

# ICICI Prudential Life Insurance

BSE SENSEX	S&P CNX
39,059	11,604
Bloomberg	IPRU IN
Equity Shares (m)	1,435
M.Cap.(INRb)/(USDb)	696.4 / 9.8
52-Week Range (INR)	488 / 278
1, 6, 12 Rel. Per (%)	14/32/35
12M Avg Val (INR M)	843
Free float (%)	25.0

## Financials & Valuations (INR b)

Y/E MARCH	FY19	FY20E	FY21E
Net Premiums	305.8	349.1	390.9
Surplus / Deficit	12.3	14.6	14.5
Sh. holder's PAT	11.4	12.2	13.5
New bus.gr -unwtd (%)	12.5	15.0	17.0
New bus gr- APE (%)	-3.0	-0.9	20.6
Total prem gr -unwtd (%)	14.3	14.2	12.0
NBP margin (%)	17.0	21.6	23.2
RoE (%)	16.4	16.6	16.7
RoEV (%)	15.1	16.5	17.3
Total AUMs (INRb)	1604	2012	2405
VNB(INRb)	13.3	15.7	20.3
EV per share	151	175	206
Valuations			
P/EV (x)	3.2	2.8	2.4
P/EPS (x)	61.1	56.9	51.4

**CMP: INR485**
**TP: INR520 (+7%)**
**Buy**

## Business growth remains weak; Operating metrics stable

- 2QFY20 PAT at INR3b came in line with our estimates. Gross premium grew 7% YoY, mainly led by robust growth in single premium business (+67% YoY) while the first-year premiums declined 7% YoY to INR17b. **Renewal premium** growth was muted at 3% YoY v/s 8% in 1QFY20. As a result, 13<sup>th</sup> month persistency declined by 160bp YoY to 83.6% while 61<sup>st</sup> month persistency improved 240bp YoY to 57.2%.
- **Total APE** declined 4% YoY to INR19b led by 12% YoY decline in Savings APE. Within Savings APE, ULIP APE declined 23% YoY. On the other hand, Protection APE grew 86% YoY to INR2.8b with share of Protection improving further to 14.9% (7.7% in 2QFY19), while share of ULIPs in total APE declined to 67% v/s 84% in 2QFY19.
- **VNB margins** stood at 21.1% (+6bp QoQ) due to higher share of the Protection business. This resulted in VNB growing 16% YoY to INR4b, mainly led by Retail and Group Protection business. Management has guided to double VNB over the next 3-4 years.
- **Total operating expenses** (incl. commission) grew 9% YoY (higher than the premium growth) as operating expenses increased 14% YoY, mainly driven by investment in the protection business. Cost to weighted received premium increased 50bp YoY to 16.5% in 1HFY20, while cost ratio in savings LOB (as reported by the company) declined 170bp YoY to 11%.
- **Distribution mix:** In 2QFY20, the share of direct channel improved 112bp to 13% while share of the agency channel declined 247bp YoY to 19.8%. The share of Banca in the distribution mix declined 350bp to 53.2%.
- **Other highlights:** (i) Total AUM grew 13% YoY to ~INR1.7t with debt: equity mix at 53%: 47%. (ii) Solvency ratio stood at 211% (234% as at 2QFY19).
- **Valuations and view:** We estimate IPRU Life to deliver ~24% CAGR in VNB over FY19-21E, led by 9% CAGR in new business APE; operating RoEV is expected to sustain at ~19%. We, thus, estimate VNB margins to recover to ~23% by FY21E on the back of improved Protection mix; operating metrics are also expected to further improve. We roll forward our estimates and value the stock at INR520/share, which corresponds to 2.3x Sep'21EV.

**Maintain Buy.**

## Quarterly performance (INR m)

Policy holder's A/c	FY19				FY20E				FY19	FY20E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE		
Net premium income	54,378	76,012	74,830	100,563	62,081	80,647	86,562	121,551	305,783	349,090
Growth (%)	12.8%	16.2%	10.1%	16.2%	14.2%	6.1%	15.7%	20.9%	14.1%	14.2%
Commission paid	2,795	3,951	3,671	5,095	2,648	3,945	5,021	9,308	15,513	20,923
Operating expense	5,952	6,585	5,785	7,732	6,458	7,542	7,820	10,762	26,053	32,582
<b>Surplus/(Deficit)</b>	<b>3,009</b>	<b>2,003</b>	<b>3,254</b>	<b>4,067</b>	<b>4,221</b>	<b>4,768</b>	<b>3,481</b>	<b>2,157</b>	<b>12,333</b>	<b>14,626</b>
S/H A/c										
<b>Total income</b>	<b>3,864</b>	<b>2,910</b>	<b>4,046</b>	<b>6,459</b>	<b>5,122</b>	<b>6,015</b>	<b>4,434</b>	<b>2,904</b>	<b>17,307</b>	<b>18,476</b>
<b>PBT</b>	<b>2,840</b>	<b>3,032</b>	<b>2,975</b>	<b>2,782</b>	<b>2,870</b>	<b>3,063</b>	<b>3,342</b>	<b>3,391</b>	<b>11,612</b>	<b>13,024</b>
<b>PAT</b>	<b>2,816</b>	<b>3,009</b>	<b>2,968</b>	<b>2,614</b>	<b>2,849</b>	<b>3,019</b>	<b>3,267</b>	<b>2,749</b>	<b>11,389</b>	<b>12,242</b>
Growth (%)	-30.6%	-28.6%	-34.4%	-23.3%	1.2%	0.3%	10.1%	5.2%	-29.7%	7.5%

Source: Company, MOFSL

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

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## Exhibit 1: Quarterly Snapshot

P/H A/c - Technical	FY18				FY19				FY20		Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	YoY	QoQ
<b>Net premium income</b>	<b>48,202</b>	<b>65,395</b>	<b>67,951</b>	<b>86,558</b>	<b>54,378</b>	<b>76,012</b>	<b>48,202</b>	<b>100,563</b>	<b>62,081</b>	<b>80,647</b>	<b>6</b>	<b>30</b>
First year premium	16,148	17,862	19,339	20,213	12,587	18,394	16,148	22,366	12,698	17,185	-7	35
Renewal premium	25,810	43,194	45,390	61,476	37,476	51,027	25,810	67,080	40,427	52,398	3	30
Single premium	4,191	4,939	3,827	5,600	5,116	7,399	4,191	12,190	10,168	12,325	67	21
<b>Investment income</b>	<b>35,177</b>	<b>28,130</b>	<b>65,442</b>	<b>-16,134</b>	<b>23,212</b>	<b>12,278</b>	<b>35,177</b>	<b>56,176</b>	<b>19,916</b>	<b>-1,269</b>	<b>-110</b>	<b>-106</b>
<b>Total income</b>	<b>83,545</b>	<b>93,693</b>	<b>133,568</b>	<b>71,369</b>	<b>78,712</b>	<b>88,269</b>	<b>83,545</b>	<b>160,539</b>	<b>84,321</b>	<b>82,091</b>	<b>-7</b>	<b>-3</b>
<b>Commission paid</b>	<b>2,162</b>	<b>3,632</b>	<b>3,773</b>	<b>4,466</b>	<b>2,795</b>	<b>3,951</b>	<b>2,162</b>	<b>5,095</b>	<b>2,648</b>	<b>3,945</b>	<b>0</b>	<b>49</b>
First year premium	1,507	2,733	2,828	3,178	1,996	2,851	1,507	3,675	1,782	2,816	-1	58
Renewal premium	612	823	845	1,161	713	995	612	1,244	737	969	-3	32
Single premium	43	77	100	127	86	105	43	176	129	160	52	24
<b>Operating expenses</b>	<b>4,120</b>	<b>4,921</b>	<b>5,211</b>	<b>6,048</b>	<b>5,952</b>	<b>6,585</b>	<b>4,120</b>	<b>7,732</b>	<b>6,458</b>	<b>7,542</b>	<b>15</b>	<b>17</b>
<b>Total commission &amp; opex</b>	<b>6,282</b>	<b>8,553</b>	<b>8,984</b>	<b>10,513</b>	<b>8,747</b>	<b>10,536</b>	<b>6,282</b>	<b>12,827</b>	<b>9,107</b>	<b>11,487</b>	<b>9</b>	<b>26</b>
<b>Benefits paid</b>	<b>39,690</b>	<b>40,711</b>	<b>46,852</b>	<b>45,555</b>	<b>29,395</b>	<b>35,014</b>	<b>39,690</b>	<b>44,937</b>	<b>36,446</b>	<b>41,373</b>	<b>18</b>	<b>14</b>
<b>Total expenses</b>	<b>78,192</b>	<b>88,435</b>	<b>128,438</b>	<b>66,550</b>	<b>73,943</b>	<b>84,382</b>	<b>78,192</b>	<b>154,497</b>	<b>77,866</b>	<b>74,443</b>	<b>-12</b>	<b>-4</b>
<b>PBT</b>	<b>4,227</b>	<b>3,782</b>	<b>3,609</b>	<b>3,215</b>	<b>3,315</b>	<b>2,287</b>	<b>4,227</b>	<b>4,318</b>	<b>4,512</b>	<b>5,024</b>	<b>120</b>	<b>11</b>
Tax	262	228	237	475	306	284	262	252	291	257	-10	-12
<b>Surplus/(Deficit)</b>	<b>3,965</b>	<b>3,554</b>	<b>3,372</b>	<b>2,740</b>	<b>3,009</b>	<b>2,003</b>	<b>3,965</b>	<b>4,067</b>	<b>4,221</b>	<b>4,768</b>	<b>138</b>	<b>13</b>
<b>Sh. a/c - Non- Technical</b>												
<b>Trf from P/H A/c</b>	<b>3,334</b>	<b>2,850</b>	<b>2,742</b>	<b>1,967</b>	<b>2,464</b>	<b>1,479</b>	<b>2,662</b>	<b>4,166</b>	<b>3,689</b>	<b>3,966</b>	<b>168</b>	<b>8</b>
Investment Income	1,038	1,725	2,160	2,473	1,396	1,426	1,382	2,214	1,433	2,047	44	43
Other Income	2	3	2	42	4	5	2	80	1	2	-52	229
<b>Total income</b>	<b>4,373</b>	<b>4,578</b>	<b>4,904</b>	<b>4,482</b>	<b>3,864</b>	<b>2,910</b>	<b>4,046</b>	<b>6,459</b>	<b>5,122</b>	<b>6,015</b>	<b>107</b>	<b>17</b>
Other expenses	91	88	93	115	99	85	90	104	93	73	-14	-22
Amounts trf to P/H acc	2	-2	0	753	925	-208	981	3,574	2,159	2,521	NM	17
<b>PBT</b>	<b>4,281</b>	<b>4,491</b>	<b>4,810</b>	<b>3,614</b>	<b>2,840</b>	<b>3,032</b>	<b>2,975</b>	<b>2,782</b>	<b>2,870</b>	<b>3,063</b>	<b>1</b>	<b>7</b>
Tax	221	279	289	208	24	24	8	168	21	45	89	119
<b>PAT</b>	<b>4,059</b>	<b>4,212</b>	<b>4,521</b>	<b>3,406</b>	<b>2,816</b>	<b>3,009</b>	<b>2,968</b>	<b>2,614</b>	<b>2,849</b>	<b>3,019</b>	<b>0</b>	<b>6</b>
<b>APE data (Reported)</b>											<b>Change (bp)</b>	
<b>Savings APE (%)</b>												
<b>ULIP</b>	<b>85.7</b>	<b>78.3</b>	<b>84.8</b>	<b>79.4</b>	<b>79.8</b>	<b>83.8</b>	<b>78.9</b>	<b>76.7</b>	<b>71.2</b>	<b>67.2</b>	<b>-1,666</b>	<b>-400</b>
<b>Participating</b>	<b>8.3</b>	<b>15.8</b>	<b>10.2</b>	<b>9.2</b>	<b>9.7</b>	<b>6.8</b>	<b>8.8</b>	<b>9.3</b>	<b>9.7</b>	<b>11.5</b>	<b>472</b>	<b>187</b>
<b>Other Savings</b>	<b>1.5</b>	<b>2.0</b>	<b>0.9</b>	<b>1.7</b>	<b>2.3</b>	<b>1.7</b>	<b>2.4</b>	<b>3.3</b>	<b>4.6</b>	<b>6.4</b>	<b>471</b>	<b>180</b>
- Non-Participating	0.5	0.0	0.0	0.0	0.9	0.7	0.8	1.1	1.4	1.5	82	11
- Group	0.9	0.0	0.0	0.0	1.4	1.1	1.7	2.2	3.3	4.9	389	168
<b>Protection</b>	<b>4.5</b>	<b>3.9</b>	<b>4.0</b>	<b>9.8</b>	<b>8.2</b>	<b>7.7</b>	<b>9.9</b>	<b>10.6</b>	<b>14.6</b>	<b>14.9</b>	<b>723</b>	<b>34</b>
<b>Total (INR m)</b>	<b>17,050</b>	<b>18,690</b>	<b>20,050</b>	<b>22,120</b>	<b>13,960</b>	<b>19,840</b>	<b>19,630</b>	<b>24,570</b>	<b>14,700</b>	<b>19,000</b>	<b>-4%</b>	<b>29%</b>
<b>Ratios (%)</b>												
Commission (unwtd)	4.8	5.4	5.6	5.5	5.5	5.6	5.5	5.6	4.9	5.3	-30	40
Opex ratio (unwtd)	8.9	8.1	7.9	7.5	10.8	9.5	8.8	8.4	10.2	9.6	14	-56
VNB margins	10.7	11.7	13.7	16.5	17.5	17.5	17.0	17.0	21.0	21.0	350	0
Solvency Ratio	288.6	275.7	251.5	252.0	234.6	234.3	224.3	214.9	216.7	210.6	-2,370	-610
<b>Persistency ratios</b>												
13th Month	85.8	85.7	86.7	85.8	85.8	85.2	84.1	84.6	84.4	83.6	-163	-80
25th Month	73.9	73.6	75.8	77.0	77.8	77.8	76.7	75.6	75.7	75.0	-280	-70
37th Month	67.0	66.3	67.8	67.6	68.2	68.3	68.7	69.3	69.8	69.1	80	-70
49th Month	59.2	59.8	61.8	62.8	63.7	63.7	63.2	63.8	64.2	63.7	0	-50
61st Month	54.3	54.4	55.0	53.7	54.0	54.8	55.6	56.8	57.3	57.2	240	-10
<b>Key Metrics (INRb)</b>												
VNB	1.8	4.2	7.7	12.9	2.4	5.9	9.1	13.3	3.1	7.1	20	129
EV	NA	172	NA	188	NA	192	NA	216	NA	227	18	NM
AUM	1,266	1,306	1,383	1,395	1,427	1,461	1,500	1,604	1,640	1,655	13	1

Note: (a) Persistency ratios are excluding single premium

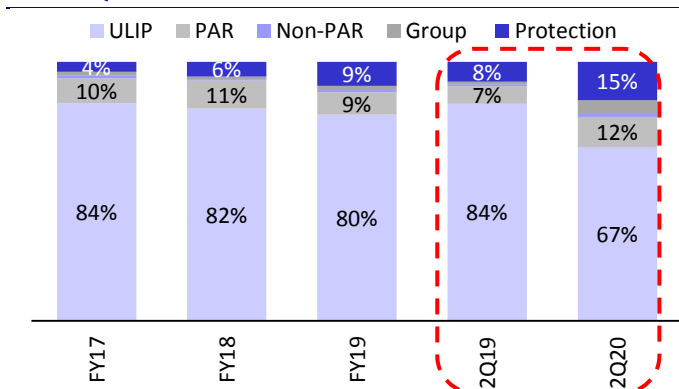
(b) All the ratios are on cumulative basis for 1H, 9M and 12M

Source: Company, MOFSL

**Total APE declined 4% YoY to INR19b; Protection mix improved to 14.9%**

- Total APE declined 4% YoY in 2QFY20 led by 23% YoY decline in ULIP sales. ULIP's formed 67% of the total APE vs 84% in 2QFY19. Management also highlighted that there has been decline in the higher ticket size ULIP's in 2QFY20.
- Protection mix improved to 14.9% of the total APE driving 360bp YoY improvement in VNB margins stood at 21% (+360bp YoY) in 2QFY20. APE in the Non-PAR savings (Annuity) segment grew 115% YoY to INR280m
- Value of new business grew 16% YoY to INR4b in 2QFY20 while for 1HFY20 VNB grew 20% YoY to INR7.1b

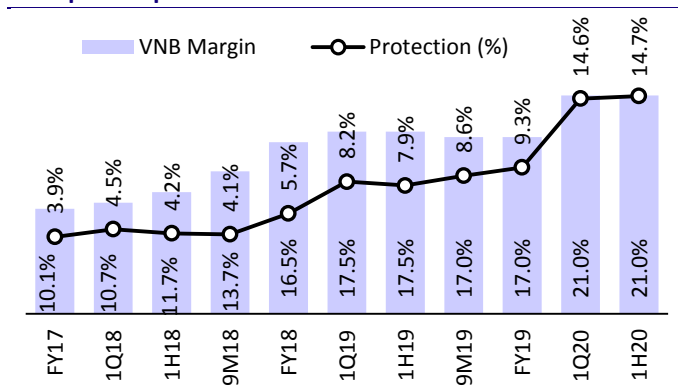
**Exhibit 2: Protection mix improves to ~15% of total APE v/s 8% in 2QFY19**



Note: Based on Total APE

Source: Company, MOFSL

**Exhibit 3: Margins expanded 350bp YoY to 21% on the back of improved protection mix**



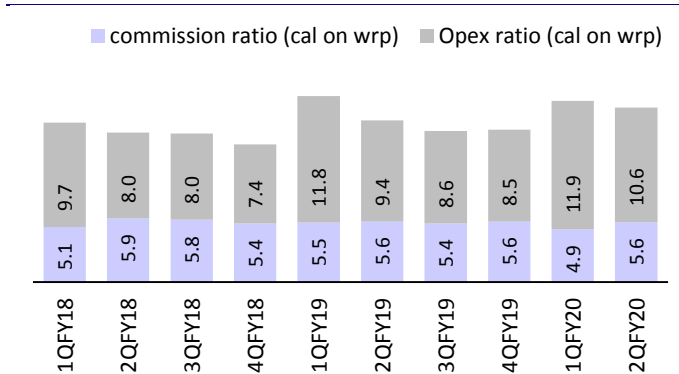
Source: Company, MOFSL

**Cost ratios increase 50bp YoY to 16.6% while cost ratios in savings LOB report 170bp YoY decline**

Cost ratios on an overall basis have increased mainly due to investment in the Protection business

- IPRU Life's management has taken initiatives to develop a 'Digital Ecosystem' wherein the entire process right from pre-sales, on-boarding to claims & servicing has been smoothed by the company using digital capabilities. The entire digital ecosystem is built on the three pillars of (a) scale with simplicity (b) seamless integration with the partner ecosystem and (c) innovation.
- Cost to weighted received premium increased 50bp YoY to 16.5% in 1HFY20 while cost ratio in savings LOB (as reported by the company) declined 170bp YoY to 11%.

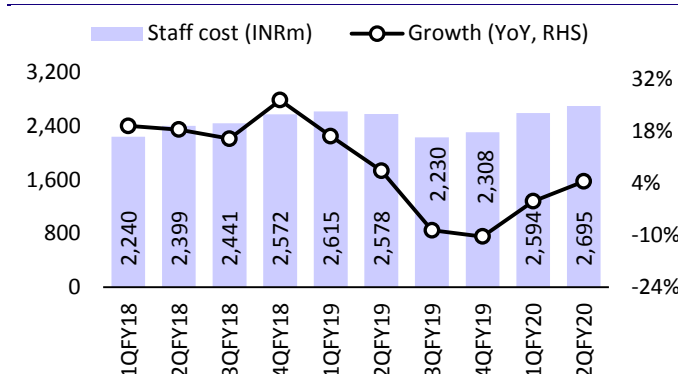
**Exhibit 4: Total expense ratio stood at 16.2% (+120 bp YoY)**



Note: Cost ratios are calculated on wrp

Source: Company, MOFSL

**Exhibit 5: Staff cost increased by just 5% YoY to INR2.7b**



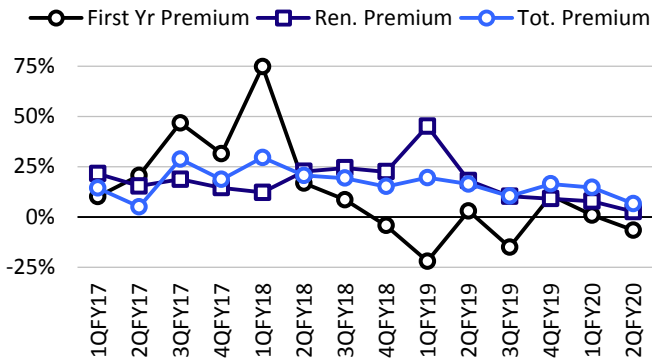
Source: Company, MOFSL

**2QFY20 Concall highlights**

- Board has approved an interim dividend of INR0.8/share (excl. DDT).
- Growth in the VNB is predominantly due to growth in the Protection business; company is well on track to double FY19 VNB in the next 3-4 years.
- Non-bank channels have started contributing to the distribution.
- Persistency ratios are better than those built in the EV assumption.
- Cost ratios have increased mainly due to the Protection business, where cost ratios in the Savings business have declined.
- Non-advertising expenses are higher v/s last year.
- Decline in the ULIP business has been in the higher ticket size.
- Within the banca channel, focus has been on Protection.
- Retail business continues to dominate the new business (90%).
- Decline in persistency in higher ticket size ULIP has caused 13<sup>th</sup> month persistency to decline.
- Surrenders have been in a range similar to FY19.
- Management is expecting some uptick in the cost ratios due to investment in the Protection business; cost ratios in the Savings biz will depend on the ULIP business.
- Specific costs associated with Protection are advertisement costs, medical expenses, and underwriting cost.
- Average claim settlement takes 1.2 days as compared to 2 days in FY19.
- Protection VNB in the protection business is net of actual cost.
- Management has changed the assumption mid-year. Current quarter numbers are on actual basis. Full-year numbers are on actual cost.
- Renewal premiums are muted as the APE was flat last year.
- Group fund business is lumpy. Therefore, management is treating it as single premium.
- Group-term insurance is treated as regular (similar like other players).
- Investment provisions have been done on equity. Company does not have stress in the debt portfolio as company mainly invests in G-secs.
- Margin is driven by product mix and cost; there has been no assumption change.
- Commission rate in the Protection line of business has been stable.
- Protection policies sold to ICICI Bank customers is quite low as bank has started selling Protection in the last 12 months only.
- VIF growth has been lower due to negative economic variance in 1HFY20.
- Protection split has been similar to FY19 (60% is retail protection).
- Share of Protection in the VNB has increased from FY19 levels.
- More than half of the annuity sold is annuity for life. Return of purchase price policies.
- Banca channels have stopped selling PAR products.
- Management attributed the decline in ULIPs to a decrease in financial savings.
- Employee base: Below 14,000. Management is trying to variabilize the expense as far as possible.
- Margin on return of premium Protection products will be lower than those of pure Protection policies.
- Only 6-7 players are active in the Protection space.

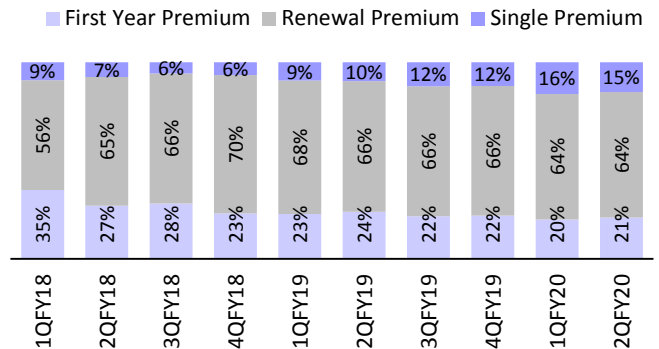
Story in charts

Exhibit 6: Total/renewal premium grew ~7%/3% YoY



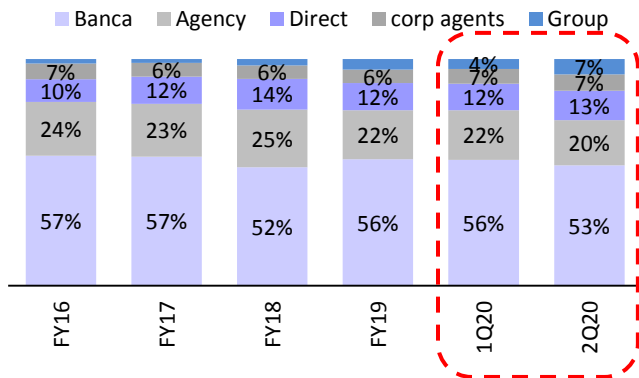
Source: Company, MOFSL

Exhibit 7: Share of single premium increased to 15% v/s 10% in 2QFY19



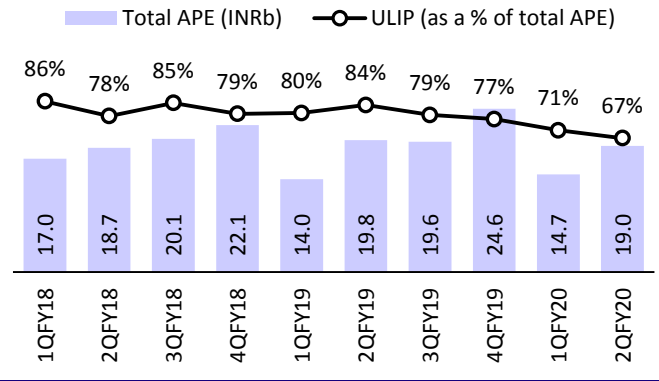
Source: Company, MOFSL

Exhibit 8: Share of non-bank partners increasing



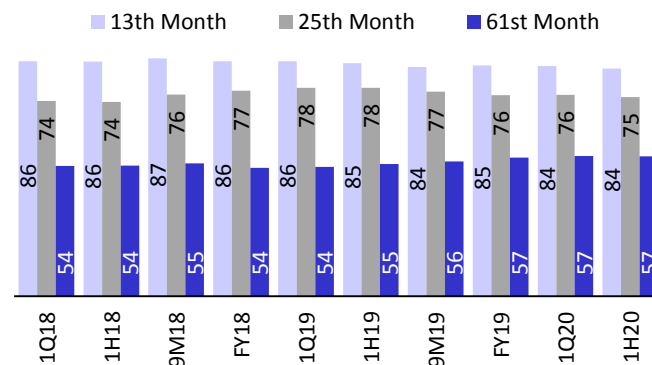
Note: Based on Total APE  
Source: Company, MOFSL

Exhibit 9: Share of ULIP in the total APE declined to 67%



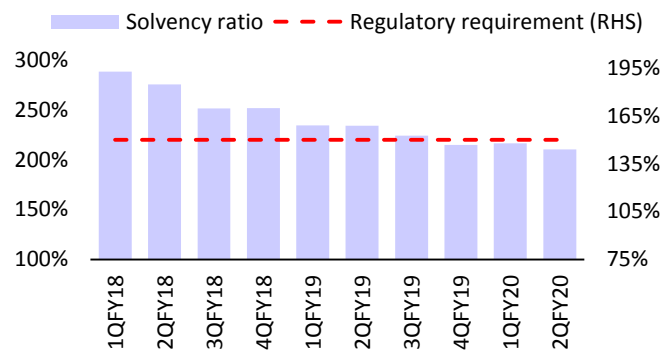
Source: Company, MOFSL

Exhibit 10: 61<sup>st</sup> mth persistency improved 240bp YoY to 57.2%



Source: Company, MOFSL

Exhibit 11: Solvency ratio stood at 211%, much above the regulatory requirement of 150%



Source: Company, MOFSL

### Valuations and view

- We believe the life insurance sector in India is in a sweet spot, where strong structural potential is now overlapping with the rising share of financial savings and higher disposable income. We expect Indian insurers to trade at a premium to global insurers.
- Private sector life insurance companies have 51% market share in total new business APE, and IPRU is amongst the leading players. Favorable demographics, increasing customer awareness about financial products, strong distribution network and superior brand image should help IPRU sustain WRP CAGR at 9% over FY19-21E.
- **Shift towards balanced product segments to reduce volatility:** IPRU Life has taken a strategic call to move towards balanced product categories and mass affluent customer segments, which should help reduce volatility in the business. Also, in our view, IPRU is well positioned to capture a greater pie of the Protection business, which should drive incremental profitability as it has access to a mass affluent customer base coupled with a wide presence in the banca channel.
- We estimate ~24% CAGR in VNB over FY19-21E led by 9% CAGR in new business APE while operating RoEV is expected to sustain at ~19%. We, thus, estimate VNB margins to recover to ~23% by FY21E on the back of improved protection mix while operating metrics is expected to improve further. We roll forward our estimates and value the stock at INR520/share, which corresponds to 2.3x Sep'21EV. **Maintain Buy.**

## Financials and valuations: ICICI Prudential Life Insurance Company

Technical account (INR m)	FY16	FY17	FY18	FY19	FY20E	FY21E
Gross Premiums	191,644	223,540	270,688	309,298	353,314	395,668
Reinsurance Ceded	(1,657)	(1,988)	(2,581)	(3,515)	(4,224)	(4,817)
Net Premiums	189,987	221,553	268,107	305,783	349,090	390,851
Income from Investments	12,084	149,769	112,615	102,144	185,361	213,539
Other Income	209	188	936	5,562	1,756	1,963
<b>Total income</b>	<b>202,279</b>	<b>371,927</b>	<b>382,172</b>	<b>414,003</b>	<b>536,207</b>	<b>606,353</b>
Commission	6,200	7,589	14,033	15,513	20,923	23,002
Operating expenses	18,883	23,572	20,299	26,053	32,582	36,548
<b>Total commission and opex</b>	<b>25,083</b>	<b>31,161</b>	<b>34,332</b>	<b>41,566</b>	<b>53,505</b>	<b>59,551</b>
Benefits Paid (Net)	124,274	149,979	172,808	142,591	145,997	161,008
Chg in reserves	35,155	174,976	154,475	210,030	316,010	365,309
<b>Total expenses</b>	<b>184,512</b>	<b>356,115</b>	<b>361,615</b>	<b>394,187</b>	<b>515,512</b>	<b>585,868</b>
Provisions for doubtful debts	3,643	4,288	5,727	6,351	4,235	4,643
<b>Surplus / deficit before tax</b>	<b>14,124</b>	<b>11,523</b>	<b>14,830</b>	<b>13,465</b>	<b>16,459</b>	<b>15,842</b>
Prov for Tax	704	788	1,201	1,132	1,833	1,315
<b>Surplus / Deficit</b>	<b>13,421</b>	<b>10,735</b>	<b>13,630</b>	<b>12,333</b>	<b>14,626</b>	<b>14,527</b>

Shareholder's a/c (INR m)	FY16	FY17	FY18	FY19	FY20E	FY21E
Transfer from technical a/c	12,076	11,315	10,892	10,770	11,412	12,166
Income From Investments	5,996	6,669	7,419	6,443	6,960	8,025
<b>Total Income</b>	<b>18,073</b>	<b>18,270</b>	<b>18,362</b>	<b>17,307</b>	<b>18,476</b>	<b>20,306</b>
Other expenses	313	409	420	422	443	474
Contribution to technical a/c	-	18	753	5,272	5,008	5,109
<b>Total Expenses</b>	<b>356</b>	<b>427</b>	<b>1,173</b>	<b>5,694</b>	<b>5,452</b>	<b>5,583</b>
<b>PBT</b>	<b>17,717</b>	<b>17,843</b>	<b>17,189</b>	<b>11,612</b>	<b>13,024</b>	<b>14,723</b>
Prov for Tax	1,212	1,028	997	223	781	1,178
<b>PAT</b>	<b>16,505</b>	<b>16,815</b>	<b>16,192</b>	<b>11,389</b>	<b>12,242</b>	<b>13,545</b>
<b>Growth</b>	<b>1%</b>	<b>2%</b>	<b>-4%</b>	<b>-30%</b>	<b>7%</b>	<b>11%</b>

Premium (INR m) & growth (%)	FY16	FY17	FY18	FY19	FY20E	FY21E
New business prem - unwtd	67,658	78,633	92,118	103,644	119,190	139,452
New business prem - wrp	51,085	64,965	75,417	73,171	72,495	87,431
Renewal premium	123,986	144,907	178,570	205,654	234,124	256,216
New bus. growth - unwtd	26.9%	16.2%	17.1%	12.5%	15.0%	17.0%
New business growth - wrp	9.9%	27.2%	16.1%	-3.0%	-0.9%	20.6%
Renewal premium growth	24.3%	16.9%	23.2%	15.2%	13.8%	9.4%

Premium mix (%)	FY16	FY17	FY18	FY19	FY20E	FY21E
<b>New business - unwtd</b>						
- Individual mix	79.2%	88.7%	91.2%	78.5%	83.0%	85.0%
- Group mix	20.8%	11.3%	8.8%	21.5%	17.0%	15.0%
<b>New business mix - APE</b>						
- Participating	13.6%	9.5%	10.6%	9.0%	12.0%	14.4%
- Non-participating	3.0%	4.8%	5.0%	9.0%	21.0%	23.6%
- ULIPs	83.4%	85.7%	84.4%	82.0%	67.0%	62.0%
<b>Total premium mix - unwtd</b>						
- Participating	11.4%	11.7%	12.0%	11.4%	12.3%	12.6%
- Non-participating	13.6%	13.6%	12.8%	15.2%	27.7%	28.7%
- ULIPs	75.1%	74.8%	75.2%	73.4%	59.9%	58.7%

Indi. Premium sourcing mix (%)	FY16	FY17	FY18	FY19	FY20E	FY21E
Individual agents	24.7%	23.5%	25.6%	21.8%	22.8%	23.8%
Corporate agents-Banks	57.2%	57.1%	52.6%	55.2%	55.0%	54.8%
Direct business	11.2%	12.8%	16.0%	16.7%	17.7%	17.5%
Others	6.9%	6.6%	5.8%	6.3%	4.6%	4.0%

## Financials and valuations: ICICI Prudential Life Insurance Company

Balance sheet (INR m)	FY16	FY17	FY18	FY19	FY20E	FY21E
<b>Sources of Fund</b>						
Share Capital	14,323	14,354	14,355	14,358	14,358	14,358
Reserves And Surplus	36,401	46,976	51,382	54,353	60,713	68,720
<b>Shareholders' Fund</b>	<b>53,233</b>	<b>64,060</b>	<b>68,818</b>	<b>70,423</b>	<b>76,954</b>	<b>85,150</b>
Policy Liabilities	202,548	251,695	309,934	385,524	694,992	962,534
Prov. for Linked Liab.	719,903	839,365	923,124	1,036,999	1,209,309	1,318,147
Funds For Future App.	6,619	6,042	8,780	10,344	11,895	13,678
Current liabilities & prov.	22,013	28,365	34,479	36,641	43,957	52,733
<b>Total</b>	<b>1,047,650</b>	<b>1,247,408</b>	<b>1,418,187</b>	<b>1,630,859</b>	<b>2,056,466</b>	<b>2,452,532</b>
<b>Application of Funds</b>						
Shareholders' inv	62,124	66,349	77,466	79,861	87,848	96,632
Policyholders' inv	215,156	270,674	332,889	400,712	715,334	990,328
Assets to cover linked liab.	752,958	878,783	975,020	1,109,458	1,209,309	1,318,147
Current assets	14,773	28,657	27,142	33,368	35,500	37,793
<b>Total</b>	<b>1,047,650</b>	<b>1,247,408</b>	<b>1,418,187</b>	<b>1,630,859</b>	<b>2,056,466</b>	<b>2,452,532</b>
<b>Operating ratios (%)</b>						
Investment yield (%)	1.2%	13.0%	8.1%	6.4%	9.6%	9.3%
<b>Commissions / GWP</b>	<b>3.2%</b>	<b>3.4%</b>	<b>5.2%</b>	<b>5.0%</b>	<b>5.9%</b>	<b>5.8%</b>
Operating expenses / GWP	9.9%	10.5%	7.5%	8.4%	9.2%	9.2%
<b>Total expense ratio</b>	<b>13.1%</b>	<b>13.9%</b>	<b>12.7%</b>	<b>13.4%</b>	<b>15.1%</b>	<b>15.1%</b>
Claims / NWP	65.4%	67.7%	64.5%	46.6%	41.8%	41.2%
Solvency margin	320%	289%	252%	215%	197%	171%
<b>Persistency ratios (%)</b>						
13th Month	82.4%	85.7%	86.8%	86.2%	85.8%	85.6%
25th Month	71.2%	73.9%	78.3%	77.4%	76.9%	76.6%
37th Month	61.6%	66.8%	68.8%	71.0%	70.5%	70.2%
49th Month	62.2%	59.3%	64.2%	65.0%	66.5%	66.2%
61st Month	46.0%	56.2%	54.5%	58.1%	58.7%	60.0%
<b>Profitability ratios (%)</b>						
VNB margin (%)	8.0%	10.1%	16.5%	17.0%	21.6%	23.2%
RoE (%)	31.2%	28.7%	24.4%	16.4%	16.6%	16.7%
RoIC (%)	34.3%	34.8%	33.4%	23.5%	25.2%	27.9%
EVOP as % of IEV	15.3%	16.4%	22.8%	20.2%	19.2%	19.3%
RoEV (%)	0.8%	16.0%	16.1%	15.1%	16.5%	17.3%
<b>Valuation ratios</b>						
Total AUMs (INRb)	1,039	1,229	1,395	1,604	2,012	2,405
- Of which equity AUMs (%)	46%	47%	48%	48%	49%	50%
Dividend (%)	84%	74%	68%	49%	34%	32%
Dividend payout ratio (%)	88%	40%	74%	74%	48%	41%
EPS (INR)	11.5	11.7	11.3	8.0	8.5	9.4
VNB (INRb)	4.1	6.6	12.9	13.3	15.7	20.3
EV (INRb)	139.3	161.7	187.8	216.1	251.7	295.4
EV/Per share	97.1	112.7	130.8	150.6	175.4	205.8
VIF as % of EV	60%	58%	63%	66%	68%	71%
P/VIF	8.3	7.4	5.9	4.9	4.0	3.3
P/AUM (%)	67%	57%	50%	43%	35%	29%
P/EV (x)	5.0	4.3	3.7	3.2	2.8	2.4
P/EPS (x)	42.1	41.3	43.0	61.1	56.9	51.4



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SELL	< - 10%
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