

HSIE Results Daily

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Results Reviews

- **ICICI Prudential Life:** IPRU clocked muted APE growth (+5% YoY) and a 20% YoY VNB de-growth. The steep collapse in VNBM to 24.6% (-738bps YoY) was driven by inferior unit economics from IPRU's recalibration of its product design during Q3FY24, and a ULIP-dominated mix. IPRU's investments in channel diversification helped offset de-growth in the proprietary banca channel (-4% YoY). We believe that IPRU's re-engineered business strategy, which prioritises growth over product mix, is likely to continue taking a toll on profitability (VNB margins) and base EV. We raise our FY25E APE growth forecasts while moderating our margin assumptions to adjust for the potential drag from changes in product mix and unit economics - as a result, we expect VNB to clock 1% CAGR over FY23-26E. We retain ADD with a revised target price of INR610 (1.6x Mar-26E EV).

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ICICI Prudential Life

Growth dial-up continues to take a toll on profitability

IPRU clocked muted APE growth (+5% YoY) and a 20% YoY VNB de-growth. The steep collapse in VNB to 24.6% (-738bps YoY) was driven by inferior unit economics from IPRU's recalibration of its product design during Q3FY24, and a ULIP-dominated mix. IPRU's investments in channel diversification helped offset de-growth in the proprietary banca channel (-4% YoY). We believe that IPRU's re-engineered business strategy, which prioritises growth over product mix, is likely to continue taking a toll on profitability (VNB margins) and base EV. We raise our FY25E APE growth forecasts while moderating our margin assumptions to adjust for the potential drag from changes in product mix and unit economics - as a result, we expect VNB to clock 1% CAGR over FY23-26E. We retain ADD with a revised target price of INR610 (1.6x Mar-26E EV).

- Searching for growth offsets:** APE growth was modest (+5% YoY) on the back of a pick-up in non-ICICIBC channels and proprietary banca channel (ICICIBC; -4% YoY). Growth in the high-margin retail protection business moderated on a high base while annuity sales were strong in the agency channel. ULIPs grew sharply (+26% YoY) on the back of the proprietary Banca channel. Our analysis suggests that IPRU's channel diversification efforts have finally helped offset the sluggishness in the ICICIBC channel, which is also beginning to stabilise.
- Growth-at-all-costs mindset:** VNB margins witnessed a 210bps decline QoQ to 24.6% (-728bps YoY), as the product mix further deteriorated towards ULIP and away from the margin-accretive group term business. Management commentary suggests a definitive shift from a single-minded focus on margins to a growth mindset, which is likely to reflect in an adverse mix and a significant knock to margins and base EV (likely impact from adverse operating variance).
- Maintain ADD:** Given the company's pivot to a growth-at-all-costs mindset and increased competitive intensity in group term and individual non-linked savings, we build in an inferior ULIP-heavy product mix (>50% contribution in retail) and consequent bottoming out of VNB margins at 25% in FY25E. We upgrade our FY25E EV forecasts by 13% on account of higher EV unwinding reported in FY24, and relatively stronger APE growth forecasts.

Financial summary

(INR bn)	FY23	FY24	Δ (%)	9MFY24	FY25E	FY26E
NBP	174.1	186.8	7.3	119.6	204.8	224.5
APE	86.4	90.5	4.7	54.3	102.3	114.4
VNB	27.7	22.3	-19.5	14.5	25.5	28.8
VNB Margin (%)	32.0	24.6	-7.4	26.7	25.0	25.2
EV	356.3	423.3	18.8		473.1	533.8
P/EV (x)	2.4	2.0			1.8	1.6
P/VNB (x)	9.3	11.0			12.3	13.9
ROEV (%)	17.4	14.1			12.0	13.0

Change in estimates

(INR bn)	FY25E		
	Old	New	Δ
APE	98.3	102.3	4.0
VNB	24.7	25.5	3.3
VNB Margin (%)	25.1%	25.0%	-17bps
EV	419.2	473.1	12.9

Source: Company, HSIE Research

ADD

CMP (as on 23 Apr 2024) INR 594

Target Price INR 610

NIFTY 22,368

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR545	INR610
VNB		FY25E +3.3%

KEY STOCK DATA

Bloomberg code	IPRU IN
No. of Shares (mn)	1,441
MCap (INR bn) / (\$ mn)	856/10,267
6m avg traded value (INR mn)	1,271
52 Week high / low	INR 641/420

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	23.9	14.0	33.7
Relative (%)	19.1	(0.2)	10.1

SHAREHOLDING PATTERN (%)

	Dec-23	Mar-24
Promoters	73.3	73.2
FIs & Local MFs	6.9	8.5
FPIs	14.7	13.4
Public & Others	5.1	4.9
Pledged Shares	Nil	Nil

Source : BSE

Pledged shares as % of total shares

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Rating Criteria

BUY: >+15% return potential

ADD: +5% to +15% return potential

REDUCE: -10% to +5% return potential

SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Krishnan ASV	ICICI Prudential Life	PGDM	NO
Shobhit Sharma	ICICI Prudential Life	CA	NO

1 Yr Price movement



Disclosure:

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