

ICICI Prudential Life Insurance

Estimate change	↓
TP change	↔
Rating change	↔

Bloomberg	IPRU IN
Equity Shares (m)	1439
M.Cap.(INRb)/(USDb)	855.6 / 10.3
52-Week Range (INR)	641 / 420
1, 6, 12 Rel. Per (%)	1/-2/7
12M Avg Val (INR M)	1162

Financials & Valuations (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Net Premiums	417.6	459.2	524.2
Surplus / Deficit	10.6	19.0	18.5
Sh. holder's PAT	8.5	9.0	9.4
APE growth - (%)	5.4	18.7	16.0
Tot. Premium gr. (%)	4.6	13.7	14.1
VNB margin (%)	24.6	24.7	25.1
RoEV (%)	18.8	19.0	19.5
Total AUMs (INRt)	2.9	3.6	4.0
VNB (INRb)	22.3	26.7	31.4
EV per share	294	352	423

Valuations

P/EV (x)	2.0	1.7	1.4
P/EVOP (x)	17.0	13.6	11.5

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	73.2	73.3	73.4
DII	8.5	6.9	6.1
FII	13.4	14.7	15.2
Others	4.9	5.1	5.3

FII Includes depository receipts

CMP: INR595 **TP: INR700 (+18%)** **Buy**

Higher costs and adverse product mix impact VNB

Guides APE growth in line with industry and steady VNB margins

- In 4QFY24, ICICI Prudential Life Insurance (IPRU) reported 9.6% YoY growth in APE to INR36.16b. The protection and ex-ULIP individual savings segments declined YoY by 4.6% and 19.9%, respectively. ULIPs grew 77% YoY.
- VNB declined 26% YoY to INR7.8b (19% miss), due to a sharp correction in margins to 21.5% (down 140bp QoQ) vs. our estimate of 26%. In FY24, APE stood at INR90.5b (4.7% YoY) and VNB at INR22.3b (-20% YoY). VNB margin for FY24 stood at 24.6% (32% for FY23).
- Considering the 4Q performance, we have cut our estimates for APE and VNB margin for FY25 and FY26. We expect IPRU to deliver an 18% CAGR in VNB over FY24-26. Going ahead, the company's ability to sustain strong premium growth and VNB margins will be vital for re-rating of the stock. Retain BUY with a TP of INR700 (based on 1.7x Mar'26E EV).

Shift in product mix toward ULIPs

- IPRU's gross premium grew 16.6% YoY to INR151.5b (11% beat) in 4QFY24, with renewal/first-year/single premium up 16.6%/11.9%/20.7% YoY.
- PAT declined 26% YoY to INR1.7b (40% miss) in 4Q. FY24 PAT rose 5.1% to INR8.5b.
- APE grew 9.6% YoY to INR 36.16b in 4QFY24. The protection and non-par segments declined YoY by 4.6% and 19.9%, respectively. ULIPs grew 77% YoY. For FY24, APE grew 4.7% YoY to INR90.5b. Retail protection as a percentage of total APE came in at 5.3% in FY24 vs. 3.8% in FY23.
- VNB declined 26% YoY to INR7.8b (19% miss), driven by a sharp correction in margins. 4Q VNB margins stood at 21.5% (down 140bp QoQ) vs. our estimate of 26%. The decline in VNB margins was owing to 1) the shift in the mix toward ULIPs and Par products in the savings segment, and 2) high cost assumptions.
- In FY24, absolute VNB stood at INR22.3b (down 19.5% YoY), with VNB margin at 24.6% (vs. 32% in FY23).
- On the distribution side, the share of banca/agency/corp. agents & broker channels increased QoQ to 29.9%/32.1%/13.5% in 4Q. Direct and group channels declined QoQ to 13.1%/11.4% in 4QFY24.
- The share of ICICI Bank stood at 12-15%. The share was high in 4Q as the ULIP and protection business registered stronger growth.
- Cost-WRP declined 110bp YoY to 21.7% in 4Q. In FY24, cost-WRP increased 260bp YoY to 24%.
- On premium basis, persistency improved across cohorts. 49th month and 61st month persistency stood at 67.8% and 63.6%, respectively, in 4Q.
- In 4Q, AUM grew 17.1% YoY to INR2.94t, while the solvency ratio moderated to 191.8%.

Highlights from the management commentary

- In the ICICI Bank channel, ULIP and protection dominate and there is no change in strategy. The channel saw 45% growth in protection. Slow growth in 4Q was led by multi-insurer banks and non-bank partners, which focused mainly on the non-par segment.
- Of the 740bp decline in VNB margins for FY24, 410bp was due to change in operating assumption which was primarily on account of higher operating expenses. The company expects commissions to be stable, but operating leverage will be invested back into the business. The new product with a new commission structure does not have low VNB margin. Currently, the company is not changing the pricing of the product.
- **Guidance:** For FY25, business growth is expected to be ahead of the industry, and VNB growth is likely to be in line with business growth. Business growth will be primarily driven by proprietary channels of Agency and Direct, which have delivered better growth than the company level. If the product mix stays stable, VNB margin would be similar.

Valuation and view

IPRU delivered a weaker-than-expected performance in 4Q. Lower product-level margin remain a concern over the medium term. However, premium growth delivery would be key for valuation re-rating. While the business from the ICICI Bank channel has settled at 12-15% of the overall APE, strong growth in proprietary channels is expected to sustain, given the investments made over the past couple of years. Considering the 4Q performance, we have cut our estimates for APE/VNB margin for FY25 and FY26. We expect IPRU to deliver an 18% CAGR in VNB over FY24-26. Going ahead, strong premium growth and steady VNB margins would drive re-rating of the stock. Retain BUY with a TP of INR700 (based on 1.7x Mar'26E EV).

Quarterly performance

Policy holder's A/c (INR b)	FY23				FY24				(INR b) FY24E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	4QE
First year premium	10.4	14.4	13.8	26.3	10.2	15.3	15.3	29.5	41.0
Growth (%)	18.0%	-7.2%	-10.9%	32.9%	-1.5%	5.9%	11.3%	11.9%	55.7%
Renewal premium	38.9	56.4	57.5	72.3	41.6	58.9	60.8	84.3	82.4
Growth (%)	-5.9%	1.3%	5.7%	6.3%	6.8%	4.4%	5.7%	16.6%	14.0%
Single premium	23.3	28.1	26.5	31.3	21.9	30.1	26.7	37.8	13.6
Growth (%)	25.9%	16.8%	12.6%	6.9%	-5.9%	7.0%	0.9%	20.7%	-56.6%
Gross premium income	72.6	99.0	97.8	129.9	73.7	104.3	102.8	151.5	137.0
Growth (%)	5.7%	3.8%	4.7%	10.9%	1.5%	5.4%	5.2%	16.6%	5.4%
PAT	1.6	2.0	2.2	2.3	2.1	2.4	2.3	1.7	2.9
Growth (%)		-55.1%	-29.0%	27.2%	32.9%	22.4%	3.1%	-26.0%	21.7%
Key metrics (INRb)									
New Business APE	15.2	20.0	18.2	33.0	14.6	20.6	19.1	36.2	36.8
Growth (%)	24.7	1.1	-5.5	26.5	-3.9	3.2	4.7	9.6	11.5
VNB	4.7	6.2	6.2	10.6	4.4	5.8	4.4	7.8	9.6
Growth (%)	31.6	20.6	20.0	36.1	-7.0	-7.1	-29.4	-26.4	-9.4
AUM	2,301	2,443	2,519	2,512	2,664	2,719	2,867	2,942	3,133
Growth (%)	3.1	3.0	6.0	4.4	15.8	11.3	13.8	17.1	24.7
Key Ratios (%)									
VNB Margins (%)	31.0	31.1	33.9	32.0	30.0	28.0	22.9	21.5	26.0
Solvency ratio (%)	204	201	212	209	203	199	197	192	200

Quarterly snapshot

Policyholder A/c (INRb)	FY23				FY24				YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net premium	68.8	95.8	94.6	126.3	70.2	100.2	99.3	147.9	17	49
First year premium	10.4	14.4	13.8	26.3	10.2	15.3	15.3	29.5	12	92
Renewal premium	38.9	56.4	57.5	72.3	41.6	58.9	60.8	84.3	17	39
Single premium	23.3	28.1	26.5	31.3	21.9	30.1	26.7	37.8	21	41
Investment income	-86.7	128.2	77.2	-19.1	160.3	69.4	163.2	72.7	N.A	-55
Total income	-14.6	229.0	175.4	115.0	235.4	175.3	266.5	225.9	96	-15
Total commission & opex	12.2	14.7	14.4	23.2	14.9	19.2	18.8	25.5	10	36
Benefits paid	55.1	80.2	87.1	87.6	79.5	94.6	100.8	125.2	43	24
Total expenses	-19.0	223.4	169.6	105.9	233.3	172.0	262.3	223.8	111	-15
PBT	4.4	5.7	5.8	9.1	2.1	3.3	4.2	2.1	-77	-50
Surplus/(Deficit)	3.9	5.2	5.2	8.6	2.0	3.0	3.8	2.1	-76	-46
Shareholder A/c										
Trf from policyholder a/c	3.0	4.9	4.1	8.2	3.8	3.6	4.1	3.2	-61	-22
Investment Income	1.7	2.0	2.4	2.6	3.3	4.3	1.8	4.3	65	131
Total income	4.7	6.9	6.5	10.8	7.1	7.9	6.1	7.5	-31	23
PAT	1.6	2.0	2.2	2.3	2.1	2.4	2.3	1.7	-26	-24
APE data										
Savings APE	11.9	16.2	14.8	28.5	11.2	16.7	15.5	31.8	12	105
ULIP	6.2	8.2	7.8	8.9	5.7	9.3	8.5	15.7	77	85
Other Savings	5.8	8.0	7.0	19.6	5.5	7.5	7.0	16.1	-18	129
- Non-Participating	5.2	7.1	6.3	18.7	5.0	6.6	6.4	14.9	-20	132
- Group	0.6	0.9	0.7	0.9	0.6	0.9	0.6	1.2	27	95
Protection	3.3	3.8	3.4	4.5	3.4	3.9	3.6	4.3	-5	21
Total APE	15.2	20.0	18.2	33.0	14.6	20.6	19.1	36.2	10	90
APE (% of total)										
Savings APE (%)	78.4	80.9	81.3	86.2	76.5	81.1	81.3	88.0	173	664
ULIP	40.5	41.0	42.7	26.9	38.7	45.0	44.4	43.4	1,653	-97
Other Savings	37.8	39.9	38.6	59.3	37.6	36.2	36.9	44.6	-1,477	764
- Non-Participating	34.1	35.6	34.7	56.5	33.9	31.9	33.8	41.3	-1,522	755
- Group	3.7	4.4	3.9	2.8	3.8	4.3	3.1	3.2	45	9
Protection	21.7	19.0	18.7	13.8	23.5	18.9	18.8	12.0	-179	-680
Distribution mix (%)										
Banca	34.7	29.8	27.5	27.6	28.9	28.1	26.8	29.9	229	303
Agency	22.4	26.0	28.4	27.4	24.4	26.3	30.3	32.1	474	181
Direct	10.8	12.5	14.4	11.8	14.5	14.4	15.5	13.1	135	-235
Corporate Agents	11.1	11.8	11.7	19.9	12.4	14.3	11.0	13.5	-647	246
Group	20.9	19.9	18.0	13.4	19.8	17.0	16.4	11.4	-191	-496
Key Ratios (%)										
Operating ratios										
Commission (unwtd)	5.9	5.6	5.3	7.4	7.1	10.0	12.7	13.3	592	61
Opex (unwtd)	17.9	14.3	14.1	15.4	20.6	14.9	11.1	8.4	-702	-278
Total Cost (unwtd)	23.8	19.9	19.4	22.8	27.7	24.9	23.9	21.7	-111	-216
Solvency Ratio	203.6	200.7	212.2	208.9	203.4	199.4	196.5	191.8	-1,710	-470
Profitability ratios										
VNB margins	31.0	31.1	33.9	32.0	30.0	28.0	22.9	21.5	-1,052	-140
Persistency ratios										
13th Month	82.7	85.9	82.3	81.7	84.4	85.6	85.5	88.3	660	280
25th Month	73.9	77.2	74.0	75.5	77.7	78.6	77.6	78.5	300	90
37th Month	70.1	68.7	69.5	69.4	71.2	68.9	69.0	71.9	250	290
49th Month	62.0	65.4	61.6	63.1	65.8	67.9	65.7	67.8	470	210
61st Month	61.5	61.2	63.9	62.9	63.0	61.9	63.1	63.6	70	50
Key Metrics (INRb)										
VNB	4.7	6.2	6.2	10.6	4.4	5.8	4.4	7.8	-26	78
AUM	2301	2443	2519	2512	2664	2719	2867	2942	17	3



Highlights from the management commentary

Business

- Digital tools: Integration with central agencies for simplified digital customer onboarding; ~81% of policies issued using digital KYC and ~45% of savings policies issued on the same day in 4Q.
- Data analytics-driven risk management: Utilizing AI across policy life stages to provide superior customer experience. It is focusing on extensive utilization of AI & ML, along with data analytics, to mitigate insurance risk at the onboarding stage, leading to a 70% reduction in cases with a higher propensity for fraud and early claims.
- In FY24, 43,947 advisors were recruited and 204 partnerships were added.
- The share of ICICI Bank was 12-15%. It was on the higher side in 4Q as ULIP and protection business growth was stronger.
- Demand for the INR0.5m+ ticket size was deferred and came back in 2HFY24. 3QFY24 saw growth in this cohort.
- Mortality in low-tier cities is higher than overall trends, while persistency is lower.
- ULIP and protection dominate in the ICICI Bank channel, and there is no change in the strategy; 45% growth in protection.
- Slow growth was led by multi-insurer banks and non-bank partners, which focused on the non-par segment. The share of non-bank was 15% and non-ICICI bank was 12%, hence the impact on volumes and VNB.
- Guaranteed non-par was at 37% in 4QFY23, which declined to 10% in 4QFY24. Group protection was half of last year. These trends are here to stay; hence, the product mix should not change materially.
- IPRU does not expect commission changes from hereon. The multi-insurer channel saw an increase in commission.
- Annuity business contribution was 10.5% in FY24 and the mix trended toward regular premium vs. single premium.

Product innovation

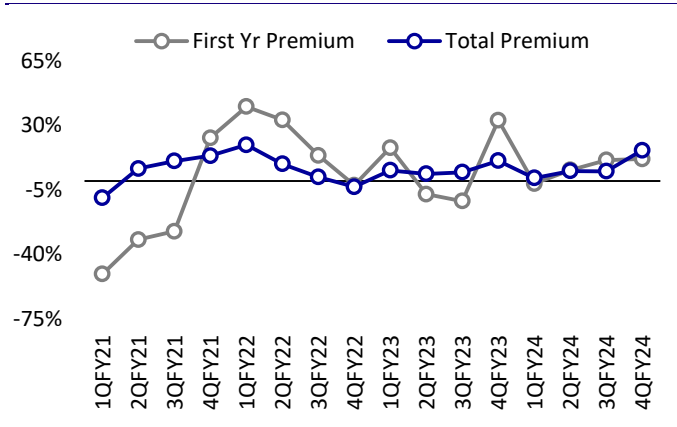
- Gift Pro: A unique product with increasing income and low cover multiple for the affluent segment.
- Constant maturity fund: The industry's 1st ULIP debt fund with constant maturity proposition.
- Gold Pension Savings: The industry 1st feature that offers option to withdraw up to 25% of total premiums paid for life milestones/medical emergencies.
- Guaranteed Pension Plan (Flexi): The industry's 1st annuity product to give back 100% of the premiums paid at any time.
- **Guidance:** For FY25, business growth is expected to be ahead of the industry, and VNB growth is likely to be in line with business growth. Business growth will be primarily driven by proprietary channels of Agency and Direct, which have delivered better growth than the company level. If the product mix stays stable, VNB margin would be similar.

VNB and EV

- Negative variance on persistency is because of surrenders in ULIPs.
- Of the 740bp decline in VNB margins for FY24, 410bp was due to change in operating assumption which was primarily on account of higher operating expenses. The company expects commissions to be stable, but operating leverage will be invested back into the business. The new product with new commission structure is not low on VNB margin.
- Mortality variance of INR2.8b was due to IBNR related to group credit life business as the segment displayed a delay in reporting of claims. Currently, the company is not changing the pricing for the product.
- Sensitivity of acquisition costs has gone up because of increased unit economics and that of mortality has gone up due to higher share of retail protection.
- Dividend policy: 30% payout ratio but the board decides based on solvency and growth requirements.

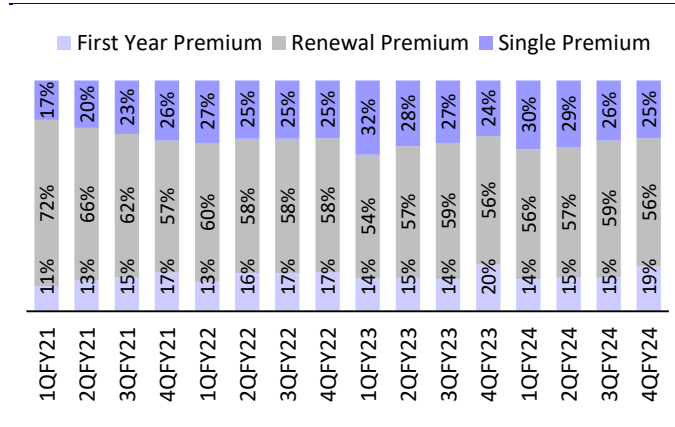
Story in charts

Exhibit 1: First-year premium grew 11.9% YoY, while total premium grew 16.6% YoY



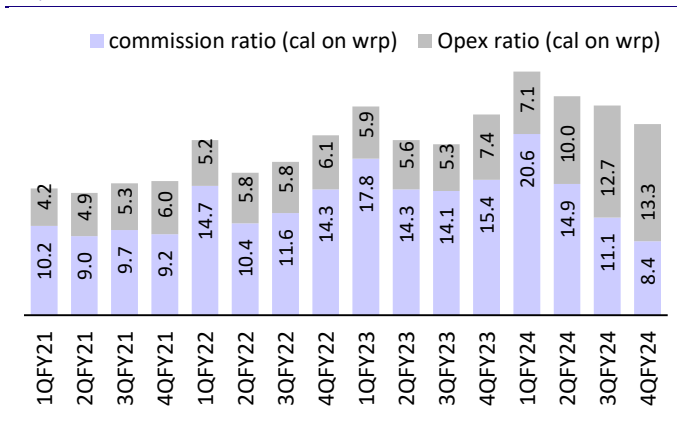
Source: MOFSL, Company

Exhibit 2: Share of first-year premium increased to 19% in 4QFY24



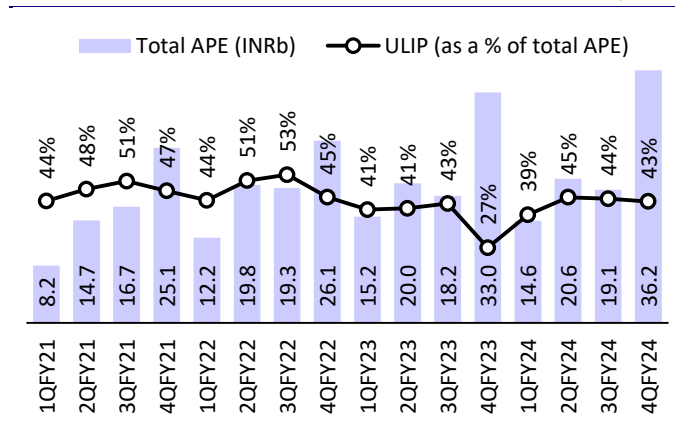
Source: MOFSL, Company

Exhibit 3: Total expense ratio declined YoY to 21.7% in 4QFY24



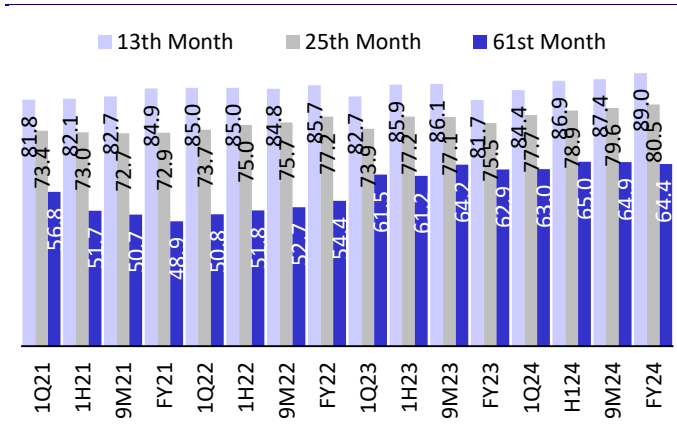
Source: MOFSL, Company

Exhibit 4: Share of ULIP in total APE stood at 43% in 4QFY24



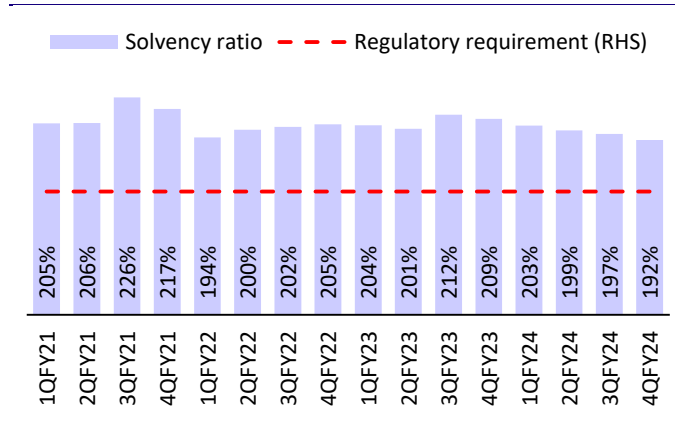
Source: MOFSL, Company

Exhibit 5: Trend in 13th/25th/61st month persistency



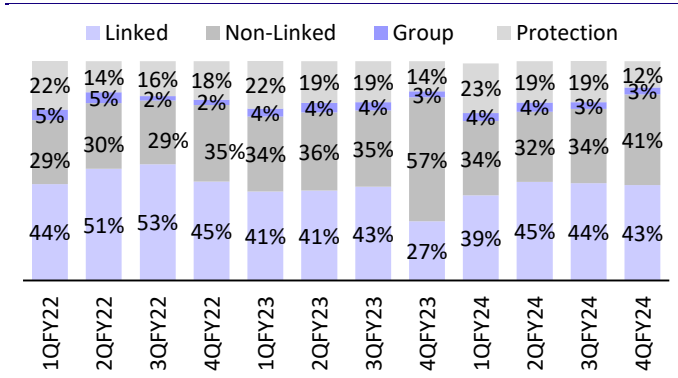
Source: MOFSL, Company

Exhibit 6: Solvency ratio healthy at 192%, well above the regulatory requirement of 150%



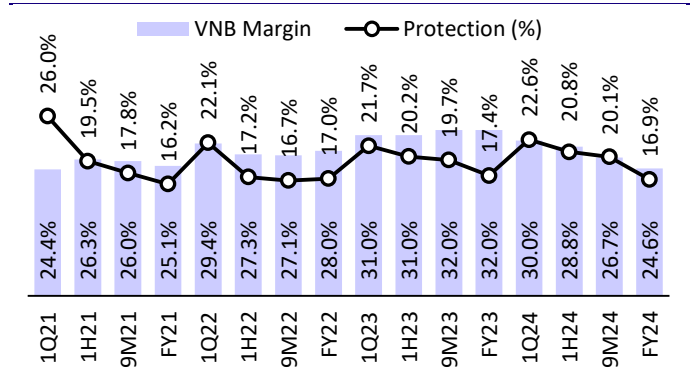
Source: MOFSL, Company

Exhibit 7: Share of protection stood at 12% of total APE, while share of ULIP was at 43%



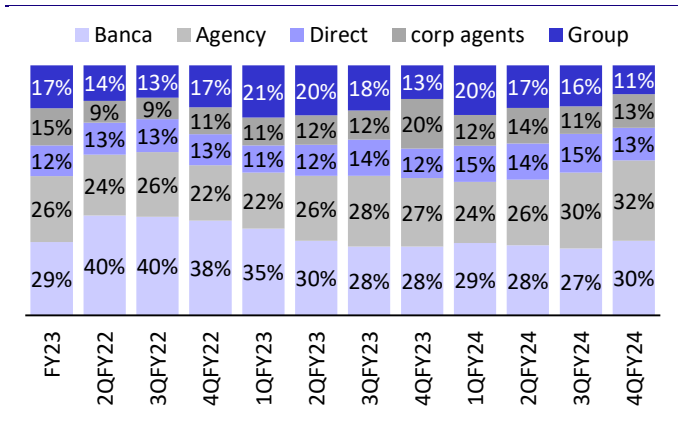
Source: MOFSL, Company

Exhibit 8: VNB margin declined to 24.6% in FY24 driven by shift in product mix



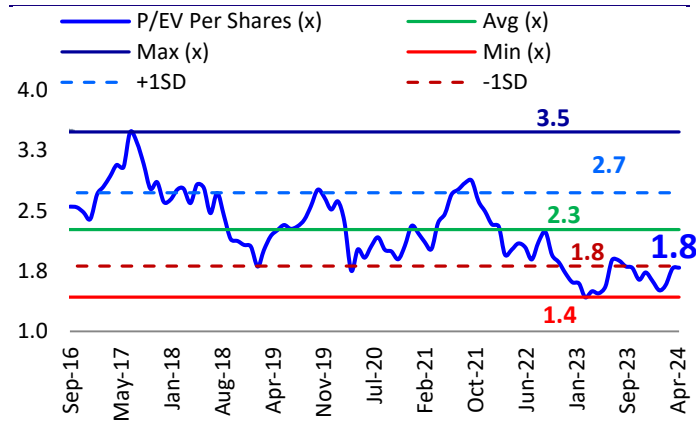
Source: MOFSL, Company

Exhibit 9: Distribution mix



Source: MOFSL, Company

Exhibit 10: 1-Yr. forward P/EV



Source: MOFSL, Company

Financials and valuation

Technical account (INR m)	FY21	FY22	FY23	FY24	FY25E	FY26E
Gross Premiums	3,57,328	3,74,580	3,99,328	4,32,357	4,74,999	5,41,932
Reinsurance Ceded	(7,595)	(11,367)	(13,732)	(14,182)	(15,815)	(17,772)
Net Premiums	3,49,734	3,63,213	3,85,595	4,17,597	4,59,184	5,24,161
Income from Investments	4,74,376	2,49,695	99,646	4,65,503	2,66,179	2,95,458
Other Income	16,238	21,793	19,018	19,973	17,959	19,769
Total income (A)	8,40,790	6,35,645	5,04,781	9,03,073	7,43,323	8,39,388
Commission	15,002	16,729	18,639	37,220	44,569	51,058
Operating expenses	26,883	36,730	45,832	41,260	50,346	57,260
Total commission and opex	41,885	53,459	64,471	78,480	94,915	1,08,318
Benefits Paid (Net)	2,26,409	2,91,453	3,07,887	4,00,060	2,87,236	3,27,248
Chg in reserves	5,43,241	2,59,973	1,00,324	4,06,391	3,33,919	3,75,421
Provisions for doubtful debts	6,784	7,195	7,235	6,497	6,502	7,350
Total expenses (B)	8,18,319	6,12,080	4,79,918	8,91,427	7,22,572	8,18,336
(A) - (B)	22,471	23,565	24,864	11,646	20,750	21,051
Prov for Tax	1,418	1,661	1,842	1,078	1,778	2,517
Surplus / Deficit (Calculated)	21,052	21,903	23,021	10,568	18,972	18,535

Shareholder's a/c (INR m)	FY21	FY22	FY23	FY24	FY25E	FY26E
Transfer from technical a/c	19,849	21,602	20,162	14,719	18,972	18,535
Income From Investments	7,687	10,114	8,761	13,692	8,757	9,369
Total Income	27,538	31,738	28,936	28,554	27,888	28,080
Other expenses	612	1,024	1,022	1,037	1,244	1,493
Contribution to technical a/c	15,748	21,611	18,024	17,926	16,959	16,450
Total Expenses	16,724	23,833	19,967	19,322	18,203	17,943
PBT	10,814	7,906	8,969	9,232	9,685	10,137
Prov for Tax	1,213	364	862	708	688	720
PAT	9,601	7,541	8,107	8,524	8,997	9,417
Growth	-10%	-21%	7%	5%	6%	5%

Balance sheet (INR m)	FY21	FY22	FY23	FY24	FY25E	FY26E
Sources of Fund						
Share Capital	14,360	14,373	14,386	14,406	14,406	14,406
Reserves And Surplus	70,671	75,915	83,730	92,223	99,638	1,07,473
Shareholders' Fund	91,194	91,631	1,00,918	1,10,082	1,17,842	1,26,057
Policy Liabilities	6,02,156	7,36,821	9,03,074	11,01,621	14,58,926	16,92,112
Prov. for Linked Liab.	12,77,704	14,05,414	13,52,324	15,79,173	17,11,554	18,65,594
Funds For Future App.	13,532	13,833	16,693	12,866	14,796	17,015
Current liabilities & prov.	37,286	52,499	56,881	54,733	65,663	78,776
Total	21,72,281	24,44,402	25,58,472	29,89,998	34,21,543	38,34,930
Application of Funds						
Shareholders' inv	1,00,902	98,535	98,514	1,05,755	1,13,158	1,21,079
Policyholders' inv	6,35,726	7,73,880	9,43,110	11,43,182	14,96,922	17,40,369
Assets to cover linked liab.	13,85,491	15,08,663	14,40,581	16,48,424	17,11,554	18,65,594
Loans	6,628	9,401	13,141	17,606	19,895	22,482
Fixed Assets	4,572	4,872	5,956	7,180	8,185	9,331
Current assets	38,962	49,051	57,171	67,850	71,828	76,076
Total	21,72,281	24,44,402	25,58,472	29,89,998	34,21,543	38,34,930

Financials and valuation

Operating ratios (%)	FY21	FY22	FY23	FY24	FY25E	FY26E
Investment yield (%)	23.5%	10.9%	4.2%	16.3%	8.3%	8.2%
Operating expenses / GWP	7.5%	9.8%	11.5%	9.5%	10.6%	10.6%
Total expense ratio	11.7%	14.3%	16.1%	18.2%	20.0%	20.0%
Claims / NWP	64.7%	80.2%	79.8%	95.8%	62.6%	62.4%
Solvency margin	217%	205%	209%	192%	195%	190%

Persistency ratios (%)	FY21	FY22	FY23	FY24	FY25E	FY26E
13th Month	84.9%	85.7%	85.4%	89.0%	90.8%	91.7%
25th Month	72.9%	77.2%	77.1%	80.5%	82.2%	83.1%
37th Month	65.8%	67.1%	71.5%	72.3%	73.8%	75.7%
49th Month	63.5%	63.7%	63.9%	68.5%	71.6%	73.7%
61st Month	48.9%	54.4%	65.8%	64.4%	64.3%	64.2%

Profitability ratios	FY21	FY22	FY23	FY24	FY25E	FY26E
VNB margin (%)	25.1%	28.0%	32.0%	24.6%	24.7%	25.1%
RoE (%)	11.8%	8.2%	8.4%	8.1%	7.9%	16.0%
RoIC (%)	19.8%	15.5%	16.7%	17.5%	18.5%	38.8%
Operating ROEV (%)	15.2%	11.0%	17.4%	14.1%	14.2%	14.2%
RoEV (%)	26.5%	8.7%	12.7%	18.8%	19.7%	20.0%

Valuation ratios	FY21	FY22	FY23	FY24	FY25E	FY26E
Total AUMs (INR b)	2,142	2,405	2,512	2,942	3,554	3,988
Dividend (%)	0%	6%	6%	6%	11%	11%
Dividend payout ratio (%)	0%	38%	10%	20%	18%	17%
EPS (INR)	6.7	5.3	5.6	5.9	6.3	6.5
VNB (INR b)	16.2	21.7	27.6	22.3	26.7	31.4
EV (INR b)	291.1	316.2	356.3	423.3	506.5	608.0
EV/Per share	202.3	219.8	247.7	294.3	352.1	422.6
VIF as % of EV	67%	74%	75%	77%	79%	81%
P/VIF	4.4	3.7	3.2	2.6	2.1	1.7
P/AUM (%)	40%	36%	34%	29%	24%	21%
P/EV (x)	2.9	2.7	2.4	2.0	1.7	1.4
P/EPS (x)	89.0	113.3	105.4	100.2	95.0	90.7
P/EVOP (x)	24.4	26.8	15.6	17.0	13.6	11.5

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NOTES

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BUY	>=15%
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