

# ICICI Prudential Life Insurance

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	IPRU IN
Equity Shares (m)	1444
M.Cap.(INRb)/(USDb)	918.5 / 10.6
52-Week Range (INR)	797 / 475
1, 6, 12 Rel. Per (%)	0/5/23
12M Avg Val (INR M)	1091

## Financials & Valuations (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Net Premiums	488.7	561.7	648.1
Surplus / Deficit	19.8	22.5	26.6
Sh. holder's PAT	11.7	14.7	19.4
NBP growth unwtd (%)	24.8	16.3	15.5
APE (INRb)	111.5	130.2	150.8
VNB (INRb)	25.6	30.6	36.2
VNB margin (%)	23.0	23.5	24.0
EV per share	349	417	501
RoEV (%)	19.1	19.5	20.0
Total AUMs (INRt)	3.5	4.2	5.0
<b>Valuations</b>			
P/EV (x)	1.8	1.5	1.3
P/EVOP (x)	14.9	12.5	10.5

## Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	73.1	73.2	73.3
DII	9.3	8.8	6.4
FII	13.0	13.2	15.5
Others	4.7	4.8	4.8

FII Includes depository receipts

**CMP: INR636**

**TP: INR780 (+23%)**

**BUY**

## Miss across key parameters; margin contracts to 21.2%

### Minimal impact of surrender charges

- ICICI Prudential Life Insurance (IPRU) reported new business APE growth of 28% YoY to INR24.4b (6% miss). For 9MFY25, APE grew 28% YoY to INR69.1b.
- VNB margin for the quarter stood at 21.2% vs. our estimate of 23%. Absolute VNB grew 19% YoY to INR 5.2b (13% miss).
- For 3QFY25, IPRU reported a 43% YoY growth in shareholder PAT to INR3.2b (27% beat). For 9MFY25, it reported a PAT of INR8b (+18% YoY).
- Management is confident in its well-diversified distribution network along with multiple levers available to achieve alpha over the market in terms of premium growth. The ongoing focus would remain on VNB growth, which will primarily depend on APE growth.
- Considering IPRU's 3Q performance, we cut our APE growth and VNB margin estimates. For FY25, we expect new business APE/VNB/PAT to grow 23%/15%/37% YoY to INR111.5b/INR25.6b/INR11.7b. Going forward, the company's ability to sustain strong premium growth and improve VNB margin will be crucial. **Reiterate BUY with a TP of INR780 (based on 1.7x Sept'26E EV).**

## VNB margin contracts; costs on a declining trajectory

- IPRU's gross premium grew 23% YoY (5% miss) to INR126.6b. Renewal premium was flat YoY (11% miss) at INR60.9b.
- The 170bp YoY dip in VNB margin to 21.2% was owing to the rising share of ULIPs in the overall product mix (49.2% of 3QFY25 vs. 44.4% in 3QFY24 APE mix). Further, the company sourced a lumpy group fund premium during the quarter, which was in the linked segment. The momentum in ULIPs has been sustained in 4QFY25 so far.
- Retail protection and annuity, the key focus areas for IPRU, experienced strong growth of 40% and 50% YoY, respectively. The share of retail protection/annuity in APE was 6.0%/7.5% vs. 5.5%/6.4% in 3QFY24.
- Commission expenses grew 10% YoY to INR11b. However, the implementation of the new commission structure across most of the channel partners led to an 11% sequential decline in expenses.
- Total expenses declined 85% YoY to INR38.9b, largely due to changes in actuarial liabilities.
- On the distribution front, agency/direct channels experienced strong growth of 26%/23.1% YoY. With the bancassurance share at 25%, and within that, the share of ICICI Bank being even lower, the company is relatively better placed in case any bancassurance-specific regulations are announced.
- On a premium basis, YoY persistency improved across all cohorts. 13<sup>th</sup>/49<sup>th</sup>/61<sup>st</sup> month persistency stood at 85.8%/66.8%/63.1%.
- AUM grew 8% YoY to INR3.1t, while the solvency ratio stood at 211.8%.

### Highlights from the management commentary

- APE grew 27% YoY, but a mix shift toward lower-margin products adversely impacted VNB. However, compared to 1H, there has been a positive movement for 9M.
- Post-surrender guideline changes, different partners have agreed to different structures aligned with their opex requirements and separate business models. Pending discussions will be over in a few weeks.
- A slowdown in the credit life business has been largely due to the ongoing challenges in the MFI segment. However, the outlook is gradually improving. Credit life business contributed 38% of the protection business, within which MFI business contributed 45%.

### Valuation and view

IPRU's VNB margin has been under pressure during the quarter, mainly owing to the shift in product mix (higher share of ULIPs). In terms of surrender charges, the company has already implemented changes in the commission structure with most of the channel partners, and the impact is reflected in the sequential decline in commission costs. Considering IPRU's 3Q performance, we cut our APE growth and VNB margin estimates. For FY25, we expect new business APE/VNB/ PAT to grow 23%/15%/37% YoY to INR111.5b/INR25.6b/INR11.7b. Going forward, the company's ability to sustain strong premium growth and improve VNB margin will be crucial. We expect APE/ VNB to grow at a CAGR of 19%/18% during FY24-27. **Reiterate BUY with a TP of INR780 (based on 1.7x Sept'26E EV).**

### Quarterly performance

Policy holder's A/c	FY24								FY25				(INR b)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE	FY24	FY25E	FY25E 3QE	A v/s E		
First year premium	10.2	15.3	15.3	29.5	15.2	20.6	18.2	36.9	70.3	91.0	32.9	-45%		
Growth (%)	-1.5%	5.9%	11.3%	11.9%	48.8%	34.6%	19.0%	25.3%	8.3%	29.4%	114.7%			
Renewal premium	41.6	58.9	60.8	84.3	43.3	69.9	60.9	98.9	245.6	273.0	68.2	-11%		
Growth (%)	6.8%	4.4%	5.7%	16.6%	4.3%	18.6%	0.2%	17.3%	9.0%	11.2%	12.3%			
Single premium	21.9	30.1	26.7	37.8	24.3	30.3	47.5	40.0	116.5	142.1	32.4	46%		
Growth (%)	-5.9%	7.0%	0.9%	20.7%	10.6%	0.9%	77.6%	6.0%	6.7%	22.0%	21.2%			
<b>Gross premium income</b>	<b>73.7</b>	<b>104.3</b>	<b>102.8</b>	<b>151.5</b>	<b>82.8</b>	<b>120.8</b>	<b>126.6</b>	<b>175.8</b>	<b>432.4</b>	<b>506.0</b>	<b>133.6</b>	<b>-5%</b>		
Growth (%)	1.5%	5.4%	5.2%	16.6%	12.3%	15.8%	23.1%	16.0%	8.3%	17.0%	29.9%			
<b>PAT</b>	<b>2.1</b>	<b>2.4</b>	<b>2.3</b>	<b>1.7</b>	<b>2.3</b>	<b>2.5</b>	<b>3.2</b>	<b>3.6</b>	<b>8.5</b>	<b>11.7</b>	<b>2.5</b>	<b>27%</b>		
Growth (%)	32.9%	22.4%	3.1%	-26.0%	8.9%	3.1%	42.8%	109.2%	5.1%	36.7%	12.0%			
Key metrics (INRb)														
New Business APE	14.6	20.6	19.1	36.2	19.6	25.0	24.4	42.4	90.5	111.5	26.0	-6%		
Growth (%)	-3.9%	3.2%	4.7%	9.6%	34.4%	21.4%	27.8%	17.3%	4.7%	23.2%	0.4			
VNB	4.4	5.8	4.4	7.8	4.7	5.9	5.2	9.9	22.3	25.6	6.0	-13%		
Growth (%)	-7.0%	-7.1%	-29.4%	-26.4%	7.8%	1.6%	18.6%	27.4%	-19.5%	15.1%	0.4			
AUM	2,664	2,719	2,867	2,942	3,089	3,205	3,104	3,512	2,942	3,512	3,349	-7%		
Growth (%)	15.8%	11.3%	13.8%	17.1%	15.9%	17.9%	8.3%	19.4%	1036.3%	19.4%	0.2			
Key Ratios (%)														
VNB Margin (%)	30.0	28.0	22.9	21.5	24.0	23.4	21.2	23.3	24.6	23.0	23.0			

## Quarterly snapshot

Policyholder A/c (INRb)	FY24				FY25		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
<b>Net premium</b>	<b>70.2</b>	<b>100.2</b>	<b>99.3</b>	<b>147.9</b>	<b>78.7</b>	<b>107.5</b>	<b>122.6</b>
First-year premium	10.2	15.3	15.3	29.5	15.2	20.6	18.2
Renewal premium	41.6	58.9	60.8	84.3	43.3	69.9	60.9
Single premium	21.9	30.1	26.7	37.8	24.3	30.3	47.5
Investment income	160.3	69.4	163.2	72.7	173.5	142.8	-79.1
<b>Other income</b>	<b>0.4</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.6</b>	<b>0.6</b>
<b>Trf from Shareholder A/c</b>	<b>4.5</b>	<b>5.1</b>	<b>3.5</b>	<b>4.8</b>	<b>1.8</b>	<b>-0.8</b>	<b>1.0</b>
<b>Total income</b>	<b>235.4</b>	<b>175.3</b>	<b>266.5</b>	<b>225.9</b>	<b>254.6</b>	<b>250.1</b>	<b>45.2</b>
Commission paid	3.8	7.7	10.0	15.7	9.5	12.3	11.0
First-year premium	2.2	3.7	3.4	6.2	2.7	3.9	3.3
Renewal premium	0.8	1.1	1.1	1.7	0.9	1.3	1.2
Single premium	0.7	1.6	3.7	4.9	4.6	5.1	4.9
Operating expenses	11.1	11.5	8.8	9.8	10.4	10.6	9.7
<b>Total commission &amp; opex</b>	<b>14.9</b>	<b>19.2</b>	<b>18.8</b>	<b>25.5</b>	<b>19.9</b>	<b>22.9</b>	<b>20.8</b>
<b>Benefits paid</b>	<b>79.5</b>	<b>94.6</b>	<b>100.8</b>	<b>125.2</b>	<b>95.2</b>	<b>120.2</b>	<b>123.1</b>
<b>Change in actural liability</b>	<b>137.4</b>	<b>56.4</b>	<b>141.0</b>	<b>71.6</b>	<b>134.9</b>	<b>104.2</b>	<b>-105.0</b>
Provisions	1.5	1.7	1.7	1.6	1.7	1.6	1.7
<b>Total expenses</b>	<b>233.3</b>	<b>172.0</b>	<b>262.3</b>	<b>223.8</b>	<b>251.6</b>	<b>249.0</b>	<b>40.6</b>
<b>PBT</b>	<b>2.1</b>	<b>3.3</b>	<b>4.2</b>	<b>2.1</b>	<b>3.0</b>	<b>1.1</b>	<b>4.5</b>
Tax	0.1	0.3	0.3	0.4	0.1	0.2	0.4
<b>Surplus/(Deficit)</b>	<b>2.0</b>	<b>3.0</b>	<b>3.8</b>	<b>2.1</b>	<b>2.8</b>	<b>0.9</b>	<b>4.2</b>
<b>Shareholder A/c</b>							
<b>Trf from policyholder a/c</b>	<b>3.8</b>	<b>3.6</b>	<b>4.1</b>	<b>3.2</b>	<b>2.9</b>	<b>1.0</b>	<b>3.3</b>
Investment Income	3.3	4.3	1.8	4.3	1.7	1.3	1.8
Other Income	0.0	0.0	0.1	0.0	0.0	0.0	0.1
<b>Total income</b>	<b>7.1</b>	<b>7.9</b>	<b>6.1</b>	<b>7.5</b>	<b>4.6</b>	<b>2.3</b>	<b>5.1</b>
<b>PBT</b>	<b>2.1</b>	<b>2.5</b>	<b>2.3</b>	<b>2.3</b>	<b>2.6</b>	<b>2.9</b>	<b>3.7</b>
Tax	0.0	0.0	0.0	0.6	0.3	0.3	0.5
<b>PAT</b>	<b>2.1</b>	<b>2.4</b>	<b>2.3</b>	<b>1.7</b>	<b>2.3</b>	<b>2.5</b>	<b>3.2</b>
<b>APE data</b>							
<b>Savings APE</b>	<b>11.2</b>	<b>16.7</b>	<b>15.5</b>	<b>31.8</b>	<b>16.1</b>	<b>20.8</b>	<b>20.5</b>
<b>ULIP</b>	<b>5.7</b>	<b>9.3</b>	<b>8.5</b>	<b>15.7</b>	<b>10.1</b>	<b>13.0</b>	<b>12.0</b>
<b>Other Savings</b>	<b>5.5</b>	<b>7.5</b>	<b>7.0</b>	<b>16.1</b>	<b>6.0</b>	<b>7.8</b>	<b>9.4</b>
- Non-Participating	5.0	6.6	6.4	14.9	5.5	7.0	5.8
- Group	0.6	0.9	0.6	1.2	0.5	0.9	2.7
<b>Protection</b>	<b>3.4</b>	<b>3.9</b>	<b>3.6</b>	<b>4.3</b>	<b>3.6</b>	<b>4.2</b>	<b>3.9</b>
<b>Total APE</b>	<b>14.6</b>	<b>20.6</b>	<b>19.1</b>	<b>36.2</b>	<b>19.6</b>	<b>25.0</b>	<b>24.4</b>
<b>APE (% of total)</b>							
<b>Savings APE (%)</b>	<b>76.5</b>	<b>81.1</b>	<b>81.3</b>	<b>88.0</b>	<b>81.9</b>	<b>83.1</b>	<b>84.0</b>
<b>ULIP</b>	<b>38.7</b>	<b>45.0</b>	<b>44.4</b>	<b>43.4</b>	<b>51.4</b>	<b>51.8</b>	<b>49.2</b>
<b>Participating</b>	<b>0.0</b>						
<b>Other Savings</b>	<b>37.6</b>	<b>36.2</b>	<b>36.9</b>	<b>44.6</b>	<b>30.5</b>	<b>31.3</b>	<b>38.4</b>
- Non-Participating	33.9	31.9	33.8	41.3	27.8	27.8	23.7
- Group	3.8	4.3	3.1	3.2	2.8	3.5	11.0
<b>Protection</b>	<b>23.5</b>	<b>18.9</b>	<b>18.8</b>	<b>12.0</b>	<b>18.1</b>	<b>16.8</b>	<b>16.0</b>
<b>Distribution mix (%)</b>							
Banca	28.9	28.1	26.8	29.9	28.8	29.4	25.0
Agency	24.4	26.3	30.3	32.1	29.4	31.2	29.9
Direct	14.5	14.4	15.5	13.1	15.2	15.8	14.9
Corporate Agents	12.4	14.3	11.0	13.5	11.5	9.9	9.2
Group	19.8	17.0	16.4	11.4	15.1	13.7	21.0
<b>Key Ratios (%)</b>							
Operating ratios							
Commission (unwtd)	7.1	10.0	12.7	13.3	15.5	13.2	13.2
Opex (unwtd)	20.6	14.9	11.1	8.4	17.0	11.3	11.6

Policyholder A/c (INRb)	FY24				FY25		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Total Cost (unwtd)	27.7	24.9	23.9	21.7	32.5	24.5	24.8
Solvency Ratio	203.4	199.4	196.5	191.8	187.9	188.6	196.5
Profitability ratios							
VNB margins	30.0	28.0	22.9	21.5	24.0	23.4	21.2
Persistency ratios (%)							
13th Month	84.4	85.6	85.5	88.3	89.3	89.8	85.8
25th Month	77.7	78.6	77.6	78.5	78.7	81.0	80.3
37th Month	71.2	68.9	69.0	71.9	72.9	73.7	73.1
49th Month	65.8	67.9	65.7	67.8	69.3	69.9	66.8
61st Month	63.0	61.9	63.1	63.6	65.2	65.9	63.1
<b>Key Metrics (INRb)</b>							
VNB	4.4	5.8	4.4	7.8	4.7	5.9	5.2
AUM	2664	2719	2867	2942	3089	3205	3104



## Highlights from the management commentary

### New Product launches

- The growing need for women-centric protection products led to the launch of IPRU Wish – an industry-first insurance plan providing cover for women-specific health conditions.
- A new term insurance product - IProtect Super was launched which offers a premium break facility where customers have the option to take a 12-month break from premium payments while keeping active coverage.
- In the ULIP segment, Ipru Signature was launched, offering a choice of four portfolio strategies.
- Cash flow as a benefit is getting popular and has been offered in a par guarantee product which has been successful for customers.

### Product mix

- Linked business contribution increased due to continued traction in the ULIP segment driven by market buoyancy. The momentum in the ULIP segment has been continuing in the early days of 4QFY25 as well.
- A slowdown in the credit life business has been largely due to the ongoing challenges in the MFI segment, but the outlook is gradually improving. Credit life business contributed 38% of the protection business, within which MFI business contributed 45%.
- The key focus segments – protection and annuity contributed 42% of the new business.
- Group fund business is lumpy in nature and witnessed an uptick during this quarter.

### VNB

- Product-level VNB margin has been stable and the company is working towards improving the margin.
- Well-diversified distribution network along with multiple levers will help in delivering some alpha on the market. The company endeavors to deliver APE through VNB growth.

- APE growth was 27% YoY but a mix shift toward lower-margin products adversely impacted VNB. However, compared to 1H, there has been a positive movement for 9M.
- The focus is on offering products as per customer's demand without any preference towards margins. Cost structures have to be aligned for products that are in demand to achieve operational efficiency.
- Cost ratios are on a declining trajectory. The sequential decline in costs has been around 10%.

**Surrender value regulations**

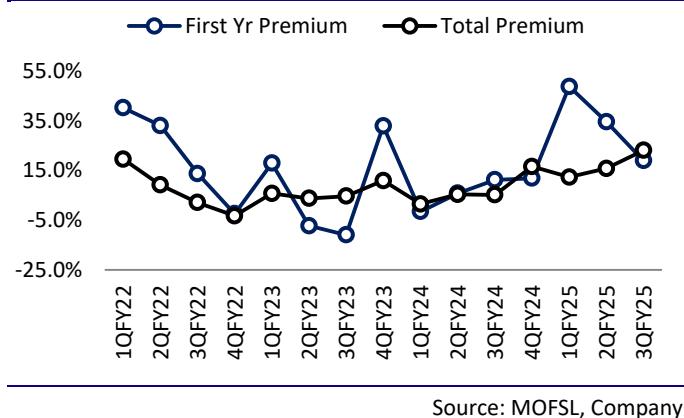
- Post surrender guideline changes, different partners have agreed to different structures aligned with their opex requirements and separate business models. Pending discussions will be over in a few weeks.

**Channel mix**

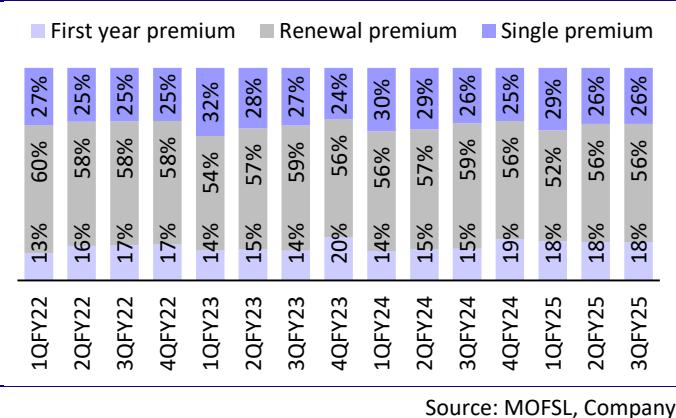
- Measures taken in the agency channel have resulted in significant growth for new advisor licensing. 25-30% of advisor activation was witnessed in the last nine months.
- Advisor stack was launched through Ipru Edge, which has been adopted well. Learning Academy for employees and advisors has also received a good response.
- Open architecture depends on the regulator but agency business in insurance is different compared to MF distribution, requiring a lot of training to enhance capabilities. Products can be copied but management of advisors will improve productivity.
- ICICI Bank's focus is on the protection line of business. Persistency is a measure of the quality of sales being done and that has been improving.

## Story in charts

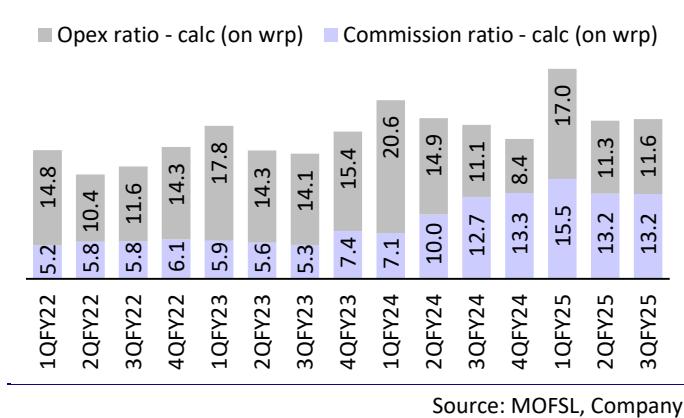
### Exhibit 1: First-year premium grew 19% YoY, while total premium grew 23% YoY



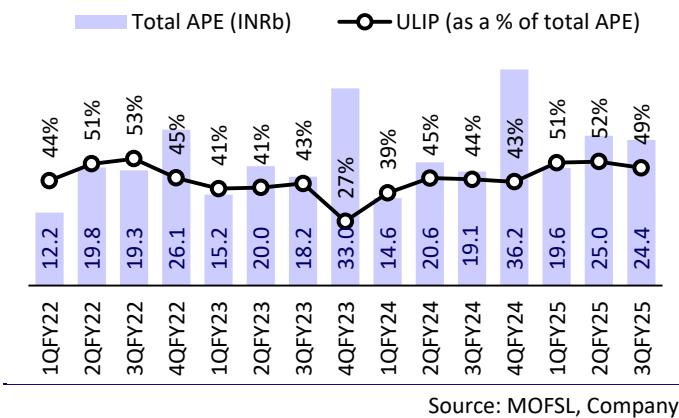
### Exhibit 2: Share of renewal premium maintained at 56% in 3QFY25



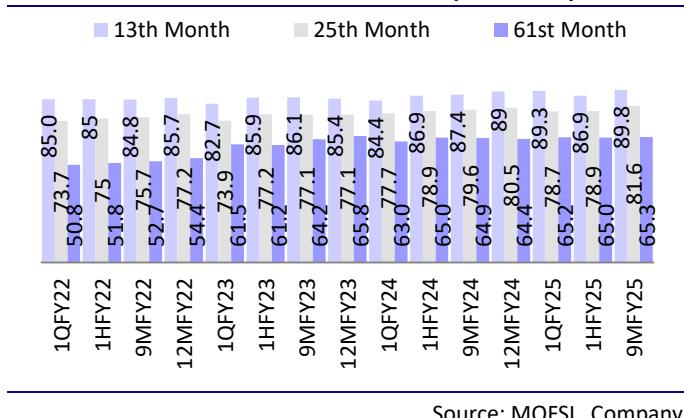
### Exhibit 3: Total cost ratio grew YoY to 24.8% in 3QFY25



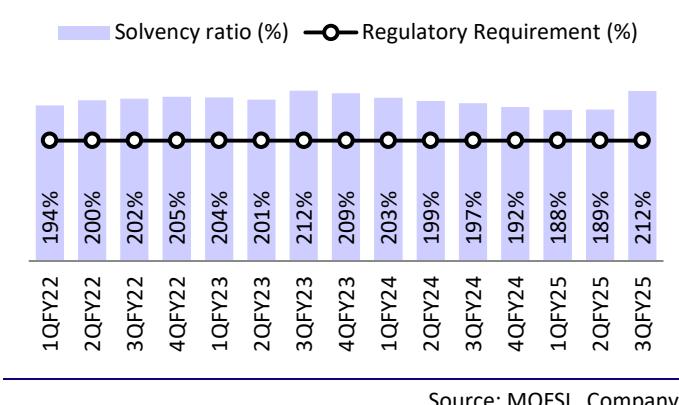
### Exhibit 4: Share of ULIP in total APE at 49% in 3QFY25



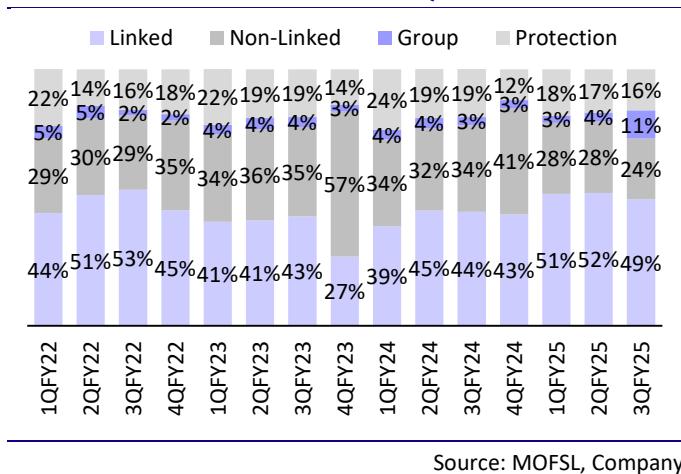
### Exhibit 5: Trend in 13<sup>th</sup>/25<sup>th</sup>/61<sup>st</sup> month persistency



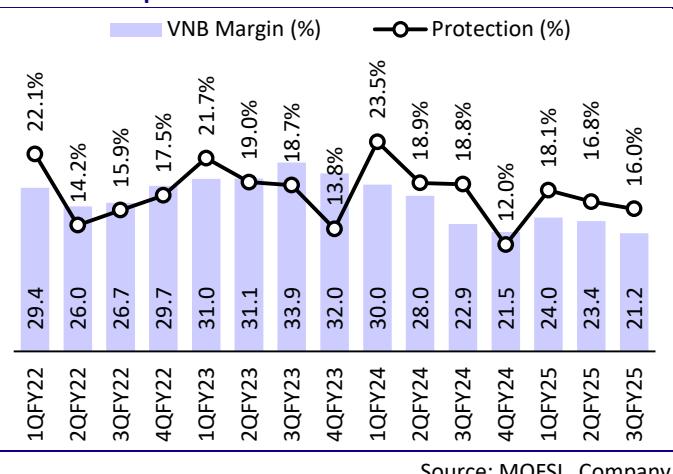
### Exhibit 6: The solvency ratio is healthy at 212%, well above the regulatory requirement of 150%



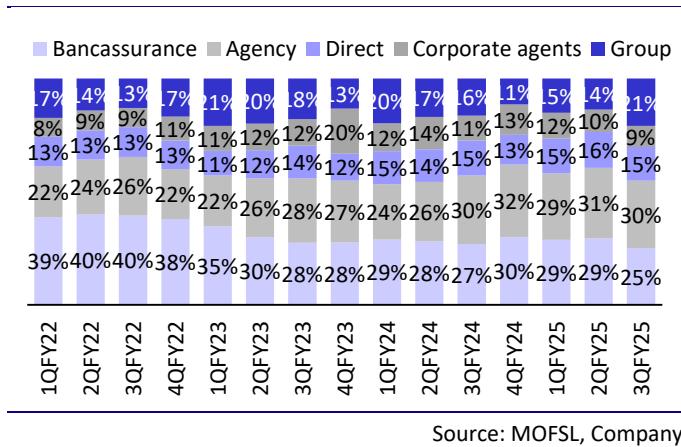
**Exhibit 7: The share of protection stood at 16% of total APE, while the share of ULIP was 49% in 3QFY25**



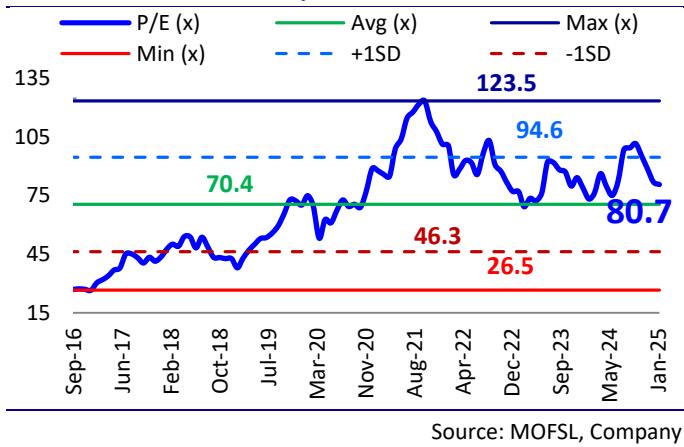
**Exhibit 8: VNB margin contracted to 21.2% in 3QFY25 led by a shift in the product mix**



**Exhibit 9: Distribution mix**



**Exhibit 10: 1-Yr. forward P/EV**



## Financials and valuation

Technical account (INR b)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Gross Premiums	334	205	375	399	432	506	582	671
Reinsurance Ceded	6	8	8	14	15	17	20	23
Net Premiums	329	197	366	386	418	489	562	648
Income from Investments	(125)	474	250	100	465	342	435	444
Other Income	16	17	4	20	20	21	22	24
<b>Total income (A)</b>	<b>219</b>	<b>688</b>	<b>620</b>	<b>505</b>	<b>903</b>	<b>852</b>	<b>1,019</b>	<b>1,116</b>
Commission	16	15	13	15	37	49	57	66
Operating expenses	35	33	44	52.44	48	52	58	65
<b>Total commission and opex</b>	<b>51</b>	<b>48</b>	<b>57</b>	<b>68</b>	<b>85</b>	<b>101</b>	<b>115</b>	<b>131</b>
Benefits Paid (Net)	194	226	291	308	397	285	361	380
Chg in reserves	(51)	543	260	100	404	445	519	577
Provisions for doubtful debts	2	0	0	0.63	(0)	(0)	(1)	(1)
<b>Total expenses (B)</b>	<b>196</b>	<b>818</b>	<b>608</b>	<b>477</b>	<b>886</b>	<b>831</b>	<b>995</b>	<b>1,087</b>
<b>(A) - (B)</b>	<b>23</b>	<b>(130)</b>	<b>12</b>	<b>28</b>	<b>17</b>	<b>21</b>	<b>24</b>	<b>29</b>
Prov for Tax	1	1	2	2	1	2	2	2
<b>Surplus / Deficit (Calculated)</b>	<b>22</b>	<b>(132)</b>	<b>10</b>	<b>26</b>	<b>16</b>	<b>20</b>	<b>23</b>	<b>27</b>

Shareholder's a/c (INR b)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Transfer from technical a/c	20	20	22	20	15	20	23	27
Income From Investments	7	8	1	9	14	14	16	18
<b>Total Income</b>	<b>26</b>	<b>28</b>	<b>23</b>	<b>29</b>	<b>28</b>	<b>33</b>	<b>38</b>	<b>45</b>
Other expenses	1	0	2	2	1	2	2	2
Contribution to technical a/c	15	16	2	18	18	19	20	21
<b>Total Expenses</b>	<b>16</b>	<b>16</b>	<b>4</b>	<b>20</b>	<b>19</b>	<b>21</b>	<b>22</b>	<b>23</b>
<b>PBT</b>	<b>11</b>	<b>11</b>	<b>19</b>	<b>9</b>	<b>9</b>	<b>13</b>	<b>16</b>	<b>22</b>
Prov for Tax	-	1	0	1	1	1	2	2
<b>PAT</b>	<b>11</b>	<b>10</b>	<b>18</b>	<b>8</b>	<b>9</b>	<b>12</b>	<b>15</b>	<b>19</b>
<b>Growth</b>	<b>-6%</b>	<b>-5%</b>	<b>80%</b>	<b>-56%</b>	<b>5%</b>	<b>37%</b>	<b>26%</b>	<b>32%</b>

Balance sheet (INR b)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Sources of Fund</b>								
Share Capital	14	14	14	14	14	14	14	14
Reserves And Surplus	58	77	77	87	96	110	129	152
<b>Shareholders' Fund</b>	<b>72</b>	<b>91</b>	<b>92</b>	<b>101</b>	<b>110</b>	<b>125</b>	<b>143</b>	<b>166</b>
FV change	(3)	30	28	28	50	-	-	-
Policy Liabilities	474	602	737	903	802	(21)	(22)	(23)
Prov. for Linked Liab.	880	1,278	1,405	1,352	1,579	(101)	(121)	(148)
Funds For Future App.	103	122	118	105	83	9	12	14
Current liabilities & prov.	33	37	52	57	55	60	66	73
<b>Total</b>	<b>1,560</b>	<b>2,160</b>	<b>2,432</b>	<b>2,546</b>	<b>2,678</b>	<b>71</b>	<b>78</b>	<b>83</b>
<b>Application of Funds</b>								
Shareholders' Inv	74	101	99	99	106	122	140	161
Policyholders' Inv	468	636	774	943	843	1,403	1,770	2,237
Assets to cover linked liab.	971	1,385	1,509	1,441	1,648	1,912	2,199	2,529
Loans	5	7	9	13	18	19	21	23
Fixed Assets	5	5	5	6	7	8	8	8
Current assets	38	39	49	57	68	75	82	90
<b>Total</b>	<b>1,560</b>	<b>2,160</b>	<b>2,432</b>	<b>2,546</b>	<b>2,678</b>	<b>71</b>	<b>78</b>	<b>83</b>

## Financials and valuation

APE mix	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Savings	91	85	84	83	83	83	84	84	84
ULIP	80	65	48	48	36	43	47	45	43
Non-linked	11	20	36	35	47	40	37	39	40
Protection	9	15	16	17	17	17	16	16	16
<b>Total APE</b>	<b>100</b>								
Distribution mix									
Bancassurance	56	51	42	39	29	29	29	28	26
Agency	22	21	24	24	26	29	32	34	36
Direct	12	13	13	13	12	14	13	13	13
corporate agents & Brokers	6	7	9	9	15	13	12	11	11
Group	5	8	12	15	17	15	14	14	14
Profitability ratios	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
VNB margin (%)	17.0	21.7	25.1	28.0	32.0	24.6	23.5	24.5	25.0
RoE (%)	16.4	15.0	11.8	8.3	8.4	8.1	8.0	8.8	10.4
RoIC (%)	22.1	22.2	21.5	17.0	18.1	19.4	21.1	26.0	34.7
Operating ROEV (%)	20.2	15.2	15.2	11.0	17.4	14.1	14.7	14.9	14.8
RoEV (%)	15.1	6.5	26.4	8.7	12.7	18.8	19.3	19.8	20.3
Valuation ratios	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Total AUMs (INR b)	1,604	1,530	2,142	2,405	2,512	2,942	3,512	4,204	5,049
Dividend payout ratio (%)	61.7	31.6	-	38.1	9.8	10.1	31.1	32.8	24.5
EPS (INR)	7.9	7.4	6.7	5.2	5.6	5.9	6.4	7.9	10.6
VNB (INR b)	13.3	16.1	16.2	21.6	27.7	22.3	26.4	32.1	38.3
EV (INR b)	216.1	230.2	291.1	316.2	356.3	423.3	504.8	604.7	727.7
EV/Per share	150.5	160.3	202.7	220.0	247.7	293.8	350.4	419.8	505.2
P/AUM (%)	66%	69%	49%	44%	42%	36%	30%	25%	21%
P/EV (x)	4.9	4.6	3.6	3.3	3.0	2.5	2.1	1.7	1.4
P/EPS (x)	92.1	98.3	109.5	139.5	129.9	123.7	113.8	92.3	69.1
P/EVOP (x)	27.8	32.1	30.1	33.0	19.2	21.0	16.9	14.1	11.8

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

#### Disclosures:

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on [www.motilaloswal.com](http://www.motilaloswal.com). MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCR and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Ltd. are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/Associate%20Details.pdf>

Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

MOFSL, its associates, Research Analyst or their relatives may have any financial interest in the subject company. MOFSL and/or its associates and/or Research Analyst or their relatives may have actual beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance. MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may have any other potential conflict of interests at the time of publication of the research report or at the time of public appearance, however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

In the past 12 months, MOFSL or any of its associates may have:

- a) received any compensation/other benefits from the subject company of this report
- b) managed or co-managed public offering of securities from subject company of this research report,
- c) received compensation for investment banking or merchant banking or brokerage services from subject company of this research report,
- d) received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company of this research report.

- MOFSL and its associates have not received any compensation or other benefits from the subject company or third party in connection with the research report.
- Subject Company may have been a client of MOFSL or its associates during twelve months preceding the date of distribution of the research report.
- Research Analyst may have served as director/officer/employee in the subject company.
- MOFSL and research analyst may engage in market making activity for the subject company.

MOFSL and its associate company(ies), and Research Analyst and their relatives from time to time may have:

- a) a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein.
- (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures. To enhance transparency, MOFSL has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report. MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report.

#### Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

#### Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Disclosure of Interest Statement	ICICI Prudential Life Insurance
Analyst ownership of the stock	No

A graph of daily closing prices of securities is available at [www.nseindia.com](http://www.nseindia.com), [www.bseindia.com](http://www.bseindia.com). Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to subject company for which Research Team have expressed their views.

#### Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

#### For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal Capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Financial Services Limited (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal Capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

#### For U.S.

MOTILAL Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and

services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

#### **For Singapore**

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co. Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act of Singapore .Accordingly, if a Singapore person is not, or ceases to be, such an investor, they must immediately discontinue any use of this Report and inform MOCMSPL .

#### **Disclaimer:**

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alterations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is meant for the clients of Motilal Oswal only.

Investment 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.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 - 71934200 / 71934263; [www.motilaloswal.com](http://www.motilaloswal.com).

Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

#### Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN : 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to [query@motilaloswal.com](mailto:query@motilaloswal.com). In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to [grievances@motilaloswal.com](mailto:grievances@motilaloswal.com), for DP to [dpgrivances@motilaloswal.com](mailto:dpgrivances@motilaloswal.com).