

# SBI Life Insurance

Estimate change



TP change



Rating change



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Bloomberg	SBILIFE IN
Equity Shares (m)	1,000
M.Cap.(INRb)/(USD\$)	1191.3 / 14.9
52-Week Range (INR)	1293 / 1004
1, 6, 12 Rel. Per (%)	3/-/3
12M Avg Val (INR M)	1898

## Financials & Valuations (INR b)

Y/E MARCH	FY22	FY23E	FY24E
Net Premiums	584.3	698.1	841.9
Surplus / Deficit	18.8	23.7	29.2
Sh. PAT	15.1	17.9	20.6
NBP gr- unwt'd (%)	23.4	26.0	23.0
NBP gr- APE (%)	24.9	27.4	26.9
Premium gr (%)	16.9	19.9	22.2
VNB margin (%)	25.9	30.1	29.7
RoEV (%)	18.7	20.4	21.5
Total AUMs (INRt)	2.7	3.0	3.8
VNB	37.0	54.3	68.2
EV per share	396.3	477.1	579.8

## Valuations

P/EV (x)	3.0	2.5	2.1
P/EVOP (x)	17.3	13.6	11.1

\*VNB, VNB margins based on ETR

## Shareholding pattern (%)

As On	Jun-22	Mar-22	Jun-21
Promoter	55.5	55.5	55.7
DII	12.3	12.5	9.6
FII	23.9	24.2	27.2
Others	8.3	7.9	7.4

FII Includes depository receipts

**CMP: INR1,191 TP: INR1,500 (+26%)**
**BUY**

## Strong all-round performance

### Shift in underlying product mix resulted in a spike in VNB margin

- SBILIFE reported a robust 1QFY23 with APE growth of 80% YoY (7% beat) and a sharp jump of 132% YoY in VNB (28% beat). VNB margin spiked 665bp YoY to 30.4% while shareholders' PAT grew 18% YoY to INR2.6b.
- Strong momentum in APE was reflected across all product segments. However, non-par savings stole the limelight in 1QFY23 with a massive growth of 645% YoY. It now forms 28% of business in APE terms. The growth was aided by a strong response to the newly launched product 'Smart Annuity Plus' in Mar'22.
- The notable improvement in VNB margin was primarily driven by a shift in underlying product mix with a larger share of high-margin products such as non-par savings and protection. Together, they constituted 39% of APE in 1QFY23 v/s 20%, a year ago. Retail protection APE growth of 54% YoY to INR2b is commendable, considering the muted performance of private peers.
- We raise our VNB margin estimates by 340bp and 270bp for FY23 and FY24 to 30.1% and 29.7%, respectively, and raise VNB estimate by 19% each over FY23/24. We expect SBILIFE to deliver 27% CAGR in APE over FY22-24, thus enabling 36% VNB CAGR, while RoEV sustains at ~22%. **SBILIFE remains our preferred pick in the Life Insurance space. Maintain BUY.**

### Robust momentum in non-par savings leads to a spike in VNB margin

- SBILIFE reported 33% YoY growth in net premium, led by 67% growth in new business and 14% YoY growth in renewal business. Shareholders' PAT grew 18% YoY, aided by controlled expenses and lower claims.
- Total APE rose 80% YoY, led by a massive growth of 645% YoY in non-par savings and 46% YoY in protection. Par products and ULIPs also saw a healthy growth of 42% and 33% YoY, respectively. Surprisingly, annuity was flat after a strong performance in FY22.
- With this, the share of non-par savings in business mix increased to 28% from 7% in 1QFY22. SBILIFE does not have any internal cap on share of this segment and will continue to underwrite as long as it can hedge interest rate risk effectively. However, 25-30% is a sustainable range as per the management.
- Trends in retail protection are encouraging with a growth of 54% YoY. This is quite commendable in our view, given a weak performance by private peers in this segment during the quarter.
- VNB grew 132% YoY to INR8.8b led by a dramatic rise of ~665bp YoY in VNB margin to 30.4% in 1QFY23, coupled with a robust 80% YoY growth in APE.
- On the distribution front, banca channel outperformed agency with a 98% YoY growth v/s 65% YoY growth for agency on APE basis. This along with rising productivity further boosted overall performance.

**Highlights from the management commentary**

- SBILIFE aims to grow premiums by 25%+ on a sustainable basis
- Non-par guaranteed savings saw a robust growth as demand for this segment remains strong. The new product, 'Smart Annuity Plus', launched in Mar'22 has been well received by the market.
- There are no internal targets on the share of this segment and the company will continue to underwrite as long as it can hedge interest rate risk well.

**Valuation and view**

SBILIFE displayed a strong show in 1QFY23 with 80% YoY growth in APE along with a sharp jump of 132% YoY in VNB. VNB margin spiked ~665bp YoY fueled by a shift in underlying product mix in favor of high-margin products such as Non-PAR and Protection. Despite volatility in capital markets, ULIPs grew 33% YoY. All distribution channels contributed to the growth along with a rise in productivity of banca and agency channels. This led to a better cost ratio and SBILIFE continues to maintain cost leadership. Persistency improved across all key cohorts. We estimate 27% CAGR in APE over FY22-24. We further estimate VNB margin to remain steady from hereon to reach ~30% in FY24, thus enabling 36% VNB CAGR, while RoEV sustains at ~22%.

**We retain our BUY rating with a revised TP of INR1,500 (based on 2.6x FY24E EV).**

**Quarterly performance****(INR b)**

Policy holder's A/c (INR b)	FY22				FY23E				FY22	FY23E	FY23E 1QE	V/s est
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
First year premium	14.0	36.1	40.7	38.5	25.7	43.0	49.6	47.0	129.4	165.2	24.9	3.0
Growth (%)	29%	56%	24%	5%	83%	19%	22%	22%	25%	28%	78%	
Renewal premium	50.3	77.8	96.5	108.4	57.6	96.8	110.5	118.9	333.0	383.8	56.5	1.9
Growth (%)	10%	9%	14%	15%	14%	24%	15%	10%	12%	15%	12%	
Single premium	19.4	33.3	44.3	28.1	30.2	40.4	46.7	38.2	125.2	155.6	22.8	32.7
Growth (%)	-2%	-8%	105%	0%	56%	21%	5%	36%	22%	24%	17%	
<b>Net premium income</b>	<b>83.1</b>	<b>146.6</b>	<b>180.3</b>	<b>174.3</b>	<b>110.4</b>	<b>181.5</b>	<b>209.4</b>	<b>196.8</b>	<b>584.3</b>	<b>698.1</b>	110.2	0.2
Growth (%)	10%	14%	31%	12%	33%	24%	16%	13%	17%	19%	33%	
<b>PAT</b>	<b>2.2</b>	<b>2.5</b>	<b>3.6</b>	<b>6.7</b>	<b>2.6</b>	<b>3.3</b>	<b>4.4</b>	<b>7.5</b>	<b>15.1</b>	<b>17.9</b>	2.8	(4.7)
Growth (%)	-43%	-18%	56%	26%	18%	35%	20%	12%	3%	19%	24%	
<b>Key metrics (INR b)</b>												
New Business APE	16.2	39.7	45.7	41.3	29.0	47.0	54.2	50.5	141.9	180.7	27.2	6.5
Growth (%)	27.6	46.5	30.6	4.0	79.0	18.4	18.7	22.3	24.9	27.4	68.0	
VNB	3.8	10.4	11.7	11.1	8.8	13.7	16.0	15.9	37.0	54.3	6.9	27.8
Growth (%)	46.2	92.6	53.9	0.9	131.6	31.5	36.7	43.0	39.1	46.9	76.6	
AUM	2,316	2,442	2,569	2,674	2,624	2,784	2,894	3,040	2,674	3,040	2,707	(3.1)
Growth (%)	32.1	31.0	22.6	21.1	13.3	14.0	12.7	13.7	21.1	13.7	16.9	
<b>Key Ratios (%)</b>												
VNB margins (%)	23.7	26.2	25.6	26.8	30.4	29.1	29.5	31.4	25.9	30.1	25.3	(510)
Solvency ratio (%)	215.0	212.0	209.0	205.0	221.0	215.0	210.0	201.5	204.8	201.5	202.0	(1,900)

E: MOFSL estimates

## Quarterly snapshot

Policyholder A/C (INR b)	FY21				FY22				FY23	Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	YoY	QoQ
<b>Net premium income</b>	<b>75.9</b>	<b>128.6</b>	<b>137.7</b>	<b>155.6</b>	<b>83.1</b>	<b>146.6</b>	<b>180.3</b>	<b>174.3</b>	<b>110.4</b>	<b>33</b>	<b>-37</b>
First year premium	10.9	23.2	32.8	36.6	14.0	36.1	40.7	38.5	25.7	83	-33
Renewal premium	45.8	71.5	84.4	94.6	50.3	77.8	96.5	108.4	57.6	14	-47
Single premium	19.7	36.2	21.6	25.3	19.4	33.3	44.3	28.1	30.2	56	7
Investment Income	85.8	55.9	127.8	45.1	74.1	107.3	24.2	30.0	-64.1	-186	-314
<b>Total income</b>	<b>161.8</b>	<b>184.6</b>	<b>265.5</b>	<b>209.0</b>	<b>157.4</b>	<b>254.0</b>	<b>204.6</b>	<b>214.3</b>	<b>46.4</b>	<b>-71</b>	<b>-78</b>
Commission paid	2.3	4.1	5.2	5.9	2.6	5.3	6.1	6.8	5.1	94	-25
Operating expenses	5.5	6.0	6.5	6.6	6.1	7.5	7.9	9.0	7.7	25	-15
<b>Total commission &amp; Opex</b>	<b>7.7</b>	<b>10.1</b>	<b>11.6</b>	<b>12.5</b>	<b>8.8</b>	<b>12.8</b>	<b>14.0</b>	<b>15.8</b>	<b>12.7</b>	<b>45</b>	<b>-19</b>
Benefits paid	28.5	64.3	46.4	76.6	47.9	127.0	64.7	73.7	51.7	8	-30
<b>Change in actuarial liability</b>	<b>116.9</b>	<b>105.5</b>	<b>202.4</b>	<b>114.5</b>	<b>97.8</b>	<b>109.8</b>	<b>121.2</b>	<b>108.9</b>	<b>-22.7</b>	<b>-123</b>	<b>-121</b>
<b>Total Expenses</b>	<b>153.2</b>	<b>179.9</b>	<b>260.5</b>	<b>203.6</b>	<b>154.4</b>	<b>249.6</b>	<b>199.9</b>	<b>198.4</b>	<b>41.7</b>	<b>-73</b>	<b>-79</b>
<b>PBT</b>	<b>8.5</b>	<b>3.1</b>	<b>3.6</b>	<b>3.9</b>	<b>1.5</b>	<b>2.9</b>	<b>2.6</b>	<b>13.1</b>	<b>3.1</b>	<b>107</b>	<b>-77</b>
Tax	2.4	-0.8	0.6	-1.2	0.4	0.3	0.3	0.3	0.3	-7	8
<b>Surplus/(Deficit)</b>	<b>6.1</b>	<b>3.9</b>	<b>3.0</b>	<b>5.1</b>	<b>1.1</b>	<b>2.6</b>	<b>2.4</b>	<b>12.8</b>	<b>2.7</b>	<b>144</b>	<b>-79</b>
<b>Shareholder's A/C</b>											
<b>Trf from policyholder a/c</b>	<b>2.8</b>	<b>1.1</b>	<b>0.7</b>	<b>12.2</b>	<b>-0.4</b>	<b>1.3</b>	<b>1.7</b>	<b>14.7</b>	<b>1.0</b>	<b>-343</b>	<b>-93</b>
Investment income	0.9	1.9	1.7	2.3	2.8	2.4	2.2	2.4	1.8	-38	-26
Other income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-87	660
<b>Total income</b>	<b>3.8</b>	<b>3.1</b>	<b>2.4</b>	<b>14.5</b>	<b>2.4</b>	<b>3.8</b>	<b>3.9</b>	<b>17.1</b>	<b>2.8</b>	<b>14</b>	<b>-84</b>
<b>PBT</b>	<b>3.9</b>	<b>3.0</b>	<b>2.3</b>	<b>6.2</b>	<b>2.3</b>	<b>2.5</b>	<b>3.8</b>	<b>6.9</b>	<b>2.7</b>	<b>15</b>	<b>-61</b>
<b>PAT</b>	<b>3.9</b>	<b>3.0</b>	<b>2.3</b>	<b>5.3</b>	<b>2.2</b>	<b>2.5</b>	<b>3.6</b>	<b>6.7</b>	<b>2.6</b>	<b>18</b>	<b>-61</b>
<b>APE Data</b>											
<b>Individual Savings</b>	<b>9.4</b>	<b>20.6</b>	<b>30.4</b>	<b>34.2</b>	<b>12.5</b>	<b>33.4</b>	<b>38.3</b>	<b>34.5</b>	<b>23.5</b>	<b>88</b>	<b>-32</b>
Par	1.1	2.4	3.0	3.2	1.2	2.1	2.0	2.2	1.7	42	-23
Non-Par	2.2	2.0	3.3	3.2	1.1	4.2	5.5	6.3	8.2	645	30
ULIP	6.1	16.2	24.1	27.8	10.2	27.1	30.8	26.0	13.6	33	-48
<b>Group Savings Business</b>	<b>1.2</b>	<b>1.9</b>	<b>0.8</b>	<b>1</b>	<b>0.9</b>	<b>1.5</b>	<b>2.1</b>	<b>1</b>	<b>1.6</b>	<b>78</b>	<b>60</b>
<b>Total Protection</b>	<b>1.6</b>	<b>3.4</b>	<b>3.3</b>	<b>3.7</b>	<b>2.2</b>	<b>4.1</b>	<b>4.2</b>	<b>4.9</b>	<b>3.2</b>	<b>45</b>	<b>-35</b>
Individual Protection	0.7	1.9	2.2	2.5	1.3	2.3	2.5	3.1	2.0	54	-35
Group Protection	0.9	1.5	1.1	1.2	0.9	1.8	1.7	1.8	1.2	33	-33
<b>Total APE</b>	<b>12.7</b>	<b>27</b>	<b>35.1</b>	<b>39.7</b>	<b>16.3</b>	<b>39.7</b>	<b>45.7</b>	<b>41.4</b>	<b>29.0</b>	<b>78</b>	<b>-30</b>
<b>APE (% of total)</b>											<b>Change (bp)</b>
<b>Individual Savings</b>	<b>74.0</b>	<b>76.3</b>	<b>86.6</b>	<b>86.1</b>	<b>76.7</b>	<b>84.1</b>	<b>83.8</b>	<b>83.3</b>	<b>81.0</b>	<b>435</b>	<b>-230</b>
Par	8.7	8.9	8.5	8.1	7.4	5.3	4.4	5.3	5.9	-150	55
Non-Par	17.3	7.4	9.4	8.1	6.7	10.6	12.0	15.2	28.3	2153	1306
ULIP	48.0	60.0	68.7	70.0	62.6	68.3	67.4	62.8	46.9	-1568	-1591
<b>Group Savings Business</b>	<b>9.4</b>	<b>7.0</b>	<b>2.3</b>	<b>2.5</b>	<b>5.5</b>	<b>3.8</b>	<b>4.6</b>	<b>2.4</b>	<b>5.5</b>	<b>0</b>	<b>310</b>
<b>Total Protection</b>	<b>12.6</b>	<b>12.6</b>	<b>9.4</b>	<b>9.3</b>	<b>13.5</b>	<b>10.3</b>	<b>9.2</b>	<b>11.8</b>	<b>11.0</b>	<b>-246</b>	<b>-80</b>
Individual Protection	5.5	7.0	6.3	6.3	8.0	5.8	5.5	7.5	6.9	-108	-59
Group Protection	7.1	5.6	3.1	3.0	5.5	4.5	3.7	4.3	4.1	-138	-21
<b>Distribution mix (%)</b>											<b>Change (bp)</b>
Banca	55.5	63.7	68.3	60.7	56.8	63.6	66.1	61.7	62.5	575	80
Agency	26.6	22.6	24.6	30.7	29.0	26.6	22.8	27.6	26.5	-255	-114
Others	18.0	13.7	7.1	8.6	14.2	9.8	11.2	10.7	11.0	-320	34
<b>Key Ratios (%)</b>											<b>Change (bp)</b>
<b>Operating ratios</b>											
Commission (Unwtd)	2.9	3.2	3.7	3.7	3.1	3.6	3.4	3.9	4.5	135	60
Opex (UnWtd)	7.1	4.6	4.7	4.2	7.3	5.1	4.3	5.1	6.7	-58	161
Total Cost (Unwtd)	10.1	7.7	8.4	8.0	10.5	8.9	7.7	9.0	11.2	76	221
Solvency ratio	239.0	245.0	234.0	215.0	215.0	212.0	209.0	205.0	221.0	600	1,600
<b>Operating ratios</b>											
VNB margins	20.1	20.3	21.9	27.7	23.7	26.2	25.6	26.8	30.4	670	359
RoE	17.3	15.0	13.0	15.2	8.5	8.8	10.3	0.0	0.0	-850	0
<b>Persistency ratios</b>											
13th mth	82.6	83.2	83.4	85.4	85.9	84.7	83.9	85.2	85.6	-25	41
25th mth	76.3	76.2	75.9	75.8	75.3	76.0	76.4	78.1	78.7	340	62
37th mth	68.8	69.9	70.8	72.1	72.0	72.0	71.9	72.1	72.2	17	10
49th mth	60.9	62.3	63.8	65.6	66.3	67.4	68.3	69.9	70.3	403	42
61st mth	50.0	50.0	52.5	50.9	49.3	47.4	48.7	49.5	50.3	95	76
<b>Key Metrics (INR b)</b>											
VNB	2.6	5.4	7.6	11.0	3.8	10.4	11.7	11.1	8.8	132	-21
EV	NA	312.7	NA	364.0	NA	384.9	NA	396.3	NA	NA	NA
AUM	1754	1864	2095	2209	2316	2442	2569	2674	2624	13	-2
<b>Equity Portion (%)</b>	<b>24.0</b>	<b>24.0</b>	<b>27.0</b>	<b>27.0</b>	<b>28.0</b>	<b>30.0</b>	<b>29.0</b>	<b>29.0</b>	<b>27.0</b>	<b>-100</b>	<b>-200</b>

Note: a) Persistency ratios are on a cumulative basis for six, nine, and 12 months



## Highlights from the management commentary

### With respect to operating environment and business performance

- Q1FY23 was a strong quarter on all fronts and management aspires to end FY23 on a strong footing
- Continues to maintain industry leading market share amongst private players
- SBI Life aims to grow premiums by 25%+ on a sustainable basis
- Focus will remain on digitalization to improve customer experience
- Continue to carry covid provisions on a prudent basis
- The company is not chasing a VNB margin number. Focus is to grow premiums and VNB as margin is an outcome of product mix.
- New non-par savings product launched last year has seen phenomenal response across all channels
- Re-pricing of non-par savings will depend on market forces of demand and supply and interest rates
- Persistency ratio saw improvement across all key cohorts

### With respect to Business Mix

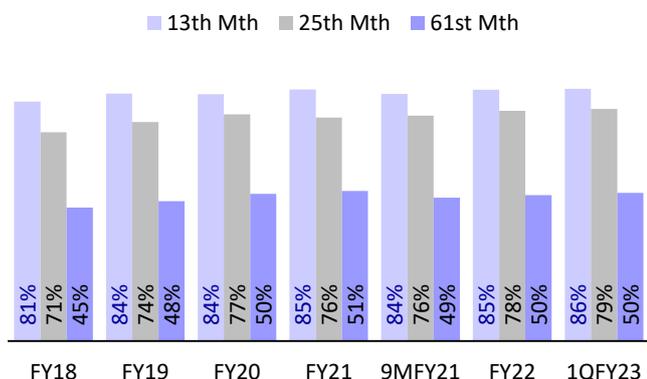
- All products saw a healthy growth
- Individual Protection has bucked industry trend and grown 54% YoY in APE terms
- Individual New Business Sum Assured grew 52% YoY
- Credit life protection business grew 63% YoY to INR4.1b on NBP basis
- Non-par guaranteed savings saw a robust growth as demand for this remains strong. New product 'Smart Annuity Plus' launched in March, 2022 has been well received by the market.
- There are no internal targets on the share of this segment and the company will continue to write as long as it can hedge interest rate risk well
- These products are predominantly 7/8/10 year premium paying products
- However, on a sustainable basis, share of this product should be ~25-30%

### With respect to Distribution Mix

- All channels have reported healthy growth.
- To broaden distribution reach, SBI Life has tied up with new age partners like Phone Pe and RenewBuy
- Bancassurance NBP saw a growth of 94% YoY while agency channel posted a growth of 50% YoY. Thus, share of banca improved from 45% in 1QFY22 to 52% in 1QFY23
- Productivity of SBI channel is strong at INR3.9m
- New banca partnerships contribute 3% of individual NBP
- YONO app continues to see strong traction
- Agency channel saw a growth of 32% in protection business
- Agency channel productivity has gone up by 61% YoY due to greater use of digital tools

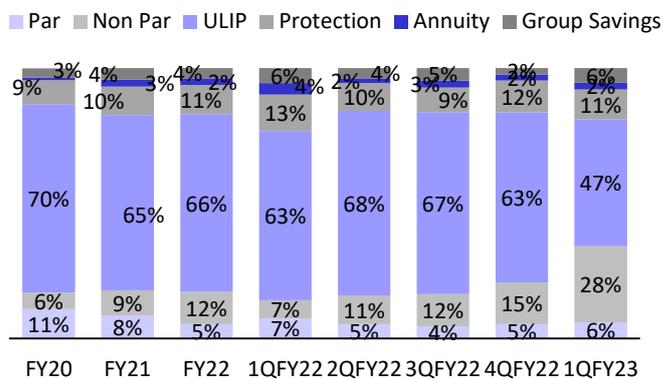
## Key exhibits

**Exhibit 1: Persistency trends across cohorts**



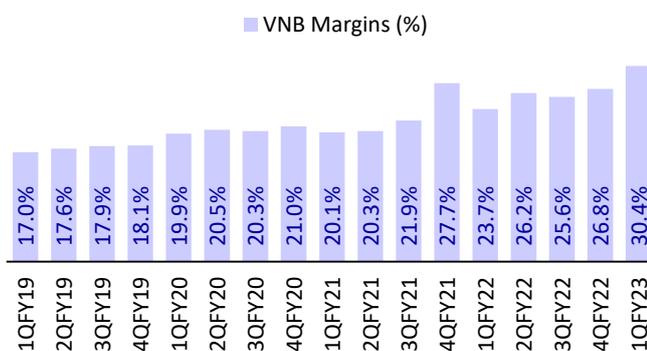
Source: MOFSL, Company

**Exhibit 2: Non-par savings jumps to 28% of APE**



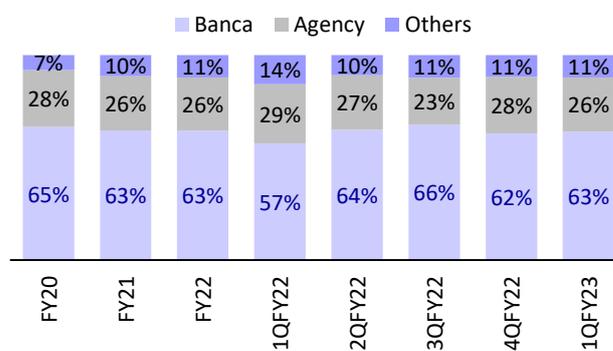
Source: MOFSL, Company

**Exhibit 3: VNB margin rises ~665bp to 30.4%**



Source: MOFSL, Company; Margins based on Effective tax rate

**Exhibit 4: Share of distribution mix across channels**



Source: MOFSL, Company; Distribution mix based on APE

## Valuation and view

- With an Individual rated premium market share of ~24% in 1QFY23 within private players, SBILIFE is the market leader. While APE growth was robust at 80% in 1QFY23 (on a low base), we expect it to stabilize as the base catches up and grow 27% CAGR over FY22-24E.
- The share of ULIP has moderated in 1QFY23 due to strong performance in non-par savings and protection along with weak capital markets. This had led to a dramatic expansion in VNB margin to 30.4%.
- **Maintain Buy, with a TP of INR1,500/share:** SBILIFE reported a strong show in 1QFY23 with 80% YoY growth in APE along with a sharp jump of 132% YoY in VNB. VNB margin improved ~665bp YoY led by a shift in underlying product mix in favor of higher margin products such as Non-PAR and Protection. Despite volatility in capital markets, ULIPs grew 33% YoY. All distribution channels contributed to growth along with a rise in productivity of banca and agency channel. This led to a better cost ratio and SBI Life continues to maintain cost leadership. Persistency saw improvement across all key cohorts. We estimate 27% CAGR in APE over FY22-24E and estimate VNB margin to remain steady at ~30% thus enabling 36% VNB CAGR, while RoEV sustains at ~22%. **We maintain our Buy rating with a revised TP of INR1,500/share (2.6x FY24E EV).**

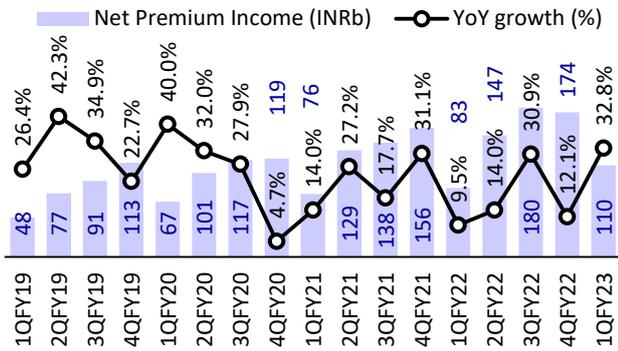
**Exhibit 5: We revise our VNB estimate by 19% each for FY23E/FY24E as we build a higher VNB margin**

INR b	Old Est.		Revised Est.		Estimates Chg	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
<b>Technical Account</b>						
Net Premiums	688.7	834.0	698.1	853.8	1.4	2.4
Invnt income	187.0	222.3	186.8	221.8	-0.1	-0.2
<b>Total income</b>	<b>889.1</b>	<b>1,073.1</b>	<b>898.3</b>	<b>1,092.4</b>	<b>1.0</b>	<b>1.8</b>
Commission	26.8	32.7	26.7	33.2	-0.4	1.4
Operating expenses	38.3	47.1	39.2	48.6	2.4	3.1
<b>Surplus / Deficit</b>	<b>21.4</b>	<b>25.2</b>	<b>23.7</b>	<b>28.5</b>	<b>10.5</b>	<b>13.1</b>
<b>Shareholder's Account</b>						
Total Income	26.4	30.5	27.0	32.3	2.3	5.7
Total Expenses	8.9	11.5	8.9	11.5	0.0	0.0
PBT	17.5	19.1	18.1	20.8	3.4	9.1
<b>PAT</b>	<b>17.3</b>	<b>18.9</b>	<b>17.9</b>	<b>20.6</b>	<b>3.4</b>	<b>9.1</b>
<b>Key Metrics</b>						
VNB (INRb)	45.7	57.3	54.3	68.2	18.8	19.1
EV (INRb)	469	560	477	580	<b>1.8</b>	<b>3.5</b>
<b>Ratios</b>						
VNB margin (%)	26.7	27.0	30.1	29.7	<b>337.8</b>	<b>269.0</b>
Op.RoEV (%)	19.9	20.5	22.1	22.5	<b>213.5</b>	<b>199.4</b>
RoEV (%)	18.3	19.5	20.4	21.5	<b>209.6</b>	<b>201.2</b>

Source: Company, MOSL

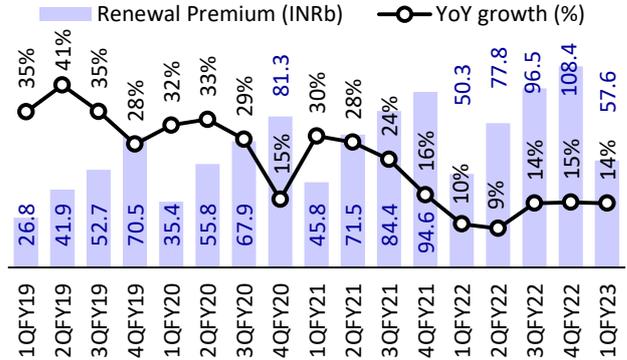
Story in charts

Exhibit 6: Net premium grew at 33% YoY



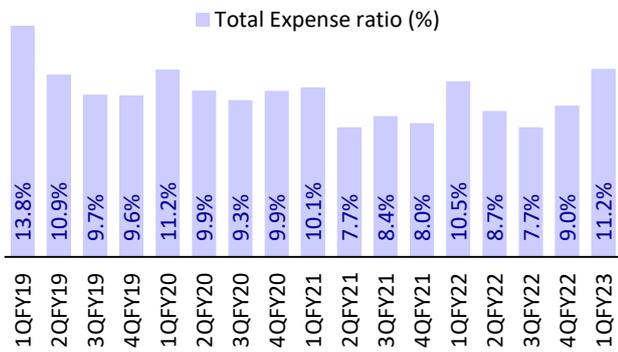
Source: MOFSL, Company

Exhibit 7: Renewal premium growth improves to 14% YoY



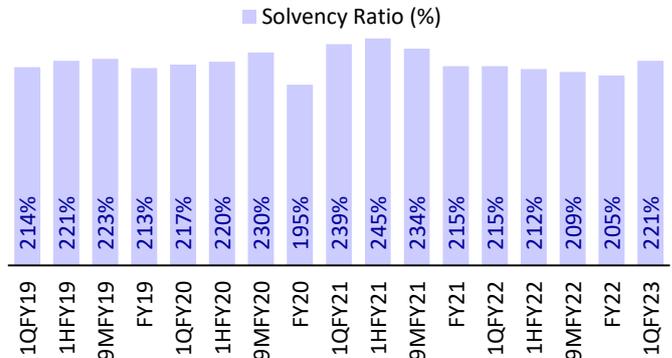
Source: MOFSL, Company

Exhibit 8: Total expense ratio increased to 11.2%



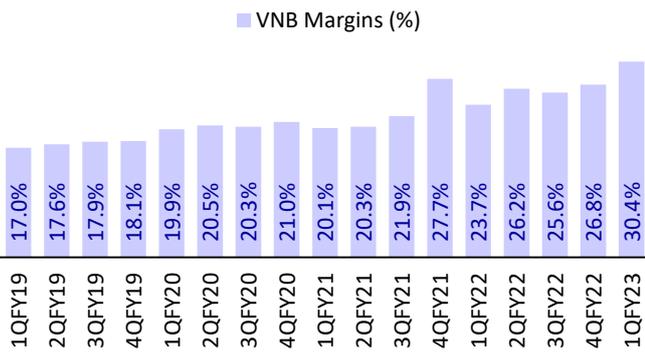
Source: MOFSL, Company

Exhibit 9: Solvency ratio remains healthy at 221%



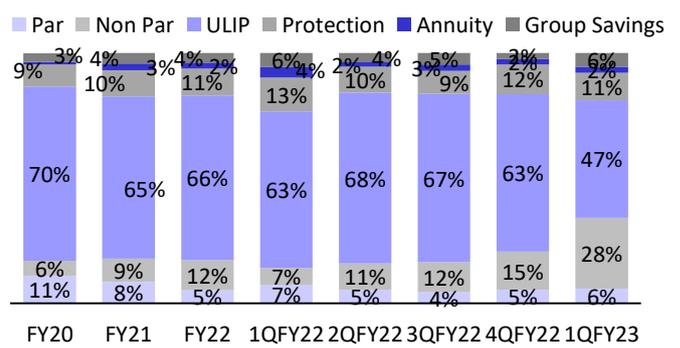
Source: MOFSL, Company

Exhibit 10: VNB margin rises ~665bp to 30.4%



Source: MOFSL, Company; Margins based on Effective tax rate

Exhibit 11: Share of distribution mix across channels



Source: MOFSL, Company

## Financials and valuations

Technical account (INR b)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Gross Premiums	253.5	329.9	406.3	502.5	587.6	704.6	861.2
Reinsurance Ceded	(1.9)	(1.0)	(3.1)	(4.9)	(3.3)	(6.5)	(7.4)
Net Premiums	251.7	328.9	403.2	497.7	584.3	698.1	853.8
Income from Investments	84.6	112.1	30.0	314.6	235.7	186.8	221.8
Other Income	1.4	1.6	5.2	8.6	10.3	13.4	16.8
<b>Total income (A)</b>	<b>337.7</b>	<b>442.6</b>	<b>438.4</b>	<b>820.8</b>	<b>830.3</b>	<b>898.3</b>	<b>1,092.4</b>
Commission	11.2	13.5	16.2	17.7	21.6	26.7	33.2
Operating expenses	17.2	21.2	24.1	24.1	29.7	39.2	48.6
<b>Total commission and opex</b>	<b>28.4</b>	<b>34.7</b>	<b>40.3</b>	<b>41.9</b>	<b>51.3</b>	<b>65.9</b>	<b>81.8</b>
Benefits Paid (Net)	117.1	152.9	162.5	215.8	313.4	256.8	312.2
Chg in reserves	176.0	235.9	206.0	539.3	437.6	540.4	655.4
Prov for doubtful debts	3.5	5.5	6.8	4.7	7.8	8.5	10.7
<b>Total expenses (B)</b>	<b>325.1</b>	<b>429.0</b>	<b>415.7</b>	<b>801.8</b>	<b>810.2</b>	<b>871.5</b>	<b>1,060.1</b>
<b>(A) - (B)</b>	<b>12.6</b>	<b>13.6</b>	<b>22.8</b>	<b>19.1</b>	<b>20.1</b>	<b>26.8</b>	<b>32.3</b>
Prov for Tax	2.4	2.7	3.8	1.0	1.3	3.1	3.8
<b>Surplus / Deficit (calculated)</b>	<b>10.2</b>	<b>10.9</b>	<b>19.0</b>	<b>18.1</b>	<b>18.8</b>	<b>23.7</b>	<b>28.5</b>

Shareholder's a/c (INR b)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Transfer from technical a/c	8.3	10.0	14.6	16.8	17.3	19.1	23.0
Income From Investments	4.6	5.2	4.8	6.9	9.9	7.8	9.2
<b>Total Income</b>	<b>12.9</b>	<b>15.2</b>	<b>19.5</b>	<b>23.7</b>	<b>27.2</b>	<b>27.0</b>	<b>32.3</b>
Other expenses	0.6	0.6	1.0	0.6	2.9	2.2	3.1
Contribution to technical a/c	0.8	1.0	4.8	8.2	9.8	6.7	8.4
Total Expenses	1.1	1.4	5.3	8.3	11.6	8.9	11.5
<b>PBT</b>	<b>11.8</b>	<b>13.7</b>	<b>14.1</b>	<b>15.4</b>	<b>15.6</b>	<b>18.1</b>	<b>20.8</b>
Prov for Tax	0.3	0.5	(0.1)	0.9	0.5	0.2	0.2
<b>PAT</b>	<b>11.5</b>	<b>13.3</b>	<b>14.2</b>	<b>14.6</b>	<b>15.1</b>	<b>17.9</b>	<b>20.6</b>
<i>Growth</i>	20.5%	15.3%	7.2%	2.4%	3.4%	18.7%	15.2%

Premium (INR b) & growth (%)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
New business prem - unwtd	109.7	137.9	165.9	206.2	254.6	320.8	394.5
New business prem - wrp	84.2	95.3	105.1	113.7	141.9	180.7	229.4
Renewal premium	143.9	192.0	240.4	296.3	333.0	383.8	466.7
Total premium - unwtd	253.5	329.9	406.3	502.5	587.6	704.6	861.2
New bus. growth - unwtd	8.1%	25.8%	20.3%	24.3%	23.4%	26.0%	23.0%
New business growth - wrp	27.6%	13.2%	10.2%	8.2%	24.9%	27.4%	26.9%
Renewal premium growth	32.3%	33.4%	25.2%	23.2%	12.4%	15.3%	21.6%
Total prem growth - unwtd	20.6%	30.1%	23.2%	23.7%	16.9%	19.9%	22.2%

Premium mix (%)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>New business - unwtd</b>							
- Individual mix	76.7%	69.9%	67.8%	60.6%	64.8%	70.0%	70.0%
- Group mix	23.3%	30.1%	32.2%	39.4%	35.2%	30.0%	30.0%
<b>New business mix - WRP</b>							
- Participating	24.0%	18.4%	10.9%	8.4%	5.3%	10.1%	9.6%
- Non-participating	9.0%	10.3%	18.6%	26.6%	28.9%	43.5%	38.5%
- ULIPs	67.0%	71.3%	70.5%	65.0%	65.8%	46.4%	51.8%
<b>Total premium mix - unwtd</b>							
- Participating	24.8%	21.8%	18.3%	15.1%	12.9%	15.6%	15.2%
- Non-participating	19.5%	20.8%	23.8%	28.2%	30.3%	35.9%	34.6%
- ULIPs	55.7%	57.4%	57.9%	56.6%	56.8%	48.5%	50.2%

Individual prem sourcing mix (%)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Individual agents	31.2%	29.6%	28.8%	27.7%	26.6%	27.7%	28.4%
Corporate agents-Banks	67.4%	68.9%	67.5%	65.4%	64.9%	65.0%	63.4%
Direct business	0.8%	0.7%	2.0%	4.1%	5.3%	5.3%	6.0%
Others	0.5%	0.7%	1.8%	2.8%	3.1%	2.0%	2.2%

## Financials and valuations

Balance sheet (INR b)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
<b>Sources of Fund</b>							
Share Capital	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Reserves And Surplus	53.7	64.6	78.8	90.9	104.2	119.1	136.3
<b>Shareholders' Fund</b>	<b>65.3</b>	<b>75.8</b>	<b>87.4</b>	<b>104.0</b>	<b>116.2</b>	<b>130.8</b>	<b>147.7</b>
Policy Liabilities	555.6	649.5	761.2	924.1	1,097.6	1,334.9	1,625.0
Prov. for Linked Liab.	495.6	605.9	763.0	965.5	1,174.9	1,249.1	1,470.8
Funds For Future App.	-	2.8	7.1	8.4	9.9	11.7	13.8
Current liabilities & prov.	35.5	37.4	30.2	42.4	51.3	53.4	55.7
<b>Total</b>	<b>1,217.1</b>	<b>1,467.3</b>	<b>1,655.8</b>	<b>2,268.3</b>	<b>2,733.4</b>	<b>3,140.7</b>	<b>3,775.5</b>
<b>Application of Funds</b>							
Shareholders' inv	50.1	57.2	68.3	86.0	100.8	118.9	140.3
Policyholders' inv	544.9	644.7	734.2	939.4	1,121.3	1,351.4	1,642.8
Assets to cover linked liab.	549.4	691.3	785.7	1,162.2	1,426.3	1,569.8	1,873.4
Loans	1.7	1.7	3.6	3.6	3.6	4.2	4.8
Fixed Assets	5.8	6.0	5.8	5.7	5.3	5.7	6.1
Current assets	65.2	66.4	58.2	71.5	76.2	90.7	108.0
<b>Total</b>	<b>1,217.1</b>	<b>1,467.3</b>	<b>1,655.8</b>	<b>2,268.3</b>	<b>2,733.4</b>	<b>3,140.7</b>	<b>3,775.5</b>
<b>Operating ratios (%)</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>
Investment yield	7.8%	8.4%	1.9%	15.1%	9.8%	6.5%	6.5%
<b>Commissions / GWP</b>	<b>4.4%</b>	<b>4.1%</b>	<b>4.0%</b>	<b>3.5%</b>	<b>3.7%</b>	<b>3.8%</b>	<b>3.9%</b>
- first year premiums	8.7%	8.3%	8.4%	8.4%	8.3%	10.2%	9.8%
- renewal premiums	2.7%	2.7%	2.7%	2.6%	2.6%	2.6%	2.6%
- single premiums	0.8%	1.5%	1.4%	1.1%	1.2%	1.8%	1.8%
Operating expenses / GWP	6.8%	6.4%	5.9%	4.8%	5.1%	5.6%	5.6%
<b>Total expense ratio</b>	<b>11.2%</b>	<b>10.5%</b>	<b>9.9%</b>	<b>8.3%</b>	<b>8.7%</b>	<b>9.3%</b>	<b>9.5%</b>
Claims / NWP	46.4%	46.3%	40.1%	43.2%	53.5%	36.6%	36.4%
Solvency ratio	206%	213%	195%	215%	205%	201%	195%
<b>Persistency ratios (%)</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>
13th Month	83.0%	85.1%	86.1%	87.9%	88.4%	88.8%	89.1%
25th Month	75.2%	76.7%	78.5%	79.4%	81.7%	83.1%	83.9%
37th Month	70.0%	71.4%	71.6%	74.1%	76.0%	77.0%	77.4%
49th Month	63.9%	66.4%	67.3%	68.1%	71.4%	73.1%	73.9%
61st Month	58.4%	57.2%	59.9%	61.6%	62.0%	62.2%	62.4%
<b>Profitability ratios (%)</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>
VNB margin (%)	18.4%	19.8%	20.7%	23.2%	25.9%	30.1%	29.7%
RoE (%)	19.0%	18.8%	17.4%	15.2%	13.7%	14.5%	14.8%
RoIC (%)	19.4%	19.2%	17.4%	15.3%	14.0%	14.7%	15.0%
Operating ROEV (%)	18.0%	17.3%	20.5%	19.1%	20.6%	22.1%	22.5%
RoEV (%)	15.3%	17.5%	17.4%	27.0%	18.7%	20.4%	21.5%
<b>Valuation ratios</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>
Total AUMs	1,163	1,410	1,604	2,209	2,674	3,040	3,806
- of which equity AUMs (%)	23%	23%	21%	27%	29%	30%	31%
Dividend %	20%	20%	0%	25%	20%	30%	34%
Dividend payout ratio (%)	21%	18%	0%	17%	13%	17%	17%
EPS, INR	11.5	13.3	14.2	14.6	15.1	17.9	20.6
VNB	15.7	19.2	22.2	26.6	37.0	54.3	68.2
- VNB growth (%)	36.1%	22.3%	15.6%	19.8%	39.1%	47%	25%
EV per share	201.7	237.3	276.4	364.0	396.3	477.1	579.8
VIF as % of EV	61%	62%	63%	63%	68%	71%	73%
P/VIF	10.3	8.6	7.2	5.7	4.4	3.5	2.8
P/AUM (%)	102%	84%	74%	54%	45%	39%	31%
P/EV (x)	5.9	5.0	4.3	3.3	3.0	2.5	2.1
P/EPS (x)	103.5	89.8	83.7	81.8	79.1	66.6	57.8
P/EVOP (x)	40.1	36.0	26.0	23.7	17.3	13.6	11.1
P/VNB (x)	75.9	62.0	53.7	44.8	32.2	21.9	17.5

\*VNB, VNB margin, and EV is based on ETR

NOTES

Explanation of Investment Rating	
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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