

# MAX Financial Services

Estimate change	↔
TP change	↓
Rating change	↔

Bloomberg	MAXF IN
Equity Shares (m)	345
M.Cap.(INRb)/(USDb)	241.9 / 3.1
52-Week Range (INR)	1148 / 697
1, 6, 12 Rel. Per (%)	-4/-19/-33
12M Avg Val (INR M)	809

## Financials & Valuations (INR b)

Y/E MARCH	FY22E	FY23E	FY24E
Net Premiums	224.1	262.2	314.8
Sh. PAT	4.2	6.0	6.7
NBP gr - unwt'd (%)	15.8	16.0	22.0
NBP gr - APE (%)	11.0	17.6	22.0
Premium gr (%)	17.9	17.0	20.1
VNB margin (%)	27.4	26.0	27.1
Op. RoEV (%)	19.2	21.8	22.4
Total AUMs (INRb)	1,075	1,226	1,453
VNB(INRb)	15.3	17.1	21.7
EV per Share	328.7	394.1	475.3

## Valuations

P/EV (x)	2.7	2.2	1.8
P/EVOP (x)	16.6	12.2	9.9

## Shareholding pattern (%)

As On	Mar-22	Dec-21	Mar-21
Promoter	14.7	14.7	17.0
DII	54.0	51.2	51.4
FII	23.3	26.1	23.1
Others	8.0	8.0	8.5

FII Includes depository receipts

**CMP: INR701**

**TP: INR950 (+36%)**

**Buy**

## Robust VNB margin offsets sluggish premium growth

### RoEV steady at 20% YoY; Non-PAR/Protection segments gaining traction

- MAXLIFE posted a sharp growth in VNB even as APE dipped 4% YoY. Within segments, Protection/Non-PAR grew strongly while ULIP/PAR declined. As a result, Protection mix increased in 4QFY22. On the distribution front, both bancassurance and proprietary channels witnessed pressure.
- VNB margin improved to 31.9% in 4QFY22 (from 24.9% in 3QFY22), driven by an improved pricing and higher mix of Protection/Non-PAR business with management guiding for margin to remain in ~25-26% range. We expect VNB margin to sustain at 26-27% and estimate 20% APE CAGR over FY22-24. This would imply a 19% VNB CAGR during FY22-24E. **Maintain BUY with a TP of INR950 (based on 2.5x FY24E EV and a holding company discount of 20%).**

### VNB margin expands to 31.9%; Persistency trends steady

- Gross written premium grew ~13% YoY, led by 26%/19% YoY growth in single/renewal premium, respectively, while first year premium dipped ~8% YoY. Shareholders' pre-tax profit grew 45% YoY to INR1.5b (+34% QoQ).
- Individual APE declined 4% YoY in 4QFY22. Total APE too declined 4% YoY (in line), within which PAR/ULIP dropped 14%/23%, respectively. Protection/Non-PAR rose strongly at 24%/18% YoY. The share of Protection improved to 14% (from 10% in 3QFY22), while Non-PAR rose to 31% (from 25% in 4QFY21). ULIPs' mix moderated to 35% from 45% in 3QFY22.
- Absolute VNB grew 27% YoY in 4QFY22 (+22% in FY22). 4QFY22 VNB margin expanded to 31.9% (from 24.9%/27.4% in 3QFY22/FY22). EV grew 20% YoY, while operating RoEV stood at 19.2% (20.1% without COVID impact).
- On distribution side, bancassurance/proprietary APE dipped 10%/14% YoY.
- MAXLIFE's persistency improved with 13th month persistency rising 200bp YoY to 86% while 61st month persistency stood stable at 54%.
- On the cost front, Opex-to-GWP moderated to 19.7% (from 21.4% in 9MFY22).

### Highlights from the management commentary

- In FY22, proprietary channel has done better than banca. However, MAXLIFE is confident on the ability of Axis Bank to deliver 20% annual business growth over a long period of time, despite the open architecture.
- While VNB margin for FY22 was 27.4%, outlook for the same remains at ~25-26% in the near term. This is primarily due to continued investments as the company targets aggressive growth.
- Several new products were launched during the year as the company targets aggressive growth through launch of products with new features.

### Valuation and view

MAXLIFE reported a sharp rise in VNB margin compensating for the tepid trends in APE growth. Within segments, Protection/Non-PAR reported a healthy growth, while ULIP/PAR declined. On the distribution front, both bancassurance and proprietary channels witnessed pressure though management remains

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

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confident of growth picking up. VNB margin improved sequentially to 31.9%, led by improved pricing and rising mix of Non-PAR/Protection segments. Persistency too witnessed stable/improving trends. We estimate 20% APE CAGR over FY22-24, with VNB margin sustaining at 26-27%. This would imply 19% VNB CAGR over FY22-24E, while operating RoEV would sustain at ~22%. **We maintain our BUY rating on the stock with a TP of INR950 (based on 2.5x FY24E EV and a holding company discount of 20%). Our TP implies a 35% potential upside from the current level.**

## Quarterly performance

(INR m)

Policy holder's A/c (INR m)	FY21				FY22				FY21	FY22	FY22E 4QE	A v/s E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
First Year premium	6,210	11,280	11,980	18,860	8,040	12,280	15,420	17,430	48,334	53,170	17,722	-2%
Growth (%)	-3.9%	7.1%	19.9%	35.7%	29.5%	8.9%	28.7%	-7.6%	18.2%	10.0%	-6.0%	
Renewal premium	18,520	29,370	28,800	45,230	22,440	34,620	34,220	53,810	121,917	145,090	53,433	1%
Growth (%)	6.4%	22.3%	16.3%	13.6%	21.2%	17.9%	18.8%	19.0%	15.0%	19.0%	18.1%	
Single premium	2,780	4,680	5,500	6,970	4,350	6,430	6,340	8,750	19,928	25,870	7,237	21%
Growth (%)	4.9%	43.1%	36.1%	39.7%	56.5%	37.4%	15.3%	25.5%	33.3%	29.8%	3.8%	
<b>Gross prem. income</b>	<b>27,510</b>	<b>45,330</b>	<b>46,280</b>	<b>71,060</b>	<b>34,840</b>	<b>53,310</b>	<b>56,000</b>	<b>79,990</b>	<b>190,180</b>	<b>224,130</b>	78,382	2%
Growth (%)	3.8%	19.9%	19.3%	21.0%	26.6%	17.6%	21.0%	12.6%	17.5%	17.9%	10.3%	
<b>PAT</b>	<b>1,380</b>	<b>270</b>	<b>2,520</b>	<b>1,060</b>	<b>770</b>	<b>710</b>	<b>1,150</b>	<b>1,540</b>	<b>5,230</b>	<b>4,170</b>	<b>1,624</b>	<b>-5%</b>
Growth (%)	102.9%	-68.6%	63.6%	-54.2%	-44.2%	163.0%	-54.4%	45.3%	-3.0%	-20.3%	53.2%	
<b>Key metrics (INRm)</b>												
New Business APE	6,610	11,540	12,250	19,170	8,750	12,830	15,930	18,370	49,570	55,880	18,445	-0
Growth (%)	-3.5	10.4	21.3	36.1	32.4	11.2	30.0	-4.2	17.0	12.7	-3.8	
VNB	1,130	3,250	3,500	4,610	1,720	3,740	3,960	5,860	12,490	15,280	4,796	0
Growth (%)	-15.7	41.3	65.1	43.6	52.2	15.1	13.1	27.1	39.2	22.3	4.0	
AUM (INRb)	730	778	850	904	937	1,001	1,025	1,075	904	1,075	1,046	3%
Growth (%)	14.1	19.6	23.9	32.0	28.4	28.7	20.6	18.9	32.0	18.9	15.6	
<b>Key Ratios (%)</b>												
VNB Margins (%)	17.1	28.2	28.6	24.0	19.7	29.2	24.9	31.9	25.2	27.4	26.0	-590
Solvency ratio (%)	212.0	207.0	208.0	196.0	197.0	211.0	207.0	201.0	196.0	201.0	204.4	342

## Exhibit 1: Quarterly snapshot

Policyholder A/c (INRb)	FY20				FY21				FY22				Change	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	YoY	QoQ
<b>Gross premium</b>	<b>26.5</b>	<b>37.8</b>	<b>38.8</b>	<b>58.7</b>	<b>27.5</b>	<b>45.3</b>	<b>46.3</b>	<b>71.1</b>	<b>34.8</b>	<b>53.3</b>	<b>56.0</b>	<b>80.0</b>	<b>13</b>	<b>43</b>
First year	6.5	10.5	10.0	13.9	6.2	11.3	12.0	18.9	8.0	12.3	15.4	17.4	-8	13
Renewal	17.4	24.0	24.8	39.8	18.5	29.4	28.8	45.2	22.4	34.6	34.2	53.8	19	57
Single	2.7	3.3	4.0	5.0	2.8	4.7	5.5	7.0	4.4	6.4	6.3	8.8	26	38
<b>Shareholders PAT</b>	<b>0.7</b>	<b>0.9</b>	<b>1.5</b>	<b>2.3</b>	<b>1.4</b>	<b>0.3</b>	<b>2.5</b>	<b>1.1</b>	<b>0.8</b>	<b>0.7</b>	<b>1.2</b>	<b>1.5</b>	<b>45</b>	<b>34</b>
<b>APE data (INRb)</b>														
PAR	2.3	3.1	2.9	4.2	1.5	1.6	2.1	4.3	1.5	2.6	3.4	3.7	-14	8
Ind. Protection	0.5	0.7	1.0	1.1	0.9	1.3	0.9	1.4	0.9	0.9	0.9	1.3	-10	43
Group Protection	0.5	0.7	0.4	0.4	0.7	0.7	0.4	0.7	0.8	1.2	0.7	0.7	11	6
Non-PAR Savings	1.0	2.4	2.0	2.0	1.2	4.4	4.4	4.8	2.4	4.3	3.8	5.7	18	50
ULIP	2.5	3.5	4.1	5.6	2.3	3.3	4.4	8.3	3.2	3.9	7.1	6.4	-23	-10
<b>APE (% of total)</b>													<b>Change (bp)</b>	
PAR	33.0	29.7	28.3	30.0	22.0	14.1	17.0	22.2	17.0	20.4	21.4	20.0	-217	-135
Ind. Protection	7.0	7.0	9.7	8.0	14.0	10.9	7.0	7.4	10.0	6.6	5.6	7.0	-41	135
Group Protection	8.0	6.3	4.3	3.1	11.0	6.3	3.0	3.4	9.0	9.0	4.3	4.0	54	-33
Non-PAR Savings	15.0	23.3	20.0	14.1	18.0	38.4	36.0	25.2	27.0	33.7	23.9	31.0	580	711
ULIP	37.0	33.7	40.4	39.9	35.0	28.7	36.0	43.3	37.0	30.3	44.8	35.0	-839	-982
<b>Distribution mix (%)</b>														
Proprietary	33	33	30	29	37	29	24	25	30	28	24	31	621	670
Banca	66	66	69	70	62	62	75	74	63	63	75	71	-317	-375
Others	1	1	1	1	1	1	1	1	0	2	1	-2	-304	-296
<b>Key Ratios (%)</b>														
<b>Operating ratios</b>														
Opex-to-GWP	24.7	23.0	22.7	20.8	21.9	21.6	21.7	20.7	23.4	21.7	21.4	19.7	-100	-170
Solvency Ratio	225.0	224.0	220.0	207.0	212.0	207.0	208.0	196.0	197.0	211.0	207.0	201.0	500	-600
<b>Profitability ratios</b>														
VNB margins	19.6	22.0	21.0	22.8	17.1	28.2	28.6	24.0	19.7	29.1	24.9	31.9	785	704
<b>Persistency ratios</b>														
13th Month	85.0	85.0	85.0	83.0	82.0	82.0	83.0	84.0	85.0	85.0	85.0	86.0	200	100
25th Month	72.0	72.0	72.0	71.0	68.0	69.0	69.0	71.0	69.0	70.0	71.0	72.0	100	100
37th Month	64.0	65.0	63.0	63.0	61.0	61.0	61.0	63.0	61.0	61.0	62.0	62.0	-100	0
49th Month	60.0	60.0	60.0	59.0	57.0	58.0	57.0	58.0	57.0	58.0	58.0	58.0	0	0
61st Month	53.0	53.0	51.0	52.0	52.0	53.0	54.0	54.0	54.0	55.0	54.0	54.0	0	0
<b>Key Metrics (INRb)</b>														
VNB	1.3	2.3	2.1	3.2	1.1	3.3	3.5	4.6	1.7	3.7	4.0	5.9	27	48
EV	93	97	101	100	107	110	117	118	123	130	134	142	20	6
AUM	640	650	686	685	730	778	850	904	937	1001	1025	1075	19	5
Equity Mix (%)	21.0	21.0	22.0	17.0	20.8	21.0	23.1	21.6	25.1	27.0	21.2	23.5	187	224

Please note: Persistency ratios, OPEX ratio, and EV, for six, nine, and 12 months

Source: MOFSL, Company



## Highlights from the management commentary

### Business related

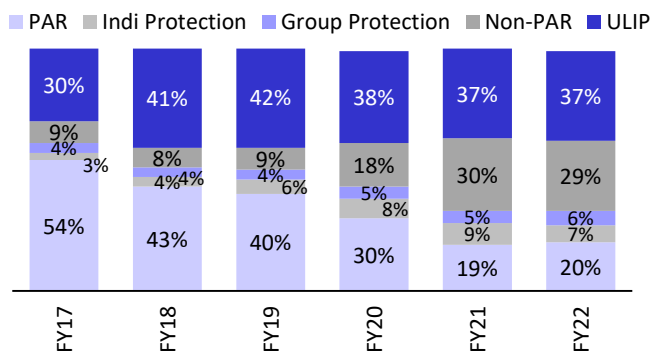
- In terms of New Business Sum Assured, MAXLIFE maintained 3rd rank (for FY22). In absolute terms, individual NB Sum Assured was down 2% for FY22 due to the cautious stance adopted in retail protection
- Improvement in persistency led to better growth in renewal premium
- Several new products were launched during the year as the company targets aggressive growth through launch of products with new features
- The vision is to continue to grow protection while scaling up savings segment through product innovation
- In FY22, Retail protection saw a moderation of 12% to INR4.9b, largely due to a cautious stance led by Covid-19. However, in 4Q, retail protection saw a growth
- Group term life protection should see some moderation going forward. In FY22, there was a pricing benefit as it was priced for the pandemic. Gradually, the quantum of hike will come down as we are entering an endemic stage
- Annuity business registered a robust growth of 65%
- Despite rise in interest rates, guaranteed products should do well as it remains an evergreen proposition for customers
- The company is focused on growing proprietary as well as banca channels
- In FY22, proprietary channel has done better than banca. However, MAXLIFE is confident on the ability of Axis Bank to deliver 20% annual business growth over a long period of time, despite the open architecture
- MAXLIFE has partnered with new 10 fintech partners during the year
- It has adopted new platforms to aid business processes and improve efficiency
- Pension Fund Management subsidiary has received registration certificate in Apr'22

### Operating metrics

- While VNB margin for FY22 was 27.4%, outlook for the same remains at ~25-26% in the near term. This is primarily due to continued investments as MAXLIFE targets aggressive growth
- Despite a stable product mix, VNB margin has improved due to better margin profile in individual products with new features
- IRR of non-par products will improve as interest rates move up. MAXLIFE will remain largely margin neutral as its products will be re-priced to maintain competitiveness
- The company does not count GTL business in margin computation
- Out of the negative operating variance of INR2.77b, INR1.08b pertains to Covid-related excess claims while the residual is largely due to strengthened mortality assumptions

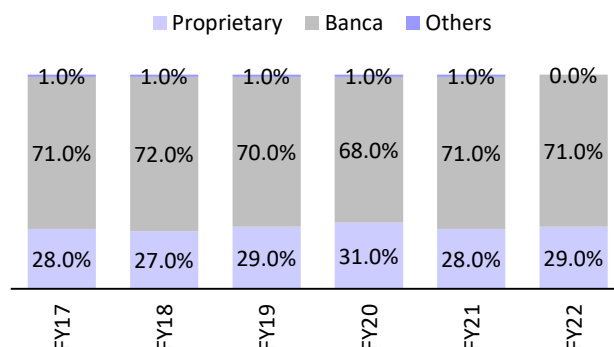
## Key exhibits

**Exhibit 2: Share of ULIP stands at 37% over FY22**



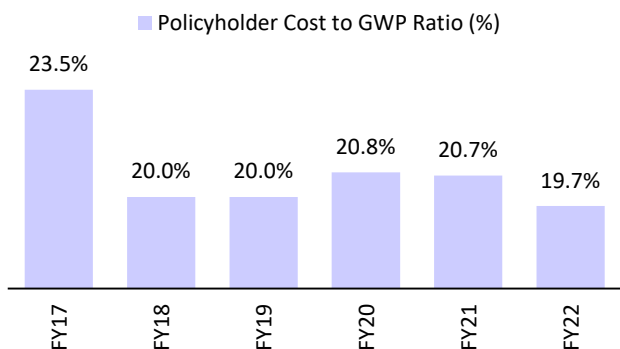
Source: MOFSL, Company

**Exhibit 3: Distribution mix based on total APE (%)**



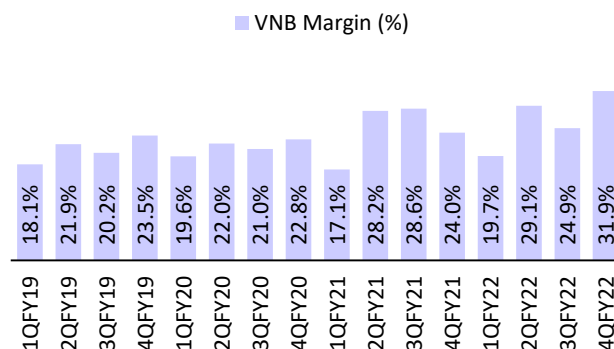
Source: MOFSL, Company

**Exhibit 4: OPEX-to-GWP ratio improves to 19.7%**



Source: MOFSL, Company

**Exhibit 5: VNB margin improves to 31.9%**



Source: MOFSL, Company

## Valuation and view

- MAXLIFE has increased its focus on the Non-PAR and Protection segments – the share of these segments improved to ~43% over FY22 (v/s ~16% in FY17). Over FY22, growth was healthy across all segments propelled by a pick-up in ULIP/Protection segments while PAR/Non-PAR continued the healthy momentum. Going forward, MAXFLIFE would increase its focus on Protection, which, along with healthy growth in other segments, would support the overall growth momentum.
- MAXLIFE has one of the most productive agency channels, with higher agent productivity at INR250k in FY21 (v/s INR150k in FY17). The proprietary channel accounted for ~29% of the total APE, which, along with a strong Bancassurance channel, continues to aid premium growth. The management would continue to make significant investments in growing its proprietary channel.
- **Maintain BUY with a TP of INR950:** MAXLIFE reported a sharp rise in VNB margin compensating for the tepid trends in APE growth. Within segments, Protection/Non-PAR reported a healthy growth, while ULIP/PAR declined. On the distribution front, both bancassurance and proprietary channels witnessed pressure though management remains confident of growth picking up. VNB margin improved sequentially to 31.9%, led by improved pricing and rising mix of Non-PAR/Protection segments. Persistency too witnessed stable/improving

trends. We estimate 20% APE CAGR over FY22-24, with VNB margin sustaining at 26-27%. This would imply 19% VNB CAGR over FY22-24E, while operating RoEV would sustain at ~22%. **We maintain our BUY rating on the stock with a TP of INR950 (based on 2.5x FY24E EV and a holding company discount of 20%). Our TP implies a 35% potential upside from the current level.**

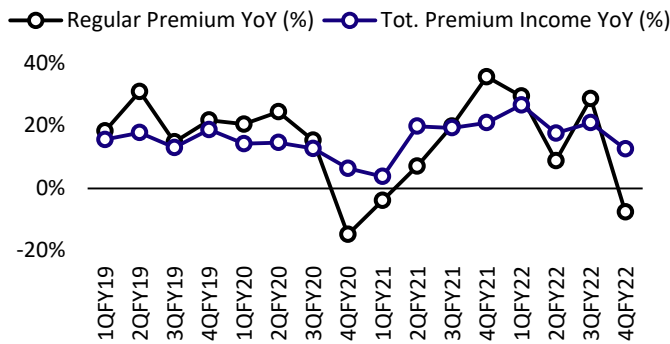
**Exhibit 6: We value MAXLIFE at INR950 per share**

<b>Appraisal value method (INR b)</b>	<b>FY24E</b>
Embedded value	205
New business profit	14.2
<b>Appraisal value</b>	<b>512</b>
MFS stake post deal	80%
<b>MFS Value</b>	<b>410</b>
<b>MFS valuation per share (INR)</b>	<b>1,187</b>
Appraisal value-to-embedded value (x)	2.5
Holding company discount	20%
<b>Target price (INR)</b>	<b>950</b>
<b>Upside</b>	<b>35%</b>

Source: MOFSL

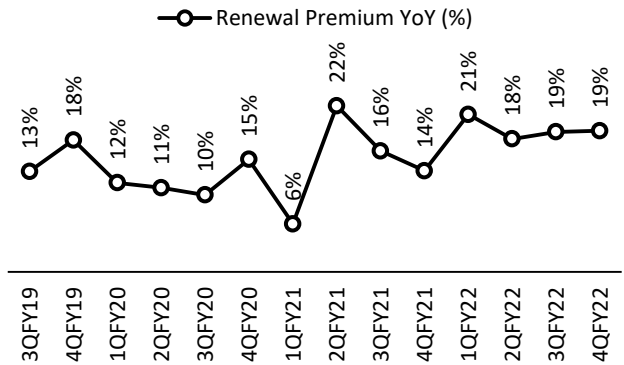
## Story in charts

**Exhibit 7: First year premium declines 8% YoY in 4QFY22; total gross income premium rises 13% YoY**



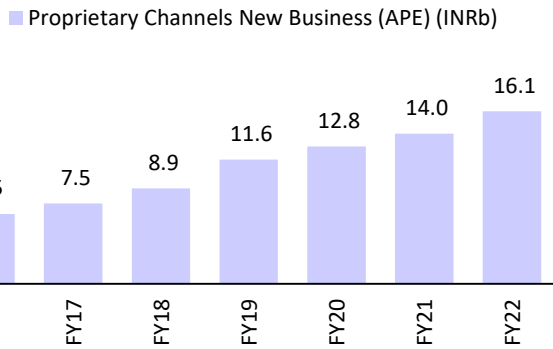
Source: MOFSL, Company

**Exhibit 8: Renewal premium increases 19% YoY in 4QFY22**



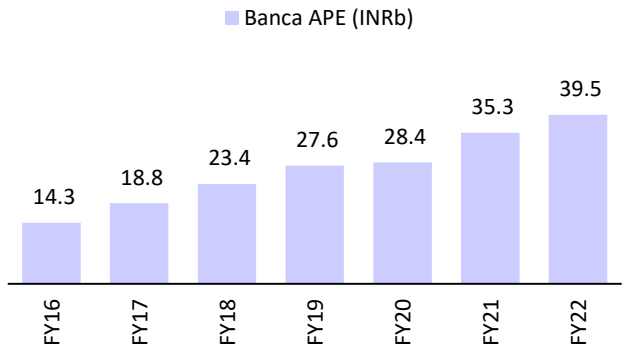
Source: MOFSL, Company

**Exhibit 9: Proprietary channel APE rises 14% YoY in 4QFY22**



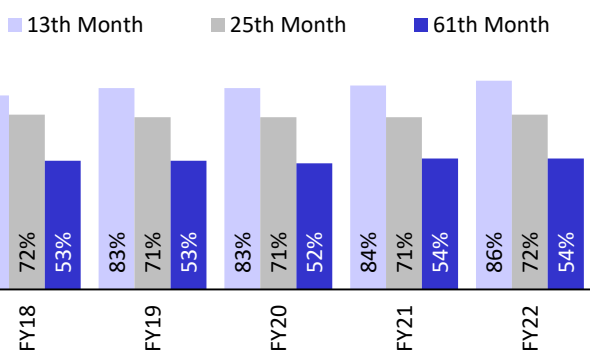
Source: MOFSL, Company

**Exhibit 10: Bancassurance APE declines 10% YoY in 4QFY22**



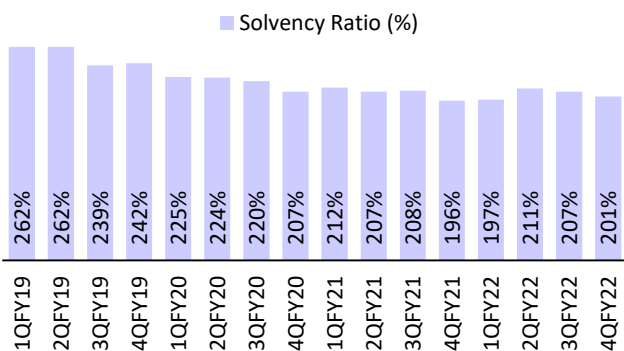
Source: MOFSL, Company

**Exhibit 11: Persistency trends for MAXLIFE**



Source: MOFSL, Company

**Exhibit 12: Solvency ratio stands at 201%**



Source: MOFSL, Company

## Financials and valuations

Technical account (INR m)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Gross Premiums	125,009	145,752	161,836	190,179	224,130	262,190	314,836
Reinsurance Ceded	1,213	1,569	2,049	2,788	3,621	4,270	5,048
Net Premiums	123,795	144,184	159,788	187,391	220,509	257,920	309,788
Income from Investments	37,574	48,643	21,589	121,656	59,822	66,135	72,992
Other Income	346	440	612	1,084	1,281	1,514	1,790
<b>Total income (A)</b>	<b>161,715</b>	<b>193,267</b>	<b>181,989</b>	<b>310,131</b>	<b>281,611</b>	<b>325,569</b>	<b>384,570</b>
Commission	8,929	9,896	10,244	12,270	15,632	18,363	21,994
Operating expenses	16,098	19,274	23,441	27,006	32,433	37,982	45,468
<b>Total commission and opex</b>	<b>25,027</b>	<b>29,170</b>	<b>33,685</b>	<b>39,276</b>	<b>48,065</b>	<b>56,345</b>	<b>67,463</b>
Benefits Paid (Net)	49,466	57,178	66,222	70,011	93,045	109,327	131,008
Chg in reserves	79,043	97,365	66,394	196,223	132,329	150,791	176,805
<b>Total expenses (B)</b>	<b>153,555</b>	<b>183,730</b>	<b>166,321</b>	<b>305,549</b>	<b>273,460</b>	<b>316,488</b>	<b>375,306</b>
<b>(A) - (B)</b>	<b>8,160</b>	<b>9,536</b>	<b>15,668</b>	<b>4,581</b>	<b>8,151</b>	<b>9,082</b>	<b>9,265</b>
Prov for Tax	1,077	1,299	2,752	1,861	2,148	2,568	3,100
<b>Surplus / Deficit</b>	<b>7,083</b>	<b>8,237</b>	<b>12,916</b>	<b>2,720</b>	<b>6,004</b>	<b>6,514</b>	<b>6,164</b>
<b>Shareholder's a/c (INR m)</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>
Transfer from technical a/c	3,992	4,402	4,690	3,862	3,292	4,434	4,512
Income From Investments	2,178	2,177	2,074	2,360	2,397	3,052	3,791
<b>Total Income</b>	<b>6,175</b>	<b>6,604</b>	<b>6,781</b>	<b>6,348</b>	<b>5,688</b>	<b>7,487</b>	<b>8,303</b>
Other expenses	(68)	257	292	567	641	724	818
<b>Total Expenses</b>	<b>24</b>	<b>377</b>	<b>802</b>	<b>1,249</b>	<b>641</b>	<b>724</b>	<b>818</b>
<b>PBT</b>	<b>6,152</b>	<b>6,226</b>	<b>5,978</b>	<b>5,100</b>	<b>5,048</b>	<b>6,763</b>	<b>7,485</b>
Prov for Tax	875	662	585	(131)	555	744	823
<b>PAT</b>	<b>5,276</b>	<b>5,564</b>	<b>5,394</b>	<b>5,231</b>	<b>4,170</b>	<b>6,019</b>	<b>6,662</b>
<b>Growth</b>	<b>-20%</b>	<b>5%</b>	<b>-3%</b>	<b>-3%</b>	<b>-20%</b>	<b>44%</b>	<b>11%</b>
<b>Premium (INR m) &amp; growth (%)</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>
New business prem - unwtd	43,486	51,604	55,835	68,262	79,040	91,686	111,857
New business prem - WRP	33,072	40,019	42,380	50,327	55,880	65,693	80,146
Renewal premium	81,523	94,148	106,002	121,917	145,090	170,504	202,979
Total premium - unwtd	125,009	145,752	161,836	190,179	224,130	262,190	314,836
New bus. growth - unwtd	18.6%	18.7%	8.2%	22.3%	15.8%	16.0%	22.0%
New business growth - wrp	20.3%	21.0%	5.9%	18.8%	11.0%	17.6%	22.0%
Renewal premium growth	14.6%	15.5%	12.6%	15.0%	19.0%	17.5%	19.0%
Total prem growth - unwtd	16.0%	16.6%	11.0%	17.5%	17.9%	17.0%	20.1%
<b>Premium mix (%)</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22E</b>	<b>FY23E</b>	<b>FY24E</b>
<b>New business - unwtd</b>							
- Individual mix	91.6%	92.0%	91.9%	91.2%	90.5%	90.0%	90.0%
- Group mix	8.4%	8.0%	8.1%	8.8%	9.5%	10.0%	10.0%
<b>New business mix - WRP</b>							
- Participating	44.7%	41.4%	32.2%	20.7%	34.5%	33.5%	33.6%
- Non-participating	13.9%	16.4%	29.6%	41.6%	30.6%	30.0%	29.8%
- ULIPs	41.4%	42.2%	38.2%	37.7%	36.6%	36.5%	36.6%
<b>Total premium mix - unwtd</b>							
- Participating	57.3%	53.4%	49.0%	41.3%	44.4%	43.4%	43.7%
- Non-participating	14.2%	15.0%	19.8%	27.7%	23.7%	23.9%	23.5%
- ULIPs	28.5%	31.5%	31.2%	30.9%	31.9%	32.7%	32.8%
<b>Individual prem sourcing mix (%)</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>
Individual agents	23.6%	23.2%	22.2%	26.2%	27.2%	28.2%	29.2%
Corporate Agents-Banks	63.6%	63.1%	61.4%	63.5%	62.5%	63.0%	63.0%
Direct Business	10.0%	11.3%	14.5%	8.3%	8.3%	6.8%	5.8%
Others	2.8%	2.5%	1.8%	2.0%	2.0%	2.0%	2.0%



## Financials and valuations

Balance sheet (INR m)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Sources of Fund</b>							
Share Capital	19,188	19,188	19,188	19,188	19,188	19,188	19,188
Reserves And Surplus	7,702	8,478	6,806	10,589	10,167	10,365	10,625
<b>Shareholders' Fund</b>	<b>26,989</b>	<b>27,609</b>	<b>25,739</b>	<b>30,079</b>	<b>29,689</b>	<b>29,925</b>	<b>30,225</b>
Policy Liabilities	310,137	381,436	454,807	558,936	607,969	663,215	722,613
Prov. for Linked Liab.	163,050	186,738	174,210	254,703	264,949	331,080	414,595
Funds For Future App.	18,655	22,498	30,962	29,819	1,453	496	(46)
Current liabilities & prov.	17,841	23,398	20,276	29,514	32,465	35,711	39,283
<b>Total</b>	<b>549,628</b>	<b>659,270</b>	<b>717,724</b>	<b>941,742</b>	<b>983,538</b>	<b>1,117,691</b>	<b>1,276,584</b>
<b>Application of Funds</b>							
Shareholders' inv	32,146	35,187	32,581	38,484	51,953	70,137	94,684
Policyholders' inv	319,238	394,173	460,484	581,847	587,541	678,105	783,391
Assets to cover linked liab.	170,981	198,619	191,642	283,736	300,760	318,806	337,934
Loans	2,233	3,265	4,264	5,322	8,143	12,459	19,062
Fixed Assets	1,582	1,921	2,187	2,213	2,589	3,030	3,545
Current assets	23,448	26,105	26,566	30,140	32,551	35,155	37,968
<b>Total</b>	<b>549,628</b>	<b>659,270</b>	<b>717,724</b>	<b>941,742</b>	<b>983,538</b>	<b>1,117,691</b>	<b>1,276,584</b>
<b>Operating ratios (%)</b>							
Investment yield	8.3%	9.0%	3.4%	16.5%	7.1%	7.0%	6.9%
<b>Commissions / GWP</b>	<b>7.1%</b>	<b>6.8%</b>	<b>6.3%</b>	<b>6.5%</b>	<b>7.0%</b>	<b>7.0%</b>	<b>7.0%</b>
- first year premiums	20.2%	18.1%	17.2%	17.5%	21.6%	21.5%	21.2%
- renewal premiums	3.0%	2.7%	2.6%	2.7%	2.7%	2.7%	2.7%
- single premiums	0.1%	1.2%	1.1%	1.4%	1.0%	1.0%	1.0%
Operating expenses / GWP	12.9%	13.2%	14.5%	14.2%	13.5%	14.5%	14.4%
<b>Total expense ratio</b>	<b>20.0%</b>	<b>20.0%</b>	<b>20.8%</b>	<b>20.7%</b>	<b>19.7%</b>	<b>21.5%</b>	<b>21.4%</b>
Claims / NWP	39.9%	39.6%	41.4%	37.3%	42.2%	42.4%	42.3%
Solvency ratio	275%	242%	207%	196%	201%	197%	190%
<b>Persistency ratios (%)</b>							
13th Month	80.0%	83.0%	83.0%	84.0%	86.0%	87.0%	88.0%
25th Month	72.0%	71.0%	71.0%	71.0%	72.0%	73.0%	74.0%
37th Month	62.0%	64.0%	63.0%	63.0%	62.0%	62.5%	63.0%
49th Month	57.0%	58.0%	59.0%	58.0%	58.0%	58.5%	59.0%
61st Month	53.0%	53.0%	52.0%	54.0%	54.0%	54.5%	55.0%
<b>Profitability ratios (%)</b>							
New business margin (%)	20.2%	21.7%	21.6%	25.2%	27.4%	26.0%	27.1%
RoE (%)	20.3%	20.4%	20.2%	18.7%	15.0%	20.2%	22.2%
Operating RoEV	20.6%	21.9%	20.3%	18.5%	19.2%	21.8%	22.4%
RoEV (%)	13.9%	19.0%	11.6%	18.6%	19.8%	19.9%	20.6%
<b>Valuation ratios</b>							
Total AUMs (INR b)	522	628	685	904	1,075	1,226	1,453
EPS (INR)	14.3	15.0	14.5	11.0	10.4	14.0	15.4
Value of new business (INRb)	6.6	8.6	9.0	12.5	15.3	17.1	21.7
Embedded Value (INR b)	75.1	89.4	99.8	118.4	141.8	169.9	205.0
EV Per share (INR)	157.8	187.9	209.7	274.5	328.7	394.1	475.3
P/EV (x) - after 20% holdco disc	5.6	4.7	4.2	3.2	2.7	2.2	1.8
P/EPS (x)	61.2	58.5	60.4	79.7	84.1	62.8	56.7
P/EVOP(x)	27.8	23.0	20.8	20.4	16.6	12.2	9.9
P/VNB(x)	57.6	45.9	42.1	30.3	24.7	22.1	17.4

Note: Valuation ratios adjusted for MFS stake (80%) and holding company discount of 20%

**NOTES**

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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