ICICI Prudential Life Insurance Company

Earnings Conference call - Quarter ended June 30, 2017 (Q1FY2018)

July 25, 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 Q1FY2018. 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 Q1FY2018.

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

Company Strategy

As we had articulated our key strategies earlier, we approach overall market opportunity as two distinct segments-savings and protection. We continue to focus on savings opportunity through customer centric product propositions, superior customer service, fund performance and claims management.

Protection is a big focus area for us and we have a multi-pronged product and distribution approach to tap this market. 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, banks etc. 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 Q1FY2018 performance. Our savings business APE grew by 70.4% year on year and during the same period our protection APE grew by 32.8% leading to the overall APE growth of 68.4%. Our value of new business was ₹ 1.82 bn in Q1FY2018 and margin expanded from 10.1% in FY2017 to 10.7% in Q1 2018. I will go into details of each of these elements through the presentation.

For Q1FY2018 our retail weighted received premium or RWRP grew by 74.7% year on year compared to industry growth of 28.6% and private industry growth of 45.5%. Consequently, our market share stood at 15.3% in Q1FY2018. We continue to maintain our leadership position amongst the private companies.

Our total premium for Q1FY2018 was Rs 48.85 billion compared to Rs 35.60 bn for Q1FY2017. In addition to strong new business growth, our retail renewal premium also grew by 25.4% from 22.39 bn for Q1FY2017 to 28.08 bn for Q1FY2018.

Given the untapped protection opportunity in the country, we have been focusing on growing our protection business and as a result our protection mix increased from 3.9% in FY2017 to 4.5% for Q1FY2018.

We have a balanced channel mix. Our growth is well supported by strong performance across channels. For Q1FY2018 agency channel has highest year on year growth. Growth of Bancassurance channel was also higher than overall private sector growth however due to relatively stronger growth in agency and direct business, mix of bancassurance dropped from 56.0% in FY2017 to 48.6% in Q1FY2018.

Quality parameters

Persistency for us is an indication of the quality of sales, in addition to being an important financial metric. Our 13th month persistency of 86.7% is amongst the best in the industry. The improvement in the 13th month persistency over the last 3 years is also getting reflected in improvement in 25th and 37th month persistency.

New distributor remuneration guidelines came into effect from April 1st 2017. We had indicated during the last results call that new guidelines would result in recalibration of expenses. Some of marketing and advertising related expenses would reduce and commission would increase because these activities would now be done by the distributors. This shift is expected to be expense neutral for the full year. For Q1FY2018 our total expenses were lower than Q1FY2017 as recalibration exercise got completed only towards the end of the quarter. We were also aided by the continuing sales momentum post demonetisation. We don't expect this trend of reduction in expense to continue for rest of the year.

Superior fund performance is important to improve the value proposition of saving products. Our funds continue to deliver robust long term performance.

We are amongst the largest fund managers in India with an AUM of ₹ 1.27 trillion. Linked funds contribute ~71% of our AUM and we have a debt equity mix of 54:46. More than 90% of our debt investments are in domestic sovereign or AAA rated instruments.

Profitability

Our Profit After tax for Q1FY2018 was ₹ 4.06 bn. The growth in new business would have normally resulted in a higher new business strain, but the PAT was flat on account of lower expenses. We have a strong capital position with solvency ratio of 288.6%.

Summary

To summarize we are operating in a large and high growth potential market with a record of consistent leadership across cycles. We have a customer centric approach across the value chain from products to claims management and strong focus on quality metrics. 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.