

ICICI Prudential Life Insurance Company : Very Good Issue

IPO Note: The largest private sector insurance company in India : Ranking****



Issue details

Price band (Rs)	Rs.300-334
IPO Opening Date	19/09/16
IPO Closing Date	21-09-2016
Issue Size	Rs.6056 Cr.

Recommendation

Total revenue grew at a CAGR of 9.22% from Rs.14213.57 Cr for the FY12 to Rs.20227.94 Cr for the FY16. Net profit after tax grew from Rs.1385.69 Cr. for the FY12 to Rs.1652.72 crore for the FY16. In the last four years net profit grew at a CAGR of 4.50% from FY12 to FY16. With the reported EPS of Rs.11.51 for FY16, asking price is at a **P/E of 29.04**. As of June 30, 2016, it had Rs. 1.04 lakh Cr of assets under management, making it one of the largest fund managers in India. Its market share, on a retail weighted received premium basis, in the Indian life insurance sector increased from 5.9% in fiscal 2012 to 11.3% in fiscal 2016 and its market share among the 23 private sector life insurance companies in India has also increased from 16.1% to 21.9% in the same period. The management said in the RHP that there are no listed life insurance companies in India. The only listed peer that can be partially compared is Max Financial Services trading at a PE of 142. **With the market dominant position and investor friendly valuation of the IPO, we suggest investing in this issue for listing as well as for long term gains.**

Highlights

- ICICI Bank owns 68% stake in the company and it is selling 12.65% stake through this IPO
- At the upper end of the price band, IPO will raise over Rs 6000 Cr.
- Britain's Prudential PLC, which owns nearly 26% of the company, is not selling any of its stake in the IPO
- Company has 1,21,016 individual agents and over 4,500 branches with Bank partners
- Gross premium income was Rs. 19,164 Cr
- Company has 1.04 lakh crore of assets under management (AUM), positioning it as one of the largest fund managers in India.
- It has one of the largest agency channels among private sector life insurance companies in India, with 121,016 individual agents at March 31, 2016, according to Life insurance industry report, July 2016, by CRISIL

Company Introduction

Incorporated in 2001 as a joint venture between ICICI Bank Limited and Prudential Corporation Holdings Limited, ICICI Prudential Life Insurance Company Ltd is a Mumbai based largest private sector life insurer in India. ICICI Prudential Life offers a wide range of life insurance, health insurance and pension products and services to its customers. ICICI Prudential offers the products and services through an extensive multi-channel sales network across India, including through the branches of bank partners, individual agents, corporate agents, employees, and its own website.

The Company has a market share of 11.3% on the retail weighted received premium basis in India. While among the 23 private sector life insurance companies in India, this market share is 21.9%.

Retail Products – They sell four principal categories of retail products to their individual customers – unit-linked,



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Financial Summary (Rs. In Crore)

Particulars	Qtr. Ended June 16	FY2015	FY2014	FY2013
Total Income	8884.37	20227.94	33955.76	21608.38
Net Profit	404.9	1652.72	1640.35	1561.35
EPS (Rs)	2.82*	11.51	11.42	10.87

*EPS not annualize

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

participating, pure protection and non-participating. In all products other than pure protection, they offer a combination of savings and protection features.

The object of the issue are to:

- To achieve the benefits of listing the Equity Shares of the Company on the Stock Exchanges
- To carry out the sale of up to 181,341,058 Equity Shares by the Selling Shareholder.

Major income from core business

The Company's major revenue is earned through its core business of selling insurance contracts and through income from investments earned out of Policyholders' and Shareholders' funds, which is ancillary to its core business of Insurance. "Other income" earned by the Company is not material and is less than 4% of the net profit before tax for quarter ended June 30, 2016 and less than 2% for FY 2016, FY 2015, FY 2014, FY 2013 and FY 2012. "Other Income" mainly includes income earned under normal business activities i.e. policy reinstatement fees, reversal stale cheques outstanding for more than 3 years etc

IPO Issue Proceed

The company is coming out with an IPO in the form of Offer for Sale. The company is issuing 18.13 Cr equity shares of Rs. 10 each in a price band of Rs. 300-334 to mobilize Rs. 4,440.23 cr. to Rs. 6,056.79 cr. based on lower and upper price band. **Only selling shareholder is the promotor – ICICI Bank Ltd.** Issue opens for subscription on 19.09.16 and will close on 21.09.16. Minimum application is to be made for 44 shares and in multiples thereon, thereafter. Being offer for sale, its post issue equity remains same at Rs. 1435 cr.

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