

# Pick of the week



## ICICI Prudential Life (IPRU)

### Recommendation

**BUY**

### Time Period

**12 Months**

### Current Price

**₹ 444**

### Target Price

**₹ 560**

### Potential Upside

**26.1%**

## Investment Argument

- IPRU reported 25.7% VNB (Value of new business) margin in 3QFY21 driving flat VNB yoy even as APE (Annual premium equivalent) was down 18% yoy.
- We expect a strong capital market to drive ULIPs next year, though VNB margins will likely hold on due to an increase in share of high-margin non-participating in the overall traditional savings mix and improving operating leverage as volumes bounce back.
- IPRU has been the leader in unit-linked business with a strong focus on high-ticket ULIPs in the past; the company has acquired dominant retail term business over the past 2-3 years.
- We expect the company to deliver 18% VNB CAGR (Compounded Annual Growth Rate) during FY21-24E (somewhat lower than 20-21% for other listed peers) and 14-15% medium-term operating RoEV (Return on embedded value).
- A consistent shift to high-margin non-par policies, coupled with a healthy topline will drive superior VNB and boost RoEV, closing the gap with peers. We are valuing IPRU on Appraisal value based fair value & at 2.3X EV (Embedded Value).

**Note:** The above is a brief note on the company, based on the inputs of KIE research report dated 28th January 2021, which is available on our website at: <https://www.kotaksecurities.com/ksweb/ResearchCall/Fundamental>.

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