

ICICI Prudential Life

BSE SENSEX 57,635 S&P CNX 17,327



Bloomberg	IPRU IN
Equity Shares (m)	1435
M.Cap.(INRb)/(USDb)	589.3 / 7.1
52-Week Range (INR)	609 / 381
1, 6, 12 Rel. Per (%)	1/-23/-13
12M Avg Val (INR M)	793
Free float (%)	26.7

Financials & Valuation (INR b)			
Y/E MARCH	FY23E	FY24E	FY25E
Net Premiums	382.3	406.9	454.7
Surplus / Deficit	22.5	22.4	23.0
Sh. holder's PAT	8.5	9.1	10.1
NBP growth unwtd (%)	7.6	7.0	15.0
APE growth - (%)	6.3	5.6	15.2
Tot. Prem growth (%)	4.5	6.4	11.8
VNB margin (%)	32.6	33.4	33.8
RoEV (%)	14.4	15.7	15.6
Total AUMs (INRt)	2.6	3.0	3.5
VNB (INRb)	26.8	29.0	33.8
EV per share	252	292	337
Valuations			
P/EV (x)	1.6	1.4	1.2
P/EVOP (x)	11.3	10.3	8.8

Shareholding pattern (%)			
As On	Dec-22	Sep-22	Dec-21
Promoter	73.3	73.3	73.4
DII	5.9	5.0	4.3
FII	15.4	16.6	16.9
Others	5.3	5.0	5.4

FII Includes depository receipts

CMP: INR410 TP: INR530 (+29%) Buy

Mr. Anup Bagchi appointed as MD and CEO for five years

Recovery in premium growth to be key for re-rating

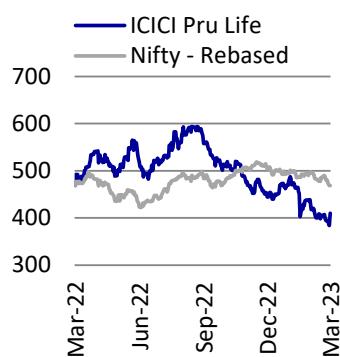
- The board of IPRU Life has approved the appointment of Mr. Anup Bagchi as MD and CEO for a period of five years, effective 19th Jun'23, subject to regulatory and other approvals. For a seamless transition, he is appointed as Executive Director and Chief Operating Officer, effective 1st May'23.
- Accordingly, Mr. Bagchi, who holds the position of Executive Director at ICICI Bank and heads the wholesale banking business, has resigned, effective 30th Apr'23. We await details on the new wholesale business head at ICICIBC.
- The tenure of current MD and CEO, Mr. N. S. Kannan, will end on 18th Jun'23, post which he will superannuate from the company. He has been MD and CEO for five years since 19th Jun'18.
- IPRU has successfully navigated the Covid-19 crisis under Mr. Kannan's leadership and is on track to achieve its stated guidance of doubling the FY19 VNB by FY23. However, modest premium growth due to pressure from the banca channel has kept the overall stock performance under pressure.
- We, thus, believe that while IPRU has maintained healthy traction in VNB, led by improving product mix in favor of higher-margin products, the recovery in premium growth would be key for re-rating. Over FY23-25, we estimate IPRU to deliver a 12% CAGR in VNB and ~10% growth in APE, with operating RoEV of ~16%. We have a BUY rating on the stock with a revised TP of INR530 (based on 1.7x Sep'24E EV).

IPRU approves appointment of Mr. Anup Bagchi as MD & CEO for five years

The board of IPRU has approved the appointment of Mr. Anup Bagchi as MD and CEO for a period of five years, effective 19th Jun'23, subject to regulatory and other approvals. For a seamless transition, he has been appointed as Executive Director and Chief Operating Officer, effective 1st May'23. He is currently working as Executive Director of ICICIBC and Non-Executive Director of IPRU since Oct'18. He joined the ICICI Group in 1992 and has worked in the areas of retail banking, corporate banking and treasury. In his prior role, he was MD and CEO of ICICI Securities.

Current MD & CEO to superannuate; IPRU on track to achieve VNB target

The tenure of current MD and CEO, Mr. N. S. Kannan, will end on 18th Jun'23, post which he will superannuate from the company. He has been MD and CEO for five years since 19th Jun'18. Under his leadership, IPRU has successfully navigated the Covid-19 crisis and built a well-diversified franchise to capture growth opportunities. Thus, IPRU seems to be on track to achieve its stated guidance of doubling the FY19 VNB by FY23 and improved the margin profile despite various challenges. However, premium growth has been subdued, which has dented the overall performance.

Stock's performance (one-year)**Premium growth recovery to be key; mix of non-ICICI banca improves to 13.5%**

We believe that while IPRU has maintained healthy traction in VNB, led by improving product mix in favor of higher-margin products, premium growth has been sluggish due to weak trends in the banca channel (primarily ICICIBC's). We note that APE was flat over FY18-22 and grew by a muted 4% YoY in 9MFY23. Growth in the banca channel has been weak, so IPRU is focusing on other partnerships to offset weak growth in ICICIBC's banca channel. As a result, the mix of ICICIBC in overall APE moderated to 16.9% in 9MFY23 v/s 48.8% in 9MFY20, while other banca channel's mix improved to 13.5% v/s 4.4%. We, thus, believe that the recovery in premium growth would be key for re-rating as the recent budgetary announcement could further hamper the growth trajectory.

Await details on new wholesale business head at ICICI Bank

As a result of this appointment, Mr. Bagchi, who currently holds the position of Executive Director at ICICI Bank and heads the wholesale banking business, has resigned, effective 30th Apr'23. Mr. Bagchi was appointed as the head of wholesale banking post the erstwhile Executive Director, Ms. Vishakha Mulye, resigned in early 2022. We await details on the new wholesale banking business head at ICICIBC.

Valuation and view

IPRU has maintained healthy traction in VNB growth, led by improving product mix in favor of higher-margin products, which resulted in a robust margin expansion to 34%. The share of banca (excluding ICICI Bank) increased to 14% from 4% in FY19, thus supporting growth and diversification in the distribution mix. The increase in agent recruitment and the strong pace of new partnership additions is likely to aid growth in premiums. Further, the strategy of approaching customers with a wider product bouquet through all channels will also boost premium growth. We estimate IPRU to deliver a 12% CAGR in VNB over FY23-25, driven by a combination of APE growth (10% CAGR) and slight improvement in margins, leading to operating RoEV of ~16% over FY23-25E. **We have a BUY rating on the stock with a revised TP of INR530 (based on 1.7x Sep'24E EV).**