ICICI Prudential Life Insurance Company

Earnings Conference call – Quarter ended September 30, 2017 (Q2-FY2018)

October 24, 2017

Please note that the transcript has been edited for the purpose of clarity and accuracy. Certain statements in this call are forward-looking statements. These statements are based on management's current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from those included in these statements due to a variety of factors.

Sandeep Batra: Good evening and welcome to the results call of ICICI Prudential Life Insurance Co for H1-FY2018. I have Satyan Jambunathan, CFO and Vikas Gupta head of Investor relations with me and we will walk you through the developments during the quarter as well as the presentation on the performance for H1-FY2018.

We have put up the results presentation on our website. You could access it as we walk through the performance presentation.

Company Strategy

We continue to approach the overall market opportunity as two distinct segments-savings and protection.

Our focus on the savings opportunity is through customer centric product propositions, superior customer service, fund performance and claims management.

Our focus on protection is through a multi-pronged product and distribution approach. We have a range of products-individual term, mortgage linked and group term products to cater to different markets segments. We use traditional distribution channels like agency and banks and also emerging channels like direct, online and web aggregators to reach out to different customer segments.

Company performance

New business

It is in this context that I would like to present our H1-FY2018 performance. Our savings business APE grew by 37.0% year on year and during the same period our protection APE grew by 31.6% leading to the overall APE growth of 36.8%. Our value of new business was ₹ 4.17 bn in H1-FY2018, a growth of 70.9% over H1-FY2017. New business margin for the period was 11.7%. This was due to an increase in protection mix over FY2017 and an improvement in the margin of savings products. I will go into details of each of these elements through the presentation.

For H1-FY2018 our retail weighted received premium or RWRP grew by 38.8% year on year compared to industry growth of 25.2% and private industry growth of 36.5%. Consequently, our market share stood at 13.7% in H1-FY2018. We continue to maintain our leadership position amongst the private companies.

Our total premium for H1-FY2018 was ₹ 114.84 billion compared to ₹ 90.29 bn for H1-FY2017. In addition to strong new business growth, our retail renewal premium also grew by 23.4% from ₹ 56.99 bn for H1-FY2017 to ₹ 70.32 bn for H1-FY2018.

Our protection mix increased from 3.9% in FY2017 to 4.2% for H1-FY2018. Growth in protection business is also reflected in the 30.6% growth in new business sum assured from ₹ 1.49 trillion in H1-FY2017 to ₹ 1.94 trillion in H1-FY2018.

We have a balanced channel mix. Our growth is well supported by strong performance across channels. During this period, Agency grew at 59%, Bancassurance grew at 25% and direct business grew at 57%.

Quality parameters

Our focus on persistency continues to be reflected in the improvement across cohorts. Our 13th month persistency of 87.0% is amongst the best in the industry. Our current focus is on translating the 13th month improvements of the last few years into subsequent periods as well.

Overall our cost to TWRP ratio for H1-FY2018 is 14.1%.

We are amongst the largest fund managers in India with an AUM of 1.31 trillion. Linked funds contribute ~71% of our AUM with equity investments comprising of 58% of linked AUM.

Profitability

Our EV was ₹ 172.10 bn as at September 30, 2017

Our Profit After tax for H1-FY2018 was ₹ 8.27 bn. Solvency ratio continues to be strong at 275.7%. The Board has approved an Interim dividend of ₹ 2.30 per share and given strong solvency position, a special dividend of ₹ 1.10 per share which translates into total dividend payout ratio of 59%. Total dividend payout would be of ₹ 4.88 billion excluding DDT.

Summary

To summarize we believe that both the savings and protection opportunities continue to be strong. Our customer centric approach across the value chain from products to claims management and strong focus on quality metrics position us well to capitalise on this opportunity. Our multi-channel architecture is backed by strong technology platform. We have robust and sustainable business model with strong capital position. Thank you and we are now happy to take any questions that you may have.