

Improving protection share

After a strong FY19, SBILIFE continues to deliver strong performance with NBP growth of 52.7% and VNBM of 19.9% (+10bps over FY19). SBILIFE is our top BUY with a TP of Rs 914 (Jun-20 EV + 22.1x FY21E VNB).

HIGHLIGHTS OF THE QUARTER

- Total APE grew a strong 41.7% YoY, ahead of pvt. industry growth of 21.9%. Growth was strong in both group and individual business at +100.0/36.9% YoY.
- Protection APE at Rs 2.1bn, ~3.5x YoY was driven by 5.5x increase in Ind. APE. Total protection share now stands at 11.2% (+~670 bps YoY). Management has guided for ~15% share for FY20E.
- APE based product mix for UL/PAR/NPAR/Gp./Pr. was 67/14/3/5/11% vs. 71/19/0/3/7% for FY19.
- NPAR savings grew 5x (on a low base, APE basis), while PAR sales declined 18.2% YoY. Management believes NPAR share can increase to low double digit share in FY20E from ~3% currently. Despite market volatility ULIP sales have not been impacted; management plans to reduce ULIP share.

FINANCIAL SUMMARY

(Rs mn)	1QFY20	1QFY19	YoY (%)	4QFY19	QoQ (%)	FY18	FY19	FY20E	FY21E	FY22E
NBP	31.6	20.8	51.9	43.1	(26.7)	109.7	137.9	177.3	219.8	265.5
APE	18.7	13.2	41.7	31.0	(39.7)	85.4	96.9	115.6	136.4	157.0
VNB	NA	NA	NM	NA	NM	15.7	19.2	23.3	28.1	33.0
VNB Margin (%) #	19.9	18.9	NM	19.8	NM	18.4	19.8	20.2	20.6	21.0
EV						201.7	237.3	280.8	326.9	380.8
P/EV (x)						3.8	3.3	2.8	2.4	2.0
P/VNB (x)						38.9	29.9	23.1	17.6	13.6
ROEV (%)						16.9	18.8	19.4	17.4	17.4

Refers are FYTD margins Source: Company, HDFC sec Inst Research

- **VNB Margin:** appears to be low at 19.9% (+10bps vs FY19), especially given the steep rise in protection share. Margins should expand further due to change in product mix and better cost management.
- **Renewal premium** grew 32.0% YoY to Rs 35.4bn, reflecting sound underwriting; persistencies, however displayed a mixed trend.
- **Total cost ratio** was at 11.2% (-276bps YoY) as group savings sales were high in 1QFY20. Company continues to be a leader in cost ratios.

Near-term outlook: Expect stock to consolidate with an upward drift, post recent run-up.

STANCE

Given the strong distribution footprint of its parent SBI (24k+ branches), improving protection share (1QFY20: 11.2%), lowest operating cost ratios (11.2%), improving margins (VNBM: 19.9%) and tailwinds from financialisation of savings we expect SBILIFE to deliver strong FY19-22E VNB CAGR of 19.8% p.a. and RoEVs of ~17.5. Lower than expected growth and protection share remain a key risk to our call.

INDUSTRY	INSURANCE
CMP (as on 23 Jul 2019)	Rs 776
Target Price	Rs 914
Nifty	11,331
Sensex	37,983

KEY STOCK DATA

Bloomberg	SBILIFE IN
No. of Shares (mn)	1,000
MCap (Rs bn) / (\$ mn)	776/11,254
6m avg traded value (Rs mn)	1,266

STOCK PERFORMANCE (%)

52 Week high / low	Rs 795/485		
	3M	6M	12M
Absolute (%)	29.3	25.2	18.9
Relative (%)	30.8	20.0	15.4

SHAREHOLDING PATTERN (%)

	Mar-19	Jun-19
Promoters	69.8	67.3
FIs & Local MFs	4.4	6.1
FPIs	14.1	19.4
Public & Others	11.8	7.1
Pledged Shares	Nil	Nil

Source : BSE

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Gross premium earned increased 40.6% YoY.

However total expenses increased 42.1% YoY, leading to PAT growth of only 1.7% YoY.

SBILIFE is using digital to sell individual small ticket protection: ~29K Individual protection policies (ticket size Rs 1K) were sold through SBI YONO app (10M+ downloads).

Co expects app driven sales to pick up as it lists more products. Also plans to introduce credit protect and health products on YONO.

Five quarters at a glance

(Rs Bn)	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	YoY (%)	QoQ (%)
Premium earned	47.6	76.8	91.7	113.8	66.9	40.6	-41.2
Ceding	0.0	-0.3	-0.3	-0.4	-0.4	800.9	0.0
Net premium earned	47.5	76.6	91.4	113.4	66.5	39.9	-41.4
Investment income	22.2	20.7	30.4	42.7	31.3	40.8	-26.7
Other income	0.2	0.2	0.2	0.2	0.1	-36.4	-50.0
Total income	69.9	97.5	122.0	156.3	97.9	40.0	-37.4
Commission	2.0	3.2	3.7	4.6	2.5	25.0	-45.7
Operating expenses	5.5	6.3	6.4	7.9	6.2	12.7	-21.5
Policyholder tax	1.5	0.4	0.5	0.3	1.8	20.0	500.0
Claims paid (net)	21.6	27.7	32.8	70.8	28.6	32.4	-59.6
Change in actuarial liability	35.7	57.4	75.9	67.8	55.1	54.3	-18.7
Total expenses	66.3	95.0	119.3	151.4	94.2	42.1	-37.8
PBT	3.6	2.5	2.7	4.9	3.7	2.0	-24.5
Tax	0.1	0.0	0.1	0.3	0.1	11.9	-66.7
PAT	3.5	2.5	2.6	4.6	3.6	1.7	-21.7

Source: Company, HDFC sec Inst Research

Individual protection APE growth continues to be strong as it grew 5.5x YoY to Rs 1.1bn.

On the group side, group protection continues to fire however group savings is generally higher in 1QFY20.

Total protection share increased to 11.2% (+670bps YoY).

Supported by increase in protection share, adjusted VNB margin increased to 19.9%.

Operating and performance metrics

Particulars (Rs bn)	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	YoY (%)	QoQ (%)
Product mix on APE basis							
Individual Savings	12.0	21.6	26.1	27.4	15.6	30.0	-43.1
Par	3.3	4.7	4.9	5.2	2.7	-18.2	-48.1
Non Par	0.1	0.1	0.1	0.1	0.5	400.0	400.0
ULIP	8.6	16.8	21.1	22.1	12.4	44.2	-43.9
Group Savings	0.6	0.8	0.7	1.1	1.0	66.7	-9.1
Protection	0.6	1.4	2.1	2.5	2.1	250.0	-16.0
Individual Protection	0.2	0.8	1.1	1.6	1.1	450.0	-31.3
Group Protection	0.4	0.6	1.0	0.9	1.0	150.0	11.1
Total APE	13.2	23.8	28.9	31.0	18.7	41.7	-39.7
Product mix - APE basis (%)							
Individual Savings	90.9	90.8	90.3	88.4	83.4	-749bps	-496bps
PAR	25.0	19.7	17.0	16.8	14.4	-1056bps	-234bps
Non-PAR	0.8	0.4	0.3	0.3	2.7	192bps	235bps
ULIP	65.2	70.6	73.0	71.3	66.3	116bps	-498bps
Group Savings	4.5	3.4	2.4	3.5	5.3	80bps	180bps
Protection	4.5	5.9	7.3	8.1	11.2	668bps	317bps
Individual Protection	1.5	3.4	3.8	5.2	5.9	437bps	72bps
Group Protection	3.0	2.5	3.5	2.9	5.3	232bps	244bps
Total APE	100	100	100	100	100		
Individual APE share (%)	92.4	94.1	94.1	93.5	89.3	-312bps	-424bps
Group APE share (%)	7.6	5.9	5.9	6.5	10.7	312bps	424bps
Reported VNB Margin (%)#	17.3	17.3	17.5	17.7	17.9	60bps	20bps
Adjusted VNB Margin (%)#	19.2	19.2	19.6	19.8	19.9	70bps	10bps

Source: Company, HDFC sec Inst Research

Note: #VNB margins for FY19 and for FYTD periods in respective quarters of FY20.

As management focus shifted towards NPAR business, PAR product sales reduced.

SBI Life continues to show cost discipline as opex ratio was contained at 11.2% (-276bps YoY)

AUM growth was robust at 22.2% YoY taking total AUM to Rs 1.47tn.

Particulars (Rs mn)	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	YoY (%)	QoQ (%)
Product mix (NBP basis)							
Individual Savings	13.0	23.1	27.8	28.7	17.6	35.4	-38.7
Par	3.2	4.6	4.8	5.0	2.7	-15.6	-46.0
Non Par	0.3	0.6	0.7	0.6	1.7	466.7	183.3
ULIP	9.5	17.9	22.3	23.1	13.2	38.9	-42.9
Group Savings	5.6	8.1	6.6	8.5	9.6	71.4	12.9
Protection	2.1	3.7	4.8	5.8	4.3	104.8	-25.9
Individual Protection	0.2	0.8	1.1	1.6	1.1	450.0	-31.3
Group Protection	1.9	2.9	3.7	4.2	3.2	68.4	-23.8
Total	20.7	34.9	39.2	43.0	31.5	52.2	-26.7
Product mix (NBP basis) (%)							
Individual Savings	62.8	66.2	70.9	66.7	55.9	-693bps	-1087bps
Par	15.5	13.2	12.2	11.6	8.6	-689bps	-306bps
Non Par	1.4	1.7	1.8	1.4	5.4	395bps	400bps
ULIP	45.9	51.3	56.9	53.7	41.9	-399bps	-1182bps
Group Savings	27.1	23.2	16.8	19.8	30.5	342bps	1071bps
Protection	10.1	10.6	12.2	13.5	13.7	351bps	16bps
Individual Protection	1.0	2.3	2.8	3.7	3.5	253bps	-23bps
Group Protection	9.2	8.3	9.4	9.8	10.2	98bps	39bps
Total	100.0	100.0	100.0	100.0	100.0		
Channel mix (%)							
Banassurance	61.0	61.0	70.7	61.8	57.0	-400bps	-480bps
Agency	23.0	19.8	21.0	21.0	18.0	-500bps	-300bps
Others	16.0	19.2	8.3	17.2	25.0	900bps	780bps
Operating expenses Ratio (%)	13.9	10.9	9.6	9.6	11.2	-276bps	153bps
AUM (Rs bn)	1,203	1,262	1,342	1,410	1,470	22.2	4.2
Linked (%)	47	47	48	49	49	200bps	0bps
Non-Linked (%)	53	53	52	51	51	-200bps	0bps
Equity (%)	23	22	22	23	23	0bps	0bps
Debt (%)	77	78	78	77	77	0bps	0bps
Persistence (%)							
13th month persistency	83.7	80.0	80.1	85.1	84.5	79bps	-61bps
25th month persistency	75.1	71.7	72.4	76.7	76.0	85bps	-68bps
37th month persistency	71.2	68.4	67.4	71.4	70.6	-62bps	-82bps
49th month persistency	63.4	64.9	66.1	66.4	67.9	447bps	146bps
61st month persistency	57.0	55.5	56.2	57.2	56.3	-72bps	-96bps

Source: Company, HDFC sec Inst Research

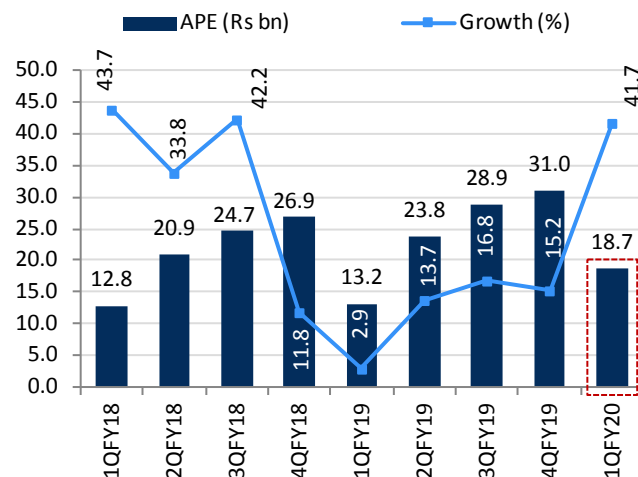
1QFY20 APE grew a strong 41.7%, led by growth in group APE (+100%), whereas Individual APE grew at 36.9% YoY.

Heartening to see consistent rise in protection business as its share in total NBP shot up to 13.7% (+351bps)

Rise in share of protection drove VNB margin to 19.9% (+10 bps vs FY19)

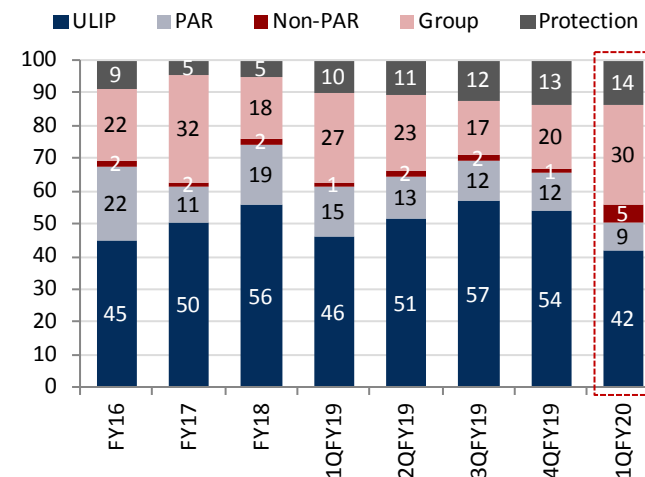
AUM continues to be debt heavy (77% share) which we believe supports persistencies during volatile equity market conditions and also shows low mis-selling.

APE trend



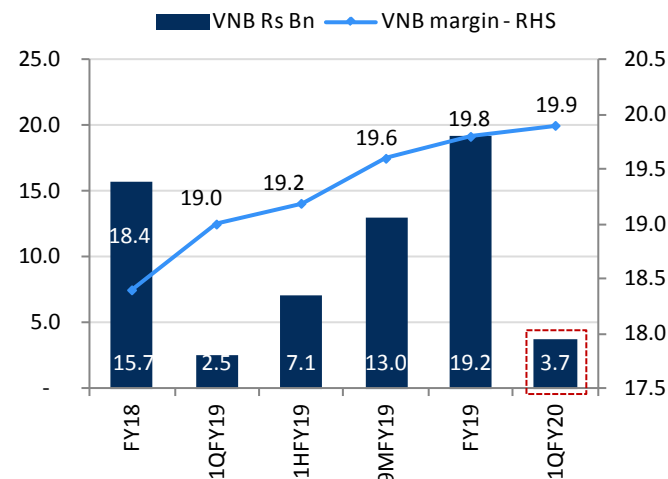
Source: Company, HDFC sec Inst Research

Product Mix On NBP basis



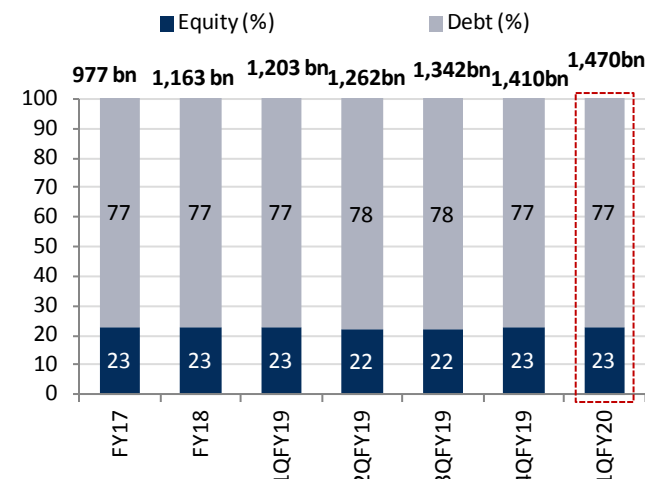
Source: Company, HDFC sec Inst Research

VNB Trend



Source: Company, HDFC sec Inst Research

AUM Mix



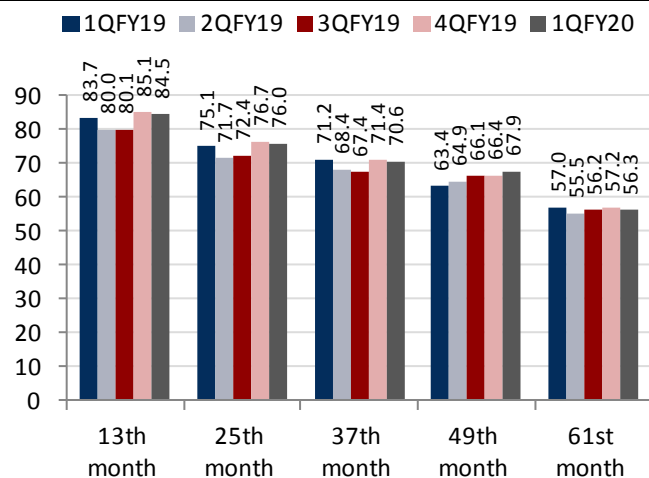
Source: Company, HDFC sec Inst Research

Persistencies trend were mixed during 1QFY20.

Bancassurance channel continues to have a lion share in the channel mix, however its share declined in 1QFY20.

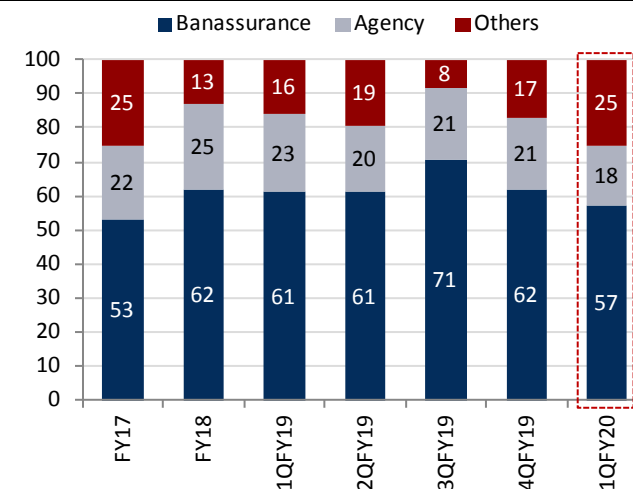
We have fine-tuned our growth, VNBM and EV forecasts.

Persistency Trend



Source: Company, HDFC sec Inst Research

Channel Mix On NBP



Source: Company, HDFC sec Inst Research

Change in estimates

Rs bn	FY20E			FY21E		
	New	Old	Change (%)	New	Old	Change (%)
APE	115.6	112.4	2.8	136.4	129.1	5.7
VNB	23.3	22.7	2.8	28.1	26.6	5.7
VNB Margin (%)	20.2	20.2	0.0	20.6	20.6	0.0
Embedded Value	280.8	281.9	-0.4	326.9	328.0	-0.3

Source: HDFC sec Inst Research estimates

VNB continues to be most sensitive to mass lapses after the surrender penalty period of 50%.

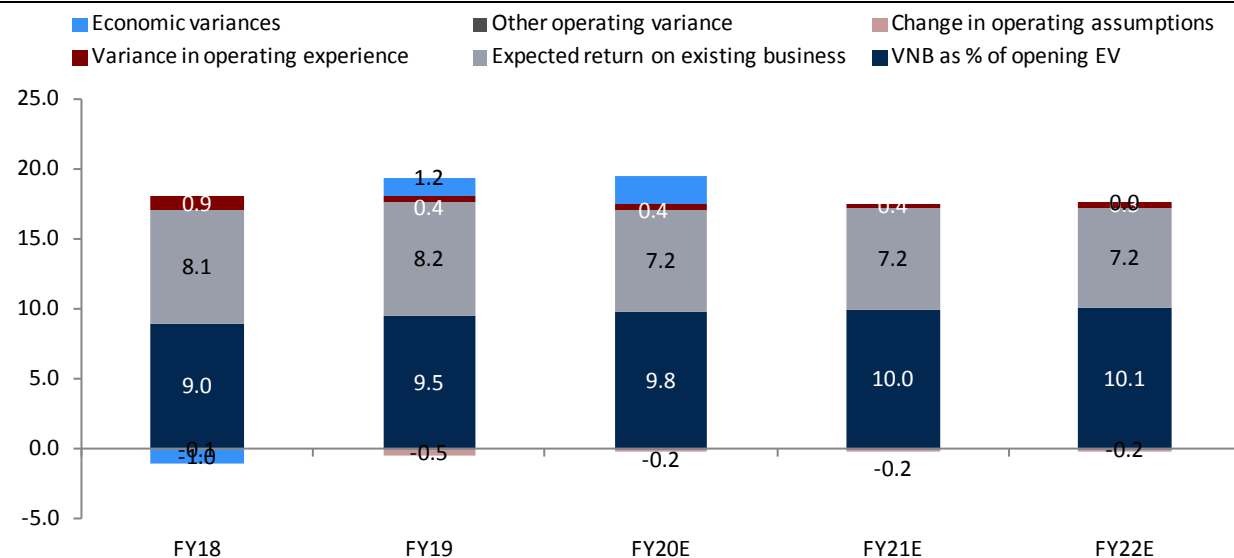
Sensitivity Analysis –FY19

Scenario	Change in EV%	Change in VNB%
Reference Rate +100 bps	-5%	3%
Reference Rate -100 bps	5%	-3%
Decrease in Equity Value 10%	-1%	-
Proportionate change in lapse rate +10%	-1%	-6%
Proportionate change in lapse rate -10%	1%	6%
Mortality / Morbidity +10%	-2%	-7%
Mortality / Morbidity -10%	2%	7%
Maintenance Expense +10%	-1%	-2%
Maintenance Expense -10%	1%	2%
Mass Lapse for ULIPs in the year after the surrender penalty period of 25%	-2%	-8%
Mass Lapse for ULIPs in the year after the surrender penalty period of 50%	-5%	-18%
Tax Rate Change to 25%	-8%	-15%

Source: Company, HDFC sec Inst Research

Management has guided for lower unwind due to reduction in reference rates.

RoEV stack up chart



Source: Company, HDFC sec Inst Research

Embedded Value movement

Particulars (Rs mn)	FY18	FY19	FY20E	FY21E	FY22E
Opening IEV	174,200	201,700	237,300	280,811	326,947
Value added by new business	15,700	19,186	23,342	28,105	32,973
Expected return on existing business	14,100	16,514	17,086	20,218	23,540
Variance in Operating experience	1,600	800	1,000	1,000	1,000
Change in operating assumptions	(100)	(1,000)	(500)	(500)	(500)
Other operating variance					
IEV operating earnings	31,300	35,500	40,927	48,823	57,013
Economic variances	(1,800)	2,500	5,000	0	0
Other non-operating variances	0	0	0	0	0
Total IEV earnings	29,500	38,000	45,927	48,823	57,013
Capital contributions / dividend payouts	(2,000)	(2,400)	(2,417)	(2,687)	(3,140)
Closing IEV	201,700	237,300	280,811	326,947	380,821

*FY18 opening IEV adjusted for effective tax rate

Source: Company, HDFC sec Inst Research

Industry NBP data

Particulars	Individual (Rs bn)					Group (Rs bn)					Total (Rs bn)				
	FY17	FY18	FY19	FYTD	YOY (%)	FY17	FY18	FY19	FYTD	YOY (%)	FY17	FY18	FY19	FYTD	YOY (%)
Aditya Birla Sun Life	9.6	11.5	22.0	3.2	29.9	15.7	15.1	21.9	1.9	-52.2	25.3	26.6	43.9	5.1	-20.4
Bajaj Allianz Life	10.7	14.6	18.0	3.5	17.0	22.2	28.4	31.2	6.7	57.2	32.9	42.9	49.2	10.1	40.7
Bharti Axa Life	4.0	4.7	6.4	1.3	19.1	2.1	2.6	2.7	0.6	-5.9	6.1	7.3	9.1	1.9	10.0
DHFL Pramerica Life	2.2	3.6	3.2	0.5	-48.7	6.6	10.9	9.1	1.0	-64.2	8.8	14.5	12.2	1.5	-60.5
HDFC Standard Life	42.0	59.4	76.4	19.9	61.3	45.0	54.0	73.3	19.9	37.9	87.0	113.4	149.7	39.8	48.7
ICICI Prudential Life	69.8	84.0	81.4	15.3	2.7	8.9	7.2	21.1	6.9	197.1	78.6	91.3	102.5	22.3	29.1
Kotak Mahindra Life	14.4	19.7	21.3	3.0	8.0	14.1	14.5	18.5	6.4	67.3	28.5	34.3	39.8	9.4	42.3
Max Life	33.1	39.8	47.5	8.2	22.0	3.6	3.6	4.1	0.9	-5.0	36.7	43.5	51.6	9.1	18.8
SBI Life	64.7	84.1	96.4	18.7	41.2	36.8	25.6	41.6	12.8	70.9	101.5	109.7	137.9	31.5	52.0
Tata AIA Life	10.5	14.0	23.5	5.6	108.6	0.8	0.9	1.3	0.2	-0.9	11.3	14.9	24.8	5.8	100.0
Private players Total	321	404	471	92	27.8	186	190	259	66	38.3	507	593	730	158	32.0
LIC	456	517	510	91	6.8	788	828	912	356	120.5	1,244	1,346	1,422	448	81.2
Industry total*	777	921	981	184	16.4	974	1,018	1,171	423	101.7	1,751	1,939	2,152	606	65.1

Source: IRDAI data, HDFC sec Inst Research * Total will not add up since we have excluded smaller sized private players

Market share on NBP basis (%)

Particulars	Individual					Group				
	FY17	FY18	FY19	FYTD	YOY (bps)	FY17	FY18	FY19	FYTD	YOY (bps)
Aditya Birla Sun Life	3.0	2.9	4.7	3.5	6	8.5	8.0	8.4	2.8	-537
Bajaj Allianz Life	3.3	3.6	3.8	3.8	-35	12.0	14.9	12.0	10.1	122
Bharti Axa Life	1.3	1.2	1.4	1.4	-10	1.1	1.4	1.0	0.9	-43
DHFL Pramerica Life	0.7	0.9	0.7	0.5	-73	3.5	5.7	3.5	1.6	-443
HDFC Standard Life	13.1	14.7	16.2	21.6	449	24.2	28.5	28.2	30.0	-8
ICICI Prudential Life	21.7	20.8	17.3	16.6	-406	4.8	3.8	8.1	10.5	560
Kotak Mahindra Old Mutual Life	4.5	4.9	4.5	3.3	-60	7.6	7.7	7.1	9.6	167
Max Life	10.3	9.9	10.1	8.9	-43	1.9	1.9	1.6	1.3	-59
SBI Life	20.2	20.8	20.5	20.3	192	19.8	13.5	16.0	19.4	370
Tata AIA Life	3.3	3.5	5.0	6.0	233	0.4	0.5	0.5	0.3	-13
Private players*	41.3	43.8	48.0	50.2	448	19.1	18.6	22.2	15.7	-719
LIC	58.7	56.2	52.0	49.8	-448	80.9	81.4	77.8	84.3	719
Industry	100	100	100	100	0	100	100	100	100	0

Source: IRDAI data, HDFC sec Inst Research * Total private insurers' market share with respect to total market, whereas individual private insurers market share is with respect to total private market.

Valuation Comps

	Unit												
Bloomberg Ticker		IPRU			MAXF			SBILIFE			HDFCLIFE		
Rating		NEU			BUY			BUY			NR		
Current market price	Rs	383			408			776			505		
Market Capitalisation	Rs bn	550			109			776			1,016		
Target price	Rs	407			681			914			450*		
Upside/(Downside)	%	6.2			66.9			17.8			(10.9)		
Profitability		FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E
VNB Margin	%	17.0	17.3	17.5	21.7	22.2	22.8	19.8	20.2	20.6	24.6	28.5	29.1
Total RoEV	%	19.6	16.4	15.5	27.1	22.6	22.2	18.8	19.4	17.4	22.5	21.4	19.7
Operating RoEV	%	20.2	15.3	15.5	21.9	21.5	22.2	17.6	17.2	17.4	20.1	20.3	19.7
Non-operating RoEV	%	-0.6	1.2	0.0	5.1	1.1	0.0	1.2	2.1	0.0	2.4	1.1	0.0
RoE	%	17.1	25.7	25.7	30.9	31.8	30.9	19.2	17.3	16.7	23.0	26.5	26.2
Valuation at CMP													
P/EV	x	2.5	2.3	2.0	1.7	1.5	1.3	3.3	2.8	2.4	5.6	4.7	3.9
P/EVOP	x	14.5	16.7	14.6	11.3	9.8	8.3	21.9	19.0	15.9	33.2	27.3	23.6
Implied P/VNB	x	27.3	22.0	17.6	12.7	8.1	5.3	29.9	23.1	17.6	56.1	38.7	30.8
Implied P/VIF	x	3.9	3.5	3.1	3.4	2.9	2.4	5.1	4.4	3.8	8.2	7.0	5.9
P/B	x	8.0	7.0	6.2	4.6	3.6	2.8	10.4	9.0	7.9	15.9	13.2	11.0
P/E	x	47.9	29.2	25.6	17.1	14.0	11.3	58.5	55.8	50.2	79.7	54.5	45.7
P/AUM	x	0.3	0.3	0.3	0.2	0.2	0.2	0.6	0.5	0.4	0.8	0.7	0.6
Valuation at TP													
P/EV	x	2.7	2.4	2.2	2.9	2.5	2.2	3.9	3.3	2.8	4.9	4.1	3.5
P/EVOP	x	15.4	17.7	15.6	18.8	16.4	13.9	25.7	22.3	18.7	29.6	24.4	21.1
Implied P/VNB	x	29.8	24.3	19.6	29.0	20.7	15.6	37.1	29.0	22.5	48.9	33.6	26.5
Implied P/VIF	x	4.1	3.7	3.3	5.7	4.8	4.1	6.0	5.2	4.5	7.3	6.2	5.3
P/B	x	8.5	7.5	6.6	7.6	6.0	4.7	12.3	10.6	9.2	14.2	11.8	9.8
P/E	x	50.9	31.0	27.2	28.5	23.4	18.9	68.9	65.8	59.1	71.1	48.6	40.7
P/AUM	x	0.4	0.3	0.3	0.2	0.2	0.1	0.6	0.5	0.4	0.7	0.6	0.5
Per Share data													
EV	Rs	151	169	188	233	269	309	237	281	327	91	109	128
EVOP	Rs	26	23	26	43	50	60	36	41	49	15	18	21
VNB	Rs	9	11	12	21	28	34	19	23	28	8	11	13
VIF	Rs	99	110	122	153	180	214	152	175	202	62	73	86
Book Value	Rs	48	54	62	89	113	144	75	86	99	32	38	46
Earnings	Rs	8	13	15	24	29	36	13	14	15	6	9	11
AUM	Rs	1,117	1,295	1,507	1,638	1,927	2,286	1,410	1,688	2,037	625	757	918
ANW	Rs	51	57	64	98	106	116	86	101	120	29	35	42

Bloomberg Ticker	Unit	IPRU			MAXF			SBILIFE			HDFCLIFE		
Key parameters		FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E	FY19	FY20E	FY21E
APE	Rs bn	78	88	100	40	48	57	97	116	136	60	76	89
VNB	Rs bn	13	15	17	8	11	13	19	23	28	15	22	26
Total EVOP	Rs bn	37	35	38	16	19	23	36	41	49	34	39	43
Operating EVOP	Rs bn	38	33	38	16	19	23	36	41	49	31	37	43
Non- operating EVOP	Rs bn	(1)	3	0	4	1	0	3	5	0	4	2	0
EV	Rs bn	216	242	269	89	103	119	237	281	327	183	218	258
Net worth	Rs bn	69	78	89	34	43	55	75	86	99	64	77	93
Net Profit	Rs bn	11	19	21	9	11	14	13	14	15	13	19	22
AUM	Rs bn	1,604	1,859	2,164	628	739	876	1,410	1,688	2,037	1,258	1,522	1,846
Growth YOY													
APE	%	0.1	12.4	13.7	21.6	21.0	19.0	13.5	19.2	18.1	12.0	24.9	17.8
VNB	%	3.3	14.2	15.0	25.5	28.9	22.2	22.2	21.7	20.4	20.3	39.8	20.3
Total EVOP	%	(3.0)	(3.5)	5.9	26.9	16.9	18.7	13.4	15.3	19.3	16.3	14.5	9.8
Operating EVOP	%	3.2	(13.2)	13.9	26.9	16.9	18.7	13.4	15.3	19.3	14.2	21.4	15.7
Non- operating EVOP	%	NM	NM	NM	NM	NM	NM	NM	NM	NM	38.5	NM	NM
EV	%	15.1	12.1	11.1	19.3	15.3	15.1	17.7	18.3	16.4	20.2	19.4	17.9
Net worth	%	4.5	13.6	13.7	27.4	26.8	26.8	17.0	15.4	14.8	35.6	20.6	20.3
Net Profit	%	(29.3)	64.1	13.9	73.7	22.0	23.6	15.3	4.8	11.2	16.2	46.3	19.3
AUM	%	15.0	15.9	16.4	20.2	17.7	18.6	21.3	19.7	20.7	18.0	21.0	21.3

Source: Company financials and disclosures, HDFC sec Inst Research

*Fair Value

Operational Comps

		IPRU				MAXF				SBILIFE				HDFCLIFE			
		FY16	FY17	FY18	FY19	FY16	FY17	FY18	FY19	FY16	FY17	FY18	FY19	FY16	FY17	FY18	FY19
APE mix																	
Individual	Rs bn	49.7	65.2	75.8	74.4	21.0	26.4	32.2	39.2	44.9	60.2	77.9	90.8	34.3	37.4	48.9	52.0
Group	Rs bn	1.4	1.1	2.1	3.7	0.1	0.2	0.3	0.3	3.9	5.8	7.5	6.1	1.9	3.5	6.3	10.6
APE (Rs bn)	Rs bn	51.1	66.3	77.9	78.0	21.1	26.6	32.5	39.5	48.8	66.0	85.4	96.9	36.2	40.9	55.2	62.6
YoY Growth	%		30	18	0		26	22	22		35	29	13		13	35	13
CAGR 3 years	%				15				22				25				20
CAGR 5 years	%				19				31				24				20
Business mix- product wise		FY16	FY17	FY18	FY19	FY16	FY17	FY18	FY19	FY16	FY17	FY18	FY19	FY16	FY17	FY18	FY19
		*Total	*Total	*Total	*Total	* Total	* Total	* Total	* Total	* Total	* Total	* Total	* Total	* Total	* Total	* Total	* Total
		APE	APE	APE	APE	APE	APE	APE	APE	APE	APE	APE	APE	APE	APE	APE	APE
Individual	%	97.1	98.4	97.3	95.3	96.0	97.0	96.0	96.0	87.3	89.5	92.5	93.7	100.0	89.3	88.4	83.1
PAR	%	14.1	9.6	10.9	8.6	58.0	54.0	43.0	39.5	30.7	16.6	24.4	18.7	30.0	31.2	24.8	15.0
Non-PAR	%	0.4	1.1	0.5	0.9	9.0	9.0	8.0	9.0	1.2	0.7	0.8	0.4	14.0	8.0	8.0	16.6
ULIP	%	80.8	84.1	81.9	79.6	26.0	30.0	41.0	41.5	53.3	70.9	66.5	70.8	56.0	46.4	51.3	45.7
Protection	%	1.8	3.6	4.0	6.2	3.0	4.0	4.0	6.0	2.2	1.2	0.7	3.8	NA	3.6	4.4	5.8
Group	%	2.9	1.6	2.7	4.7	4.0	3.0	4.0	4.0	12.3	10.5	7.5	6.3	NA	10.7	11.6	16.9
Savings	%	2.0	1.3	1.0	1.6	NIL	NIL	NIL	NIL	4.2	5.5	2.8	3.3	NA	6.5	4.7	6.0
Protection	%	0.9	0.3	1.7	3.1	4.0	3.0	4.0	4.0	8.1	5.1	4.7	3.0	NA	4.2	6.9	10.9
Total	%	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Channel mix (Overall)		FY16	FY17	FY18	FY19	FY16	FY17	FY18	FY19	FY16	FY17	FY18	FY19	FY16	FY17	FY18	FY19
		*Total	*Total	*Total	*Total	* Ind	* Ind	* Ind	* Ind	*NBP	*NBP	*NBP	*NBP	* Total	* Total	* Total	* Total
		APE	APE	APE	APE	APE	APE	APE	APE	APE	APE	APE	APE	NBP	NBP	NBP	NBP
Bancassurance	%	58.4	57.3	52.3	55.8	68.0	70.0	72.0	69.6	60.3	53.0	62.0	64.0	43.0	52.0	48.0	49.0
Agency	%	24.4	23.8	25.4	21.7	31.0	29.0	27.0	29.8	24.9	22.0	25.0	21.0	40.0	32.0	33.0	26.0
Direct	%	8.6	9.8	13.5	12.0	-	-	-	-	-	-	-	-	7.0	7.0	10.0	16.0
Brokers and others	%	8.6	9.1	8.8	10.6	1.0	1.0	1.0	1.0	14.8	25.0	13.0	15.0	10.0	9.0	9.0	9.0
Total	%	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Banca channel partners		ICICIB and SCB				AXIS, YES, LVB				SBI, P&SB, SIB, SYB, ALB				HDFCB, RBL, IDFCB, BFL			
AUM		FY16	FY17	FY18	FY19	FY16	FY17	FY18	FY19	FY16	FY17	FY18	FY19	FY16	FY17	FY18	FY19
AUM	Rs bn	1,039	1,229	1,395	1,604	358	444	522	628	798	977	1,163	1,410	742	917	1,066	1,256
Equity	%	46.8	46.8	47.0	48.0	29.0	24.0	22.0	22.0	22.5	23.2	23.0	23.0	39.0	41.0	39.0	38.0
Debt	%	53.2	53.2	53.0	52.0	71.0	76.0	78.0	78.0	77.5	76.8	77.0	77.0	61.0	59.0	61.0	62.0
Linked	%	72.4	71.5	69.9	NA	37.0	35.0	33.0	32.0	55.0	54.0	53.0	49.0	62.0	52.0	57.0	NA
Non-linked	%	27.6	28.5	30.1	NA	63.0	65.0	67.0	68.0	45.0	46.0	47.0	51.0	38.0	48.0	43.0	NA
Solvency ratio		FY16	FY17	FY18	FY19	FY16	FY17	FY18	FY19	FY16	FY17	FY18	FY19	FY16	FY17	FY18	FY19
Solvency	%	320	281	252	215	343	309	275	242	212	204	206	213	198	192	192	188
Market Share		FY16	FY17	FY18	FY19	FY16	FY17	FY18	FY19	FY16	FY17	FY18	FY19	FY16	FY17	FY18	FY19
Individual NBP Private Market Share	%	20.8	21.7	20.8	17.3	9.9	10.3	9.9	10.1	20.8	20.2	20.8	20.4	14.7	13.1	14.7	14.7
Individual APE Private Market Share	%	21.9	22.3	20.9	17.6	9.3	9.2	9.0	9.6	18.8	20.7	21.8	22.3	14.7	12.7	13.3	13.3
VNB Margin		FY16	FY17	FY18	FY19	FY16	FY17	FY18	FY19	FY16	FY17	FY18	FY19	FY16	FY17	FY18	FY19
Margin	%	8.1	10.1	16.5	17.0	18	18	20	22	14.3	15.7	18.4	19.8	19.9	22.3	23.2	24.6
Persistency		FY16	FY17	FY18	FY19	FY16	FY17	FY18	FY19	FY16	FY17	FY18	FY19	FY16	FY17	FY18	FY19
13th month	%	82.4	85.7	87.8	87.4	79.0	80.0	80.0	83.0	80.7	81.1	83.0	85.1	78.9	80.9	87.0	87.3
25th month	%	71.2	73.9	78.8	78.0	67.0	70.0	72.0	71.0	73.2	73.9	75.2	76.7	67.4	73.3	77.0	77.3
37th month	%	61.6	66.8	68.9	71.3	58.0	60.0	62.0	64.0	69.2	67.4	70.0	71.4	60.1	63.9	71.0	71.3
49th month	%	62.2	59.3	63.6	65.2	56.0	55.0	57.0	58.0	76.9	62.5	63.9	66.4	63.4	58.3	62.0	62.3
61th month	%	46.0	56.2	54.8	57.6	43.0	53.0	53.0	53.0	53.8	67.2	58.4	57.2	50.1	56.8	51.0	51.3

Source: Company financials and disclosures, HDFC sec Inst Research

Performance metrics, growth and ratios

Performance metrics (Rs mn)	FY18	FY19P	FY20E	FY21E	FY22E
NBP	109,661	137,920	177,341	219,846	265,454
APE	85,400	96,900	115,552	136,432	157,015
VNB*	15,700	19,186	23,342	28,105	32,973
EV*	201,700	237,300	280,811	326,947	380,821
EVOP	31,300	35,500	40,927	48,823	57,013
Rs/share					
EPS	11.5	13.3	13.9	15.5	18.1
BV	63.7	74.6	86.1	98.9	113.8
DPS	1.7	2.0	2.0	2.2	2.6
Growth (%)					
Premium Growth	60.6	30.3	26.1	24.1	20.8
Total income growth	11.5	30.8	22.0	22.7	20.1
Commissions Growth	56.9	20.1	23.0	21.0	17.9
Opex Growth	17.9	23.5	29.3	22.2	17.1
Commissions / premium	4.5	4.1	4.0	3.9	3.8
Opex / premium	6.8	6.5	6.6	6.5	6.3
PAT Growth	33.6	15.3	4.8	11.2	16.9
Performance metrics growth (%)					
NBP	8.1	25.8	28.6	24.0	20.7
APE	29.3	13.5	19.2	18.1	15.1
VNB	51.4	22.2	21.7	20.4	17.3
EV	21.7	17.7	18.3	16.4	16.5
EVOP	8.4	13.4	15.3	19.3	16.8
EPS	20.5	15.3	4.8	11.2	16.9
BV	16.6	17.0	15.4	14.8	15.1
DPS	33.3	20.0	0.7	11.2	16.9
Expense ratios (%)					
Commissions/premium	4.5	4.1	4.0	3.9	3.8
Opex/premium	6.8	6.5	6.6	6.5	6.3
Total expenses/premium	12.7	12.3	11.8	11.4	11.0
Efficiency ratios (%)					
RoAA	1.2	1.0	0.9	0.8	0.8
RoE	20.8	19.2	17.3	16.7	17.0
RoEV return	16.9	18.8	19.4	17.4	17.4
Operating RoEV	18.0	17.6	17.2	17.4	17.4
Non-operating RoEV	(1.0)	1.2	2.1	-	-

Ratios on CMP	FY18	FY19P	FY20E	FY21E	FY22E
P/E (x)	67.5	58.5	55.8	50.2	43.0
P/ABV (x)	12.2	10.4	9.0	7.9	6.8
P/EV (x)	3.8	3.3	2.8	2.4	2.0
P/VNB Multiple (x)	38.9	29.9	23.1	17.6	13.6
P/EVOP (x)	24.8	21.9	19.0	15.9	13.6
P/VIF (x)	6.7	5.1	4.4	3.8	3.3
P/AUM(x)	0.7	0.6	0.5	0.4	0.3
Ratios on TP					
P/E (x)	79.5	68.9	65.8	59.1	50.6
P/ABV (x)	14.3	12.3	10.6	9.2	8.0
P/EV (x)	4.5	3.9	3.3	2.8	2.4
P/VNB Multiple (x)	47.7	37.1	29.0	22.5	17.8
P/EVOP (x)	29.2	25.7	22.3	18.7	16.0
P/VIF (x)	7.9	6.0	5.2	4.5	3.9
P/AUM(x)	0.8	0.6	0.5	0.4	0.4

* Adjusted for change in effective tax rate

Source: Company financials and disclosures, HDFC sec Inst Research

Policyholder's Account

(Rs mn)	FY18	FY19P	FY20E	FY21E	FY22E
Total premium earned	251,601	327,750	413,154	512,703	619,315
Income from investments and other income	85,248	112,719	124,870	147,507	173,485
Transfer from shareholders account	756	989	500	520	541
Total income	337,605	441,458	538,523	660,730	793,341
Commission	11,209	13,464	16,558	20,027	23,607
Operating expenses	17,188	21,235	27,447	33,544	39,272
Provisions	3,527	5,505	4,772	5,011	5,261
Total expenses	31,924	40,203	48,777	58,582	68,140
Benefits paid	117,123	152,938	191,050	247,961	307,550
Change in valuation of liabilities	175,950	235,917	284,645	338,257	399,184
Total	293,073	388,855	475,695	586,218	706,734
Surplus	12,609	12,400	14,051	15,931	18,467
Tax	2,380	2,687	3,045	3,452	4,002
Net surplus	10,229	9,713	11,006	12,479	14,465

Source: Company, HDFC sec Inst Research

Shareholder's Account

(Rs mn)	FY18	FY19E	FY20E	FY21E	FY22E
Transfer from policyholders' a/c	8,294	9,985	9,906	10,607	12,296
Investment income	4,521	5,057	5,723	6,721	7,841
Other income	113	135	-	-	-
Total income	12,928	15,177	15,629	17,328	20,136
Expenses	327	459	498	539	585
Contribution to policyholders' a/c	756	989	500	520	541
Profit before tax	11,845	13,729	14,631	16,269	19,011
Taxes	341	461	732	813	951
PAT	11,504	13,268	13,900	15,455	18,060

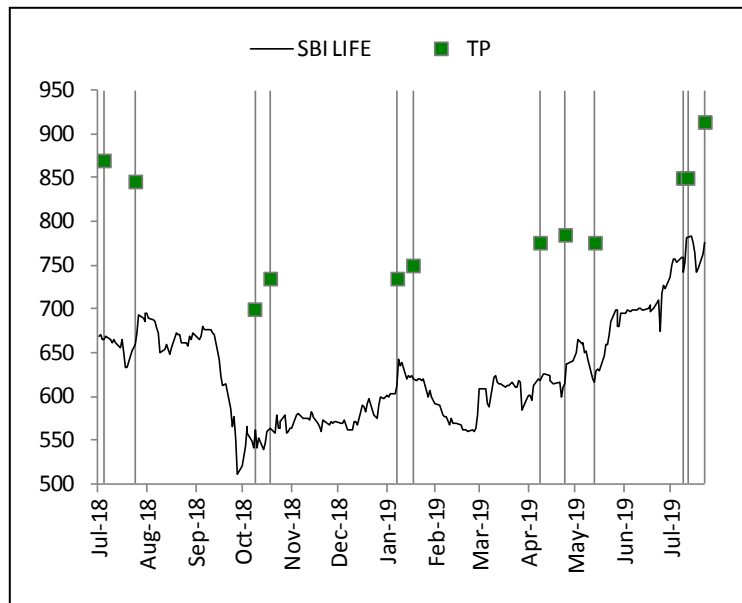
Source: Company, HDFC sec Inst Research

Balance Sheet

(Rs mn)	FY18	FY19E	FY20E	FY21E	FY22E
Sources of funds					
Share capital	10,000	10,000	10,000	10,000	10,000
Reserve and surplus	53,745	64,601	76,085	88,853	103,773
Net worth	63,745	74,601	86,085	98,853	113,773
Credit/debit balance in fair value a/c	1,534	1,162	1,162	1,162	1,162
Policyholders' a/c	1,114,345	1,351,399	1,636,044	1,974,301	2,373,485
Funds for future appropriation	1,935	2,816	2,957	3,105	3,260
Total Liabilities	1,181,558	1,429,978	1,726,248	2,077,421	2,491,680
Application of funds					
Shareholders' Investments	50,144	57,232	67,212	78,406	91,678
Policyholders' investments	544,857	644,724	-	-	-
Asset to cover linked liabilities	549,359	691,291	1,620,660	1,958,917	2,358,101
Loans	1,709	1,725	1,768	1,812	1,858
Fixed assets + DTA	5,813	5,952	6,101	6,254	6,410
Net current assets	29,677	29,054	30,507	32,032	33,634
Debit balance in P&L	-	-	-	-	-
Total Assets	1,181,558	1,429,978	1,726,248	2,077,421	2,491,680

Source: Company, HDFC sec Inst Research

RECOMMENDATION HISTORY



Date	CMP	Reco	Target
6-Jul-18	665	BUY	870
27-Jul-18	673	BUY	846
9-Oct-18	513	BUY	700
22-Oct-18	564	BUY	735
8-Jan-19	605	BUY	735
19-Jan-19	620	BUY	750
9-Apr-19	620	BUY	776
26-Apr-19	614	BUY	785
14-May-19	616	BUY	776
09-Jul-19	759	BUY	850
13-Jul-19	781	BUY	850
24-Jul-19	776	BUY	914

Rating Definitions

BUY : Where the stock is expected to deliver more than 10% returns over the next 12 month period
NEUTRAL : Where the stock is expected to deliver (-)10% to 10% returns over the next 12 month period
SELL : Where the stock is expected to deliver less than (-)10% returns over the next 12 month period

INSTITUTIONAL RESEARCH
Disclosure:

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