



Company Name : **ICICI PRUDENTIAL LIFE INSURANCE**  
 BSE Code : **540133**  
 Time Duration : **1 year**  
 CMP : **₹413 (as on 10 Aug, 2017)**  
 Target Price : **₹496**

The Value pick for the month of August is ICICI Pru Life Insurance. The company is a leading private insurer with market share of 12% (28% overall share of private players in insurance space). ICICI Prudential is a joint venture between ICICI Bank and Prudential Corporation Holdings Limited. The company started its operations in 2001 and has been able to consistently grow its AUM and has AUM of Rs 1,22,919 cr as of March 2017.

The company offers products under heads of protection and savings. It is more established player in the savings business, which also includes ULIP. The company's management believes that stock market has been performing well and hence there has been substantial growth in the savings business. Its APE (annualized premium equivalent) grew by 26.5% in FY17. We see that the company is expanding its footprint in protection business and expects it to contribute higher eventually to the revenue share. However, the market place is competitive but there is immense scope for penetration.

We see ICICI Prudential as a Value Pick as the market place in insurance is still developing in India. We see companies realising the potential of insurance, and for unlocking the value many companies are listing the same separately as eventually insurance has growth potential. HDFC's insurance arm is expected to list soon. The company enjoys a good brand value and has the first mover advantage in this space. We expect insurance business to see growth in the range of 20% CAGR going forward. The more the shift in business mix towards protection business, the margin expansion will be incrementally higher. Hence, we see the company to provide returns of ~20% over the next one year to reach target price of Rs 496.

### Growth in new business

The company has been able to grow its VBD (value of new business) by 61.7% in FY17. Going forward, we see this to be in the range of 30% eventually. This is due to the base effect and exceptional growth in ULIPs this year.

### Increasing share of protection business

The management is expecting robust growth in protection business. Also, it expects protection business to eventually gain market share and reach ~4.5% as against 2-3% currently. The market environment is however dynamic. The company expects

with the current intensely competitive environment and its use of direct and bancassurance (banking & insurance) channels, it will be able to grow its penetration. APE of protection business grew at 87.1% YoY in FY17, albeit from a lower base.

### Leading market share and best in class ratio

The company has market share of ~12% and it represents a sizeable chunk amongst the private players' total share of around ~28%. We see that the company has its solvency ratio at 281% which is higher than the regulatory requirement of 150%. Also, we see that its cost ratio at 15.1% is better than the industry average. Also, the company expects to further reduce its costs due to use of multiple channels. Overall, the company has been able to grow its gross written premium (GWP) at 16.6% YoY to Rs 22,354 cr.

### Industry to witness growth in insurance business

The Indian government wants financial inclusion and insurance for all. Hence, it is devising ways to reach till the last mile and is trying to ensure the same. We believe the industry is dynamically changing and with NBFCs and SFBs allowed to sell insurance products, the penetration can be higher. Also, companies exploring use of e-commerce and digital media to help individuals get on board will ensure higher penetration. As per IBEF, life insurance is projected to comprise 35% of total savings by 2020, as against 26% in 2009-10. Also, being the second populous country but having share of only 2% of world's life insurance, provides scope for further penetration.

### Financial performance has been improving

The company's APE grew by 28.1% which lifted the total gross written premium by 16.6% as of FY17. The company has been also gaining market share from 11.3% in FY16 to 12% in FY17. This was due to increase in new business by 61.6%, largely due to growth in protection business by 87.1% YoY and saving business by 26.5% YoY. The cost ratio came in at 15.1% for FY17 leading to PAT of Rs 1,682 cr.

### Valuation and Outlook

We see the stock as a value and growth stock with stability in the company's operations. We expect it to gain market share and establish itself as a market leader going forward. Also,

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with increasing transparency in this sector and reforms by the government, we expect the sector to grow and ICICI Pru Life to be a key beneficiary of the same. We expect APE to grow at 22%

over FY17-19, leading to its P/Indian Embedded value at ~3.1x by FY19. Thus, we expect to see an upside of ~20% over the next year.

### Inc/Exp Statement(Standalone) (Rs in Crore)

Description	201703	201603	201503	201403	201303
Net Sales	1796.24	1807.22	1674.18	1648.27	2188.84
Total Income	1796.24	1807.22	1674.18	1648.27	2188.84
Total Expenditure	37.96	31.26	84.19	133.61	633.11
PBIDT	1758.28	1775.96	1589.99	1514.66	1555.73
PAT	1681.66	1650.46	1634.29	1566.66	1495.94
Dividend %	73.50	96.81	58.45	76.50	33.90
Adj. EPS(Rs)	11.72	11.52	11.41	10.96	10.47

### Quarter On Quarter (Standalone) (Rs in Crore)

Particulars	201706	201703	Q on Q Var%	201606	Y on Y Var%
Net Sales	4820.23	7526.42	-35.96	3508.79	37.38
Total Expenditure	8004.21	13871.36	-42.30	8646.89	-7.43
PBIDT (Excl OI)	-3183.98	-6344.94	49.82	-5138.10	38.03
PAT	405.93	408.42	-0.61	404.99	0.23
PBIDTM% (Excl OI)	-66.05	-84.30	21.65	-146.44	54.90
PBIDTM%	9.42	5.97	57.79	12.35	-23.72
PATM%	8.42	5.43	55.06	11.54	-27.04
Adj. EPS(Rs)	2.83	2.85	-0.70	2.83	0.00

