses, liabilities, damages, expenses and demands (collectively, the “Losses”) which BOBCAPS and/or MAYBANK may incur or suffer in any jurisdiction including but not limited to those Losses incurred by BOBCAPS and/or MAYBANK as a result of any proceedings or actions brought against them by any regulators and/or authorities, and which in any case are directly or indirectly occasioned by or result from or are attributable to anything done or omitted in relation to or arising from or in connection with this report.

Distribution into the United Kingdom (“UK”):

This research report will only be distributed in the United Kingdom, in accordance with the applicable laws and regulations of the UK, by Maybank Securities (London) Ltd (“MSL”) who is authorised and regulated by the Financial Conduct Authority (“FCA”) in the United Kingdom (MSL and its affiliates are collectively referred to as “MAYBANK”). BOBCAPS is not authorized to directly distribute this research report in the UK.

This report has not been prepared by BOBCAPS in accordance with the UK’s legal and regulatory requirements.

This research report is for distribution only to, and is solely directed at, selected persons on the basis that those persons: (a) are eligible counterparties and professional clients of MAYBANK as selected by MAYBANK solely at its discretion; (b) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended from time to time (the “Order”), or (c) fall within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc. as mentioned in the stated Article) of the Order; (all such persons together being referred to as “relevant persons”).

This research report is directed only at relevant persons and must not be acted on or relied on by any persons who are not relevant persons. Any investment or investment activity to which this material relates is available only to relevant persons and will be engaged in only with relevant persons.

The relevant person as recipient of this research report is not permitted to reproduce, change, remove, pass on, distribute or disseminate the data or make it available to third parties without the written permission of BOBCAPS or MAYBANK. Any decision taken by the relevant person(s) pursuant to the research report shall be solely at their costs and consequences and BOBCAPS and MAYBANK shall not have any liability of whatsoever nature in this regard.

No distribution into the US:

This report will not be distributed in the US and no US person may rely on this communication.

Other jurisdictions:

This report has been prepared in accordance with SEBI (Research Analysts) Regulations and not in accordance with local regulatory requirements of any other jurisdiction. In any other jurisdictions, this report is only for distribution (subject to applicable legal or regulatory restrictions) to professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions by Maybank Securities Pte Ltd. (Singapore) and / or by any broker-dealer affiliate or such other affiliate as determined by Malayan Banking Berhad.

If the recipient of this report is not as specified above, then it should not act upon this report and return the same to the sender.

By accepting this report, you agree to be bound by the foregoing limitations.