

HOLD

TP: Rs 650 | ▲ 9%

ICICI PRUDENTIAL LIFE | Insurance

24 April 2024

Strong growth but VNB margin dwindles

- APE grew 10% YoY in Q4 (+5% YoY in FY24) beating our estimate; market share gain in individual APE is a key positive
- VNB margin declined 740bps YoY to 24.6% in FY24 and we expect the trend of low VNB margin to continue
- Maintain HOLD and raise TP to Rs 650 (from Rs 595) on a higher target FY26E P/EV of 1.7x (vs. 1.6x)

Mohit Mangal

research@bobcaps.in

APE growth strong: IPRU's APE grew 10% YoY to Rs 36.2bn at end-Q4FY24 on a higher base (+5% YoY to Rs 90.5bn in FY24) and beating our estimate of Rs 32bn. Owing to buoyant equity markets, linked APE grew 77% YoY to Rs 15.7bn whereas non-linked APE declined 48% to Rs 8.8bn. The gross premium grew 17% YoY to Rs 152bn vs. Rs 125bn expected. Thus, we increase APE estimates by 12%/17% for FY25/FY26. Even higher market share in Q4 on individual APE terms is positive.

Low VNB margin to be a norm: IPRU's VNB margin contracted 140bps QoQ to 21.5% at end-Q4FY24 (-740bps YoY in FY24 to 24.6%) mainly due to the change in the product mix towards lower yielding products (ULIP and par) and cost pressures. Protection share in APE was lower at 12% in Q4FY24, with growth in retail protection being offset by a decline in group term business. Baking in the results, we lower our FY25/FY26 forecasts for VNB margin by 250bps each to 24.5%.

Bancassurance grows: APE from bancassurance climbed a strong 19% YoY at the end of Q4 to Rs 10.8bn. APE from the agency route increased by 29% YoY to Rs 11.6bn while that from direct channels expanded by 22% YoY to Rs 4.7bn, accounting for 32% and 13% of total APE respectively. The focus continued to be on strengthening the distribution network with the addition of 43,947 advisors/agents in FY24 and entering 204 new non-bank partnerships (totalling 1,112). The company has 44 bank partnerships (five added in FY24).

Higher commissions push up cost ratios: Expense ratio continued to trend upwards (18.2% in FY24 and up ~200bps YoY). However, there was some moderation in Q4 (16.8% in Q4FY24 vs 17.9% in Q4FY23 and 18.3% in Q3FY24) though the commission ratio of 10.3% was higher 60bps QoQ and 450bps YoY in Q4.

Maintain HOLD: Based on our revised estimates, we move to a new TP for IPRU of Rs 650 (from Rs 595), set at an implied FY26E P/EV of 1.7x (vs. 1.6x), a 25% discount to the long-term mean. We remain positive on aggressive growth, market share grab but remain cautious on the low VNB margins, higher expenses and decline in group business. With a 9% upside we continue to maintain HOLD.

Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	IPRU IN/Rs 594
Market cap	US\$ 10.4bn
Free float	27%
3M ADV	US\$ 15.1mn
52wk high/low	Rs 641/Rs 420
Promoter/FPI/DII	73%/15%/17%

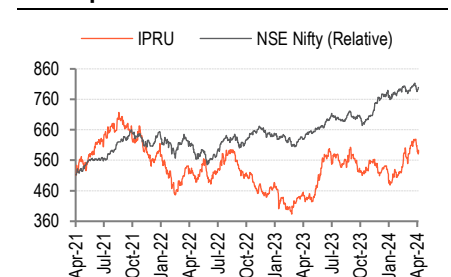
Source: NSE | Price as of 23 Apr 2024

Key financials

Y/E 31 Mar	FY24P	FY25E	FY26E
NBP (Rs mn)	1,86,788	2,14,765	2,44,919
APE (Rs mn)	90,460	1,04,221	1,18,802
VNB (Rs mn)	22,253	25,534	29,107
Embedded Value (Rs mn)	4,23,358	4,83,433	5,52,186
VNB margin (%)	24.6	24.5	24.5
EVPS (Rs)	294.3	336.0	384.2
EPS (Rs)	5.9	7.5	9.3
Consensus EPS (Rs)	5.9	8.0	10.0
P/EV (x)	2.0	1.8	1.5

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

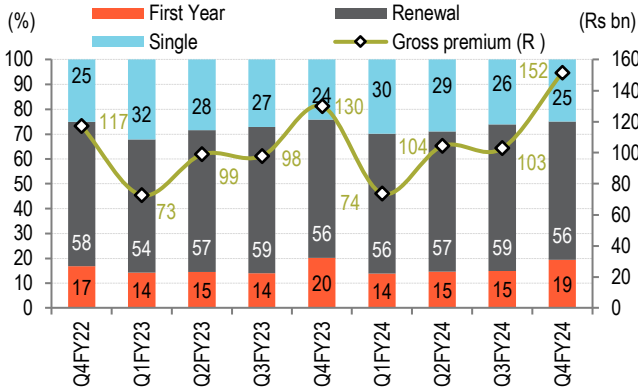
Stock performance



Source: NSE

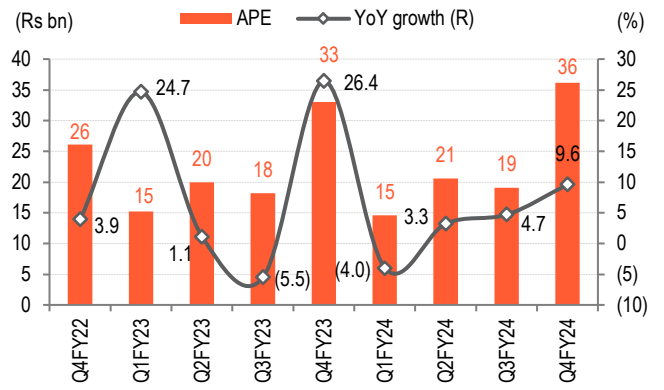


Fig 1 – Gross premium up 17% YoY in Q4FY24



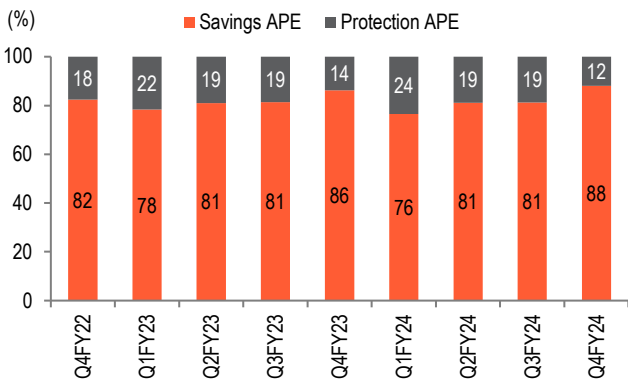
Source: Company, BOBCAPS Research

Fig 2 – APE grew at 10% YoY



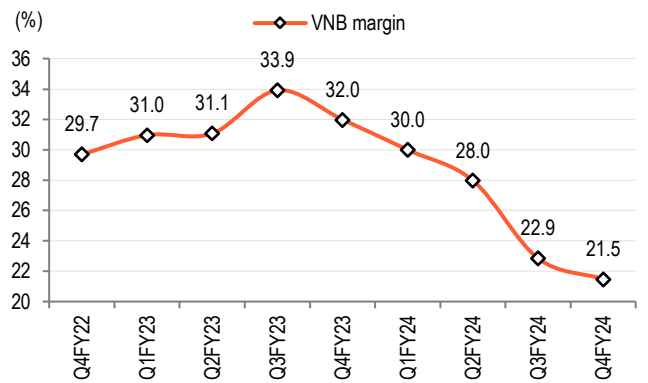
Source: Company, BOBCAPS Research

Fig 3 – Product mix – Savings business increased in Q4



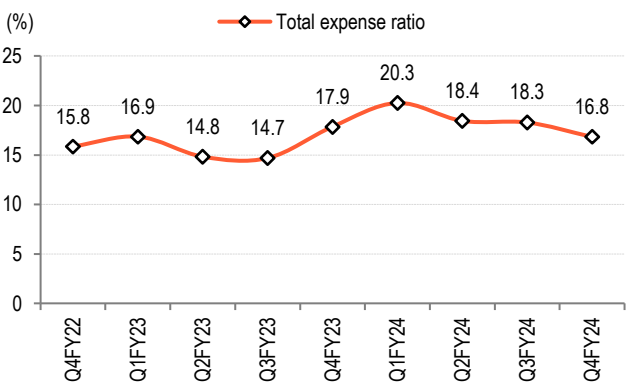
Source: Company, BOBCAPS Research

Fig 4 – VNB margin further slips in Q4



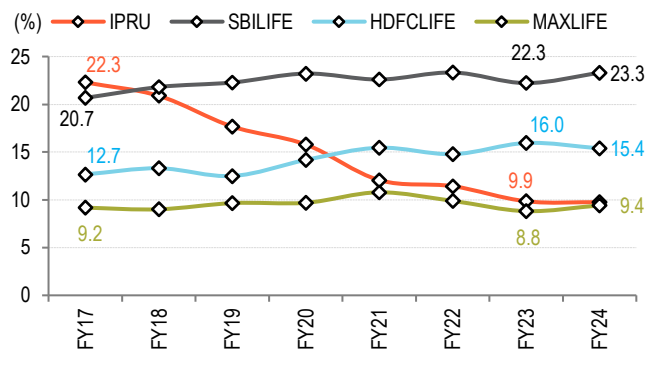
Source: Company, BOBCAPS Research

Fig 5 – Total expense ratio moderated but commission ratio remained high



Source: Company, BOBCAPS Research

Fig 6 – Market share (individual APE basis) broadly maintained in FY24 owing to a robust Q4



Source: Company, BOBCAPS Research

Fig 7 – Distribution mix APE – Agency and direct channels gained traction YoY; banca channel fared well too

Channel	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Mix (Rs bn)												
Bancassurance	4.7	7.9	7.6	9.9	5.3	6.0	5.0	9.1	4.2	5.8	5.1	10.8
Agency	2.7	4.8	5.0	5.8	3.4	5.2	5.2	9.0	3.6	5.4	5.8	11.6
Direct	1.6	2.6	2.6	3.3	1.7	2.5	2.6	3.9	2.1	3.0	3.0	4.7
Partnership distribution	1.0	1.7	1.6	2.8	1.7	2.4	2.1	6.6	1.8	2.9	2.1	4.9
Group	2.1	2.8	2.5	4.4	3.2	4.0	3.3	4.4	2.9	3.5	3.1	4.1
Total	12.2	19.8	19.3	26.1	15.2	20.0	18.2	33.0	14.6	20.6	19.1	36.2
Mix (%)												
Bancassurance	38.6	39.9	39.5	38.0	34.7	29.8	27.5	27.6	28.9	28.1	26.8	29.9
Agency	22.5	24.3	25.8	22.0	22.4	26.0	28.4	27.4	24.4	26.3	30.3	32.1
Direct	13.1	12.9	13.2	12.5	10.8	12.5	14.4	11.8	14.5	14.4	15.5	13.1
Partnership distribution	8.4	8.7	8.5	10.7	11.1	11.8	11.7	19.9	12.4	14.3	11.0	13.5
Group	17.4	14.2	13.0	16.8	20.9	19.9	18.0	13.4	19.8	17.0	16.4	11.4

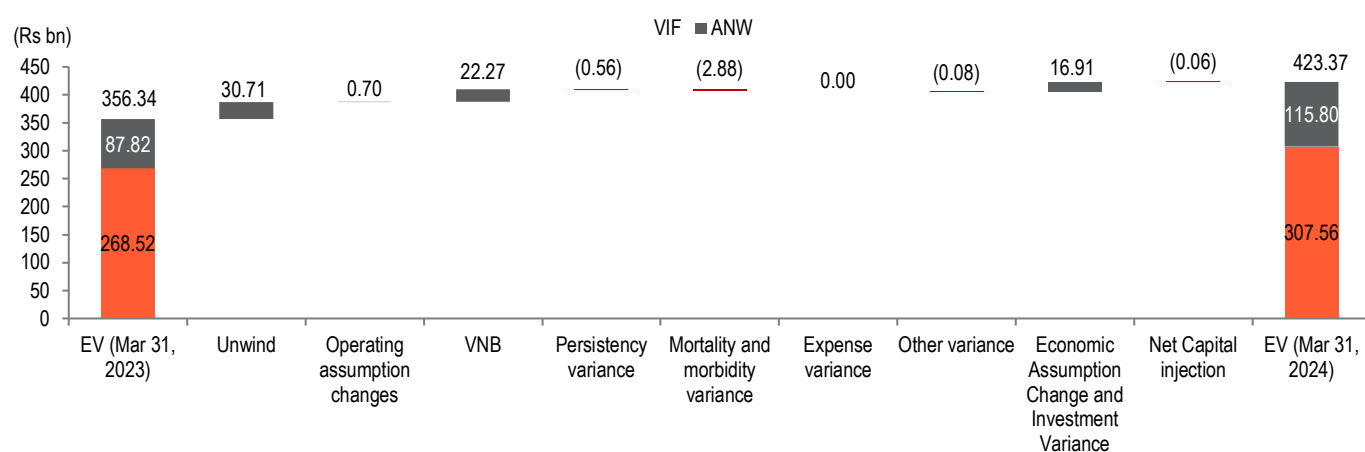
Source: Company, BOBCAPS Research

Fig 8 – Persistency improving across cohorts

(%)	FY24	FY23	Change (bps)
13 th month	89.0	86.6	240bps
25 th month	80.5	77.8	270bps
37 th month	72.3	71.3	100bps
49 th month	68.5	64.2	430bps
61 st month	64.4	65.7	(130bps)

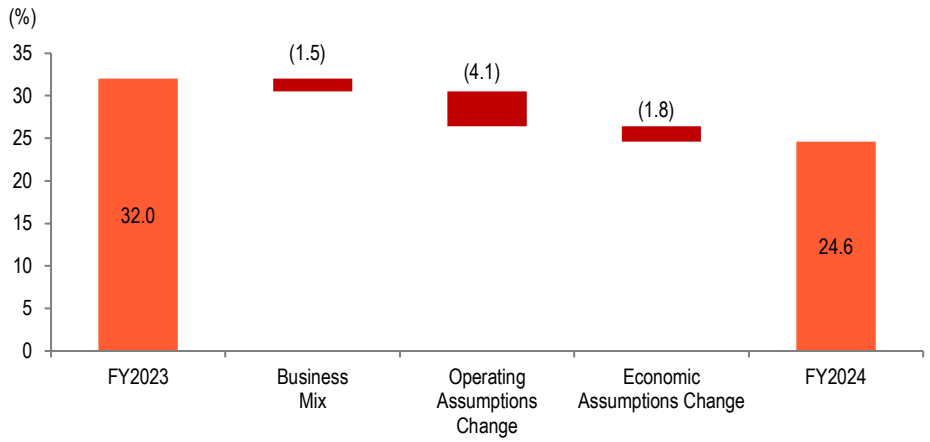
Source: Company, BOBCAPS Research | Note: Regular and Limited pay premium

Fig 9 – Higher VNB and economic assumption change boost EV



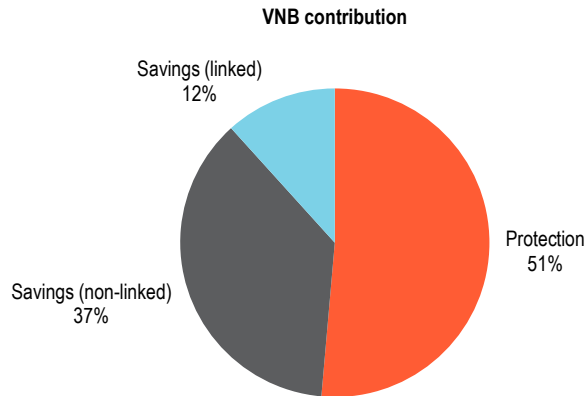
Source: Company, BOBCAPS Research EV = Embedded Value VIF= Value in force ANW = Adjusted Net Worth

Fig 10 – VNB margins adversely impacted by business mix and assumption changes



Source: Company, BOBCAPS Research

Fig 11 – Absolute VNB contribution segmentwise – FY24



Source: Company, BOBCAPS Research

Earnings call highlights

VNB and margin

- IPRU's VNB margin in FY24 decreased materially to 24.6% from 32.0% in the year-ago period because of (i) a change in product mix towards ULIP and participating products which carry comparatively lower margins (-1.5%), (ii) higher expense ratios primarily due to higher commissions (-4.1%), (iii) decline in group term business and (iv) economic assumption change which is the yield curve movement (-1.8%).
- The Q4FY24 VNB margin fell sharply to 21% vs. 32% in the preceding quarter of last year for the reasons stated above.
- VNB fell 20% YoY to Rs 22.2bn at the end of FY24 and was down 26% YoY to Rs 7.8bn at the end of Q4FY24. Management indicated it would continue to target expansion in VNB.

Growth

- IPRU's APE grew 10% YoY to Rs 36.2bn at end-Q4FY24 (+5% YoY to Rs 90.5bn in FY24).
- NBP grew 17% YoY to Rs 67.2bn at end-Q4 whereas for the entire FY24, growth was 7% YoY to Rs 187bn.

Product mix

- During Q4FY24, the product mix remained tilted towards ULIPs. The savings segment constituted 88% of total APE and protection made up the balance. Linked APE grew 77% YoY to Rs 15.7bn, whereas non-linked APE declined 48% to Rs 8.8bn. Annuity witnessed very strong growth at 261% YoY to Rs 6.1bn. In contrast to single premium annuities, regular premium annuities are the focus of the pitch.
- Group business APE declined by 6.1% YoY in Q4 and contributed 11% to overall APE. It declined because it has become extremely competitive and the company will underwrite business only if it matches its risk-reward expectations.
- Non-participating guaranteed products remained subdued and management expected to have contributions of similar levels (of FY24) in FY25 too.
- Protection share in APE declined YoY and QoQ and ended Q4FY24 constituting 12% of total APE. Growth in retail protection is being offset by the decline in group term business. At end FY24, the protection APE (totalling Rs 15.3bn) comprised 31% of retail, 40% of credit life and 29% of the group.
 - Retail protection growth held strong at 28% YoY to Rs 1.4bn in Q4 (+47% YoY in FY24). The group term business declined 15% YoY in Q4 (-11% YoY in FY24).

Distribution channels

- At end Q4, APE from the agency route increased by 29% YoY to Rs 11.6bn while that from direct channels expanded by 22% YoY to Rs 4.7bn, accounting for 32% and 13% of total APE respectively.
- APE from the bancassurance channel grew 19% YoY to Rs 10.8bn at end-Q4, constituting 30% of the total. ICICI Bank has been generating consistently Rs 0.8bn-1.0bn of business every month.
- Together, agency and direct business contribute 51% of retail APE in FY24.
- IPRU continued to invest in distribution channels, adding 43,947 advisors/agents across the country during FY24 and entering 204 new non-bank partnerships that took its tally to 1,112. The company has 44 bank partnerships (five added in FY24), lending access to over 21,000 branches for distribution of its products.

Cost ratios

- The total expense ratio remained low at 16.8% in Q4 (17.9% in Q4FY23) and 18.3% in Q3FY24. However, the commission ratio of 10.3% was higher 60bps QoQ and 450bps YoY in Q4.
- Per management, commission rates have gone up across the industry. Moreover, it doesn't expect unit cost to be impacted significantly going forward though tougher competitive intensity continues.

Embedded Value

- The embedded value (EV) grew by 19% YoY to Rs423bn as at 31 Mar 2024 from Rs 356bn at 31 Mar 2023. While the unwind and VNB were positive contributors, the mortality assumption was negative due to an enhanced provision of expected claims incurred but not reported of Rs 2.9bn. Total economic and investment variance is a positive Rs 16.9bn due to the shift in the yield curve and equity market movement.

Others

- In Q4, the company launched guaranteed pension plan to address the liquidity requirements of the customer. This annuity product has done decent sales. The ICICIPru Platinum, launched in the linked segment, provides customers the flexibility to choose level of protection between value or combination of both.
- Sensitivity:** A 10% increase in acquisition expenses will result in 18% change in VNB (absolute) in FY24 compared to 12% in FY23 owing to higher expense ratio, and 10% increase in mortality/morbidity rates will result in 15% change compared to 10% in FY23 owing to higher share of protection.
- Persistency has improved across cohorts. The 13th month improved to 89% in FY24 from 86.6% at end FY23.
- AUM grew to Rs 2.9tn at end-FY24 vs. Rs 2.5tn in FY23.

- The company's solvency ratio remained strong at 191.8% at end Mar'24 as compared to 208.9% in the year-ago period.
- The company announced a final dividend of Rs0.6 per share for FY24.

Fig 12 – Policyholders' account

(Rs mn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY24	FY23	YoY (%)
Gross premium income	1,51,500	1,29,920	16.6	1,02,850	47.3	4,32,356	3,99,328	8.3
First Year Premium	29,464	26,328	11.9	15,334	92.1	70,315	64,938	8.3
Renewal Premium	84,281	72,303	16.6	60,796	38.6	2,45,568	2,25,203	9.0
Single Premium	37,756	31,289	20.7	26,719	41.3	1,16,473	1,09,187	6.7
Reinsurance	3,616	3,629	(0.4)	3,562	1.5	14,760	13,732	7.5
Net premium income	1,47,885	1,26,291	17.1	99,288	48.9	4,17,597	3,85,595	8.3
Income from investments (Net)	72,653	(19,053)	(481.3)	1,63,152	(55.5)	4,65,503	99,646	367.2
Other income	549	436	25.8	534	2.9	2,047	997	105.2
Contribution of funds from Shareholders' A/c	4,828	7,324	(34.1)	3,505	37.8	17,926	18,543	(3.3)
Total	2,25,915	1,14,998	96.5	2,66,478	(15.2)	9,03,073	5,04,781	78.9
Commission on								
First Year Premium	6,166	5,306	16.2	3,363	83.3	15,419	11,665	32.2
Renewal Premium	1,662	1,403	18.5	1,122	48.2	4,650	4,277	8.7
Single Premium	4,895	410	1,092.9	3,732	31.2	10,973	1,575	596.6
Rewards	2,937	416	605.2	1,800	63.1	6,177	1,122	450.7
Net Commission	15,659	7,535	107.8	10,017	56.3	37,220	18,639	99.7
Operating Expenses related to insurance business	9,839	15,668	(37.2)	8,786	12.0	40,830	46,458	(12.1)
Benefits Paid (Net)	1,25,162	87,607	42.9	1,00,797	24.2	4,00,060	3,10,042	29.0
Change in actuarial liability	71,566	(6,930)	(1,132.7)	1,41,037	(49.3)	4,06,391	98,170	314.0
Surplus/Deficit	2,059	8,593	(76.0)	3,818	(46.1)	10,892	23,021	(52.7)

Source: Company, BOBCAPS Research

Fig 13 – Shareholders' account

(Rs mn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY24	FY23	YoY (%)
Transfer from Policyholders' Account	3,178	8,223	(61.3)	4,098	(22.4)	14,719	20,162	(27.0)
Total income under Shareholders' Account								
Investment Income	4,269	2,590	64.8	1,846	131.2	13,692	8,761	56.3
Other income	5	4	9.5	118	(96.1)	143	13	1,009.3
Expenses other than those related to insurance business	280	284	(1.2)	237	18.2	1,037	1,022	1.5
Transfer of funds to Policyholders' Account	4,828	7,324	(34.1)	3,505	37.8	17,926	18,024	(0.5)
Provisions for doubtful debts (including write off)	0	41	(100.0)	0	NA	359	921	(61.0)
Profit before tax	2,343	3,168	(26.0)	2,321	1.0	9,232	8,969	2.9
Provisions for tax	606	819	(26.1)	46	1,208.4	708	862	(17.8)
Profit after tax and before extraordinary items	1,738	2,349	(26.0)	2,275	(23.6)	8,524	8,107	5.1

Source: Company, BOBCAPS Research

Fig 14 – Balance sheet

(Rs mn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY24	FY23	YoY (%)
Sources of funds								
Share Capital	14,406	14,386	0.1	14,401	0.0	14,406	14,386	0.1
Share application money received pending allotment of shares	4	2	84.2	0	NA	4	2	84.2
Reserves and Surplus	92,223	83,730	10.1	90,228	2.2	92,223	83,730	10.1
Credit / (Debit) Fair Value Change Account	3,453	2,801	23.3	6,122	(43.6)	3,453	2,801	23.3
Total Equity	1,10,086	1,00,918	9.1	1,10,751	(0.6)	1,10,086	1,00,918	9.1
Policyholders' Funds:	27,31,066	22,83,724	19.6	26,44,017	3.3	27,31,066	22,83,724	19.6
Borrowing	12,000	12,000	-	12,000	-	12,000	12,000	-
Policy Liabilities	26,80,793	22,55,397	18.9	26,00,836	3.1	26,80,793	22,55,397	18.9
- Insurance Reserves	11,01,621	9,03,074	22.0	10,34,967	6.4	11,01,621	9,03,074	22.0
- Provision for Linked Liabilities	15,79,173	13,52,324	16.8	15,65,869	0.8	15,79,173	13,52,324	16.8
Add: Fair value change	50,273	28,327	77.5	43,181	16.4	50,273	28,327	77.5
FFA	12,866	16,693	(22.9)	13,985	(8.0)	12,866	16,693	(22.9)
FFA - provision of lapsed policies	69,251	88,257	(21.5)	77,642	(10.8)	69,251	88,257	(21.5)
Total Sources of funds	29,35,269	25,01,592	17.3	28,58,395	2.7	29,35,269	25,01,592	17.3
Application Of Funds								
Investments	12,48,937	10,41,624	19.9	11,86,824	5.2	12,48,937	10,41,624	19.9
- Shareholders'	1,05,755	98,514	7.4	1,05,741	0.0	1,05,755	98,514	7.4
- Policyholders'	11,43,182	9,43,110	21.2	10,81,083	5.7	11,43,182	9,43,110	21.2
Assets held to cover Linked Liabilities	16,48,424	14,40,581	14.4	16,43,511	0.3	16,48,424	14,40,581	14.4
Loans	17,606	13,141	34.0	16,237	8.4	17,606	13,141	34.0
Fixed Assets	7,180	5,956	20.6	7,043	1.9	7,180	5,956	20.6
Net Current Assets	13,122	291	4,415.3	4,779	174.6	13,122	291	4,415.3
Total application of funds	29,35,269	25,01,592	17.3	28,58,395	2.7	29,35,269	25,01,592	17.3

Source: Company, BOBCAPS Research

Fig 15 – Key ratios and growth metrics

(Rs mn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY24	FY23	YoY (%)
NBP	67,220	57,618	16.7	42,054	59.8	1,86,788	1,74,125	7.3
APE	36,150	19,080	89.5	32,990	9.6	90,460	86,400	4.7
VNB	7,760	10,550	(26.4)	4,360	78.0	22,270	27,650	(19.5)
Opex ratio (%)	6.5	12.1	(557bps)	8.5	(205bps)	9.5	11.5	(193bps)
Commission ratio (%)	10.3	5.8	454bps	9.7	60bps	8.6	4.7	394bps
Total Expense ratio (%)	16.8	17.9	(103bps)	18.3	(145bps)	18.2	16.1	201bps
VNB margin (%)	21.5	32.0	(1,051bps)	22.9	(139bps)	24.6	32.0	(738bps)
Solvency ratio (%)	191.8	208.9	(1,710bps)	196.5	(470bps)	191.8	208.9	(1,710bps)
Persistency ratio (Regular Premium / Limited Premium Payment under Individual category)								
13th month (%) – Cumulative	89.0	86.6	240bps	87.4	160bps	89.0	86.6	240bps
61st month (%) – Cumulative	64.4	65.7	(130bps)	64.9	(50bps)	64.4	65.7	(130bps)

Source: Company, BOBCAPS Research

Valuation methodology

IPRU's Q4 results brought in a positive surprise as it posted a strong set of numbers. However, it was not without a few concerns. Key points include:

- In individual APE terms, the company closed FY24 with a market share of 9.8%, a mere 10bps contraction as compared to FY23 while retaining the #3 position. The Q4 market share was 11.7% after a strong show in Q4.
 - Group business declined on account of high competitive intensity and thus remained a growth concern area.
- The VNB margin fell short of our projections (FY24: 24.6% versus our estimate of 26.5%) and on a YoY basis (24.6% versus 32%). We anticipate the low VNB margin trend will continue.
- The expense ratio continued to trend upwards (18.2% in FY24 and up ~200bps YoY) negatively impacting margins.

Factoring in the Q4FY24 performance, we increase our APE estimates by 12%/17% for FY25/FY26. However, lower-than-expected VNB margin leads us to prune our estimates by 250bps for each of the years. As a result, for FY25/FY26, the VNB assumptions increase by 1%/6%. The EV estimates grow by 3%/4% from previous estimates to Rs 483bn/ Rs552bn at end FY25/FY26.

Based on our revised estimates, we move to a higher TP of Rs 650 (from Rs 595), set at a higher implied FY26E P/EV of 1.7x (1.6x earlier), a 25% discount to the stock's long-term mean. We see greenshoots in the company's performance but low VNB margin, weak group business and higher expense ratios remain key concerns. The stock carries 9% upside and hence we maintain our HOLD rating. IPRU's sustainable growth path, product mix and ability to recoup market share losses would be key monitorables.

Fig 16 – Revised estimates

(Rs bn)	New		Old		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Gross Premium	477	530	429	460	11.0	15.0
Net Premium	460	511	415	444	10.9	14.9
VNB	26	29	25	27	1.2	5.9
APE	104	119	93	102	11.5	16.7
Embedded Value (EV)	483	552	468	533	3.4	3.6
VNB Margin (%)	24.5	24.5	27.0	27.0	(250bps)	(250bps)

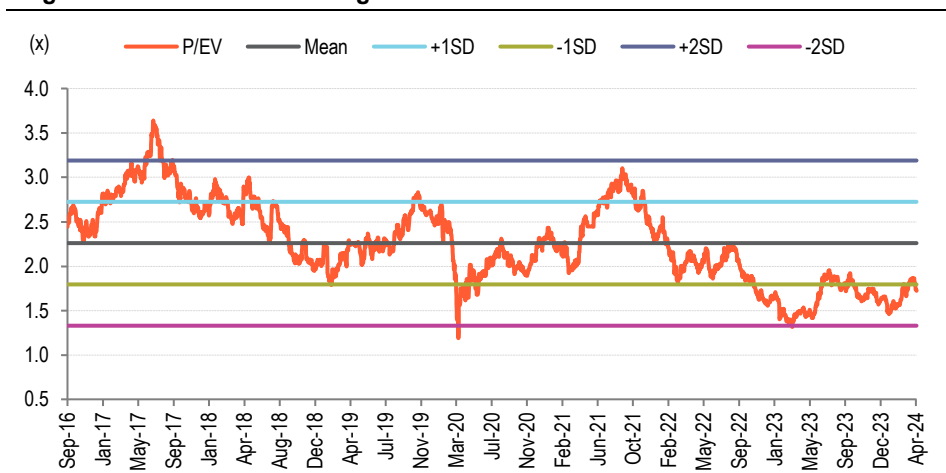
Source: BOBCAPS Research

Fig 17 – Valuation summary

Synopsis of valuation	
Embedded Value (FY26E) (Rs bn)	552
PV of Future business (Rs bn)	388
Total value (Rs bn)	940
Current P/EV (FY26E)	1.5
Implied P/EV (FY26E)	1.7
Implied Target Price (Rs)	650
Current Price (Rs)	595
Upside (%)	9.4

Source: BOBCAPS Research

Fig 18 – 1Y fwd P/EV – Trading around -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 ICICIIBC 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 when 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 than for 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 and earnings and policyholders’ funds may be affected by fair value revaluation of bonds held in the investment portfolios.
- **High surrender rate 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	15.6	601	775	BUY
ICICI Prudential Life	IPRU IN	10.4	594	650	HOLD
LIC	LICI IN	75.9	986	1,140	HOLD
SBI Life	SBILIFE IN	17.9	1,470	1,970	BUY

Source: BOBCAPS Research, NSE | Price as of 23 Apr 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	FY24P	FY25E	FY26E
Gross premium income	3,74,580	3,99,328	4,32,356	4,76,627	5,29,562
First year premium	59,655	64,938	70,315	81,081	92,413
Renewal premium	2,19,557	2,25,203	2,45,568	2,61,863	2,84,643
Single premium	95,367	1,09,187	1,16,473	1,33,684	1,52,506
Net written premium	3,63,213	3,85,595	4,17,597	4,59,823	5,10,635
Income from investments	2,49,695	99,646	4,65,503	3,30,618	3,47,920
Other Income	22,737	19,540	19,973	20,192	19,659
Total income	6,35,645	5,04,781	9,03,073	8,10,633	8,78,213
Commissions	16,729	18,639	37,220	41,762	46,580
Operating expenses	37,011	46,458	40,830	46,358	51,905
Benefits and bonuses paid	2,93,588	3,10,042	4,00,060	4,13,608	4,60,368
Change in liabilities (net)	2,57,837	98,170	4,06,391	2,86,307	2,95,041
Others	0	0	0	0	0
Total expenses	6,05,166	4,73,309	8,84,500	7,88,035	8,53,893
Surplus before tax	30,479	31,473	18,573	22,599	24,320
Provision for tax	8,576	8,451	7,681	8,752	9,385
Surplus after tax	21,904	23,021	10,892	13,847	14,935
Trf to shareholders' a/c	19,609	20,162	14,719	18,712	20,183
Balance being FFA	2,295	2,860	(3,827)	(4,865)	(5,248)

Income Statement (Non-technical)

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24P	FY25E	FY26E
Trf from policyholders' a/c	21,602	20,162	14,719	18,712	20,183
Income from investments	10,114	8,761	13,692	12,506	13,074
Contr. to policyholders' fund	21,611	18,024	17,926	17,979	17,080
Others	(1,002)	(1,009)	(894)	(914)	(935)
PBT	9,103	9,890	9,591	12,324	15,241
Provision for taxation	364	862	708	1,197	1,488
PAT	8,739	9,027	8,883	11,128	13,753
Dividend+Interim div.+DDT	793	864	867	1,445	1,445

Balance Sheet

Y/E 31 Mar (Rs mn)	FY22A	FY23A	FY24P	FY25E	FY26E
Equity	91,631	1,00,918	1,10,086	1,06,629	1,06,629
Policyholders' funds	21,71,190	22,83,724	27,31,066	27,78,920	30,73,961
FFA	13,833	16,693	12,866	13,509	17,562
Others	1,67,748	1,57,138	1,35,980	1,63,512	1,83,553
Total liabilities	24,44,402	25,58,472	29,89,998	30,62,571	33,81,705
Shareholders' funds	98,535	98,514	1,05,755	1,21,618	1,39,861
Policyholders' funds	7,73,880	9,43,110	11,43,182	11,53,093	13,18,324
Assets to cover linked liab.	15,08,663	14,40,581	16,48,424	16,63,871	18,30,258
Others	63,324	76,268	92,637	1,23,989	93,263
Total assets	24,44,402	25,58,472	29,89,998	30,62,571	33,81,705

Key Metrics

Y/E 31 Mar	FY22A	FY23A	FY24P	FY25E	FY26E
AUM (Rs mn)	24,04,920	25,11,910	26,86,309	29,68,489	33,17,945
NBP (Rs mn)	1,55,022	1,74,125	1,86,788	2,14,765	2,44,919
APE (Rs mn)	77,330	86,400	90,460	1,04,221	1,18,802
VNB (Rs mn)	21,652	27,648	22,253	25,534	29,107
VNB margin (%)	28.0	32.0	24.6	24.5	24.5
Embedded value (Rs mn)	3,16,250	3,56,338	4,23,358	4,83,433	5,52,186
ROEV (%)	11.0	17.4	14.1	14.5	14.5
ROE (%)	8.2	8.4	8.1	9.9	12.6
Opex ratio (%)	9.8	11.5	9.5	9.8	9.9
Cost ratio (%)	14.3	16.1	18.2	18.6	18.7
Solvency ratio (%)	204.5	208.9	192.3	190.9	190.2
EPS (Rs)	5.3	5.6	5.9	7.5	9.3
BVPS (Rs)	63.8	70.2	76.5	74.1	74.2
EVPS (Rs)	220.2	248.0	294.3	336.0	384.2

Source: Company, BOBCAPS Research

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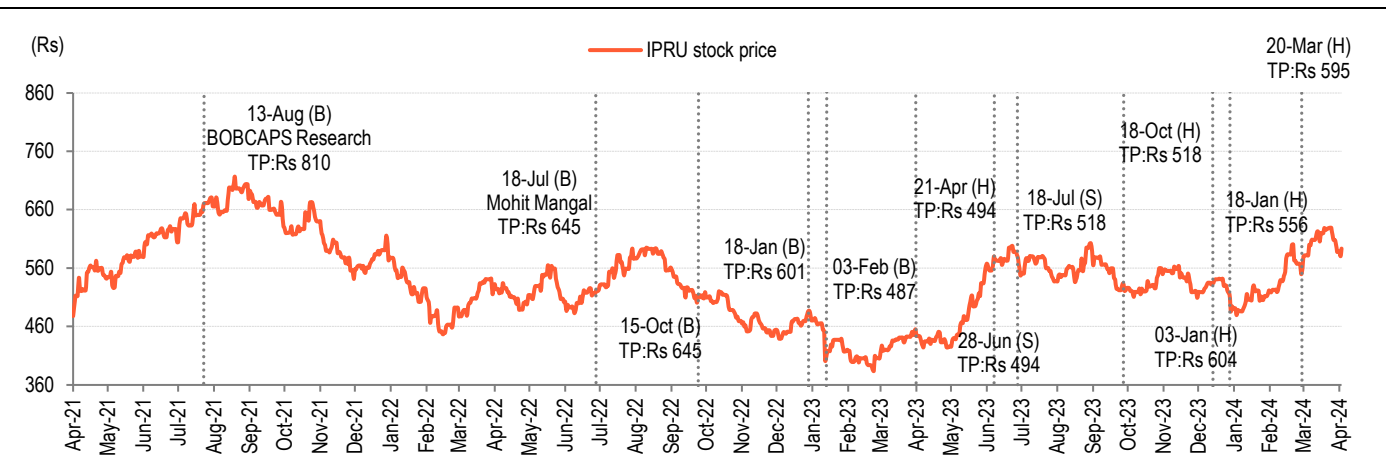
Recommendation scale: Recommendations and Absolute returns (%) over 12 months

- 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

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