ICICI Prudential Life Insurance Company Ltd

Margins a blip

Stock Update

Result Update

Insurance	Sharekhan code: ICICIPRULI
Reco/View: Buy ⇔	CMP: Rs. 598	Price Target: Rs. 750 ↓

↑ Upgrade ⇔ Maintain ↓ Downgrade

Summary

- VNB margins fell by 166 bps y-o-y to 21.2% versus estimates of 21.5% driven by an adverse product mix. Increased surrender value had a limited impact.
- VNB grew by 19% y-o-y (~7% below estimates) in Q3. For 9MFY25, VNB growth of 9% y-o-y much below the targeted high mid-teens. VNB margin could stabilise in a couple of quarters, driven by higher share of annuity, non-PAR and protection products.
- Strong growth continued across proprietary & bancassurance channel and strong group APE growth resulted in APE growth of ~28% / y-o-y although APE growth lagged estimates.
- We maintain a Buy with a revised PT of Rs. 750. Stock trades at 1.8x/1.6x/1.4x its FY2025E/FY2026E/FY2027E EVPS.

3R MATRIX

	+	=	-
Right Sector (RS)		✓	
Right Quality (RQ)	✓		
Right Valuation (RV)	✓		

\+ Positive = Neutral – Negative

What has changed in 3R MATRIX

	Old		New
RS	Neutral	⇔	Neutral
RQ	Positive	⇔	Positive
RV	Positive	⇔	Positive

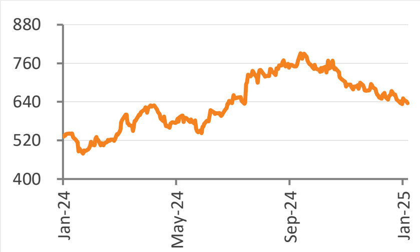
Company details

Market cap:	Rs. 86,352 cr
52-week high/low:	Rs. 795 / 475
NSE volume: (No of shares)	13.0 lakh
BSE code:	540133
NSE code:	ICICIPRULI
Free float: (No of shares)	39.0 cr

Shareholding (%)

Promoters	73.0
FII	12.8
DII	9.5
Others	4.8

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-8.6	-20.3	-7.0	21.8
Relative to Sensex	-6.5	-14.4	-1.8	13.2

Source: Mirae Asset Sharekhan Research, Bloomberg

ICICI Prudential Life Insurance (IPRU) reported a 28% y-o-y growth in APE in Q3FY25 although it lagged estimates. For 9MFY25, APE grew 27% y-o-y. Value of New Business (VNB) grew by 19% y-o-y in Q3 (~7% below estimates). VNB growth is 9% y-o-y for 9MFY25. VNB margins fell by 166 bps y-o-y in Q3, stood at 21.2% versus estimates of 21.5% driven by an adverse product mix (higher ULIPs and strong sales of low margin group savings). Increased surrender value had a limited impact. For 9MFY25, VNB margins were at 22.8%. For 9MFY25, growth has been primarily led by group savings, ULIPs, annuities and retail protection segment, which grew by 102% /50% /81%/ 24% y-o-y respectively, while non-linked savings fell by 17% y-o-y along with group protection was down 1% y-o-y. Despite volatile equity markets, ULIP sales were higher. Agency/ direct channel continued to post strong growth of 41%/31% y-o-y. Bancassurance also grew by 26% y-o-y. Persistency rose in most buckets. Solvency ratio was at 211.8% versus 196.5% y-o-y.

Key positives

- Strong growth continued across its proprietary (agency & direct) and banca channel.
- Retail protection growth was robust (~40% y-o-y) led by new product launch.

Key negatives

- VNB margins fell by 166 bps y-o-y in Q3, stood at 21.2% and for 9MFY25, VNB margins fell 390 bps y-o-y driven by adverse product mix (higher ULIPs and strong sales of low margin group savings).
- Group protection business fell 4% y-o-y in Q3 & by 1% in 9MFY25 due to lower sales of credit protection besides pricing pressure seen.

Management Commentary

- Focus remains on sustaining healthy APE growth and improving the absolute VNB growth with the target of mid-teens in the medium term.
- VNB margins could stabilise over a couple of quarters, driven by higher share of annuity, non-PAR and protection products.
- ICICI Bank's channel volumes is stable. Protection product sales has been strong through the bank channel. Investments made in proprietary channels in the past years are now delivering.
- Company launched a new product on ULIP side - ICICI Pru Signature Assure. In individual protection, the company launched a new women centric protection product (first in the industry) where in customer can defer payment or premium by 12 months while keeping life cover.
- Company launched a new annuity product, GPP Flexi - with 100% surrender value and trail commissions which has seen strong traction.
- IPRU raised subordinate debt of Rs 1,400 crore during the quarter, leading to rise in solvency ratio.

Our Call

Valuation – Maintain Buy with a revised PT of Rs. 750: Management expects to continue to grow APE ahead of the industry, as it has made considerable efforts to improve its multi-channel and multi-product approach to optimise growth. The company continues to add new products, some of them a first for the industry, thus offering a diversified product through a different channel. VNB margin could stabilize over a couple of quarters, driven by higher share of annuity, Non-PAR and protection products. Valuation at 1.8x/1.6x/1.4x its FY2025E/FY2026E/FY2027E EVPS seems reasonable after sharp correction, considering the expected 18%/16%/14% APE/VNB/EV CAGR over FY2024-FY2027E.

Key Risks

Slower growth in APE, lower VNB margins and any adverse regulatory policies/guidelines may affect its profitability.

Valuation (Consolidated) Rs cr

Particulars	FY23	FY24	FY25E	FY26E	FY27E
APE	8,640	9,046	11,000	12,500	15,000
VNB	2,765	2,227	2,500	2,870	3,450
VNB Margin (%)	32.0	24.6	22.7	23.0	23.0
EV	35,634	42,335	49,000	55,500	63,000
PAT	813	851	1,000	1,200	1,400
EPS (Rs.)	5.7	5.9	6.9	8.3	9.7
ROEV (%)	17.4	14.1	14.5	14.4	14.3
P/EV (x)	2.4	2.0	1.8	1.6	1.4
P/VNB (x)	31.1	38.7	34.5	30.1	25.0

Source: Company; Mirae Asset Sharekhan estimates

Results (Consolidated) **Rs cr**

Particulars	Q3FY25	Q3FY24	Q2FY25	Y-o-Y (%)	Q-o-Q (%)
New Business Premium	6,570	4,205	5,089	56%	29%
Net Premium	12,261	9,929	10,754	23%	14%
APE	2,438	1907	2,503	28%	-3%
VNB	517	436	586	19%	-12%
VNB Margins	21.2	22.9	23.4		
PAT	325	227	251	43%	29%

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector View – Large opportunity but competition and regulatory risk higher

Insurance penetration is still low as compared to international benchmarks. Factors such as a large protection gap and expanding per capita income are key long-term growth drivers for the sector. India has a high protection gap; and credit protection products are still at an early stage and have the potential to grow multi-fold as penetration of retail loans improves in the country. Hence, we believe the insurance sector has a huge growth potential in India. Against this backdrop, we believe that strong players with the right mix of products, services, and distribution are likely to gain disproportionately from the opportunity. However, there is a high risk of regulatory changes/ competition, which can hit profitability.

■ Company Outlook – Eyeing to sustain industry leading growth

A diversified product and distribution mix are key important pillars. Management expects to continue to grow APE ahead of the industry, as it has made considerable efforts to improve its multi-channel and multi-product approach to optimise growth. The company also remains focused on absolute VNB growth. The endeavour is to improve product-level margins, thus VNB growth would largely be a function of the product mix. The company is looking to optimise its channel and product matrix with a focus on improving persistency which should ultimately support VNB margins.

■ Valuation – Maintain Buy with a revised PT of Rs. 750

Management expects to continue to grow APE ahead of the industry, as it has made considerable efforts to improve its multi-channel and multi-product approach to optimise growth. The company continues to add new products, some of them a first for the industry, thus offering a diversified product through a different channel. VNB margin could stabilize over a couple of quarters, driven by higher share of annuity, Non-PAR and protection products. Valuation at 1.8x/1.6x/1.4x its FY2025E/FY2026E/FY2027E EVPS seems reasonable after sharp correction, considering the expected 18%/16%/14% APE/VNB/EV CAGR over FY2024-FY2027E.

Peer valuation

Particulars	CMP (Rs / Share)	MCAP (Rs Cr)	P/VNB (x)		P/EV (x)		RoEV (%)	
			FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
ICICI Prudential Life Insurance	598	86,352	34.5	30.1	1.8	1.6	14.5	14.4
HDFC Life Insurance Company	618	1,33,075	32.8	27.8	2.4	2.1	17.0	17.0

Source: Company; Mirae Asset Sharekhan Research

About company

IPRU is promoted by ICICI Bank Limited and a foreign partner headquartered in the United Kingdom. The company began its operations in fiscal 2001 and has consistently been among the top private sector life insurance companies in India on a Retail Weighted Received Premium (RWRP) basis. The company offers an array of products in the protection and savings category, which match the different life stage requirements of customers, enabling them to provide a financial safety net to their families as well as achieve their long-term financial goals. The company distributes its products through a large pan-India network of individual agents, corporate agents, banks, and brokers, along with the company's proprietary sales force and its website. The company is the third-largest, private-sector life insurance company in the country.

Investment theme

Diversifying product mix and distribution mix are key important pillars. The company is looking to optimise its channel and product matrix with a focus on improving persistency and lower dependence on ICICI Bank, which is a key positive.

Key Risks

Slower growth in APE, lower VNB margins and any adverse regulatory policies/guidelines may affect its profitability.

Additional Data

Key management personnel

Anup Bagchi	Managing Director and Chief Executive Officer
Dhiren Salian	Chief Financial Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	ICICI Bank Ltd	51.04
2	Prudential Corp Holdings Ltd	21.97
3	SBI Funds Management Ltd	2.25
4	Compassvale Investments Pte Ltd	1.99
5	CAMAS INV PTE LTD	1.77
6	Republic of Singapore	1.69
7	ICICI Prudential Asset Management	1.67
8	Norges Bank	1.66
9	GOVERNMENT PENSION FUND GLOBAL	1.63
10	Blackrock Inc	1.17

Source: Bloomberg

Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and detoriating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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