

HDFC Life Insurance

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	HDFCLIFE IN
Equity Shares (m)	2,116
M.Cap.(INRb)/(USDb)	1164.3 / 14.1
52-Week Range (INR)	725 / 497
1, 6, 12 Rel. Per (%)	-1/-7/-19
12M Avg Val (INR M)	2360

Financials & Valuations (INR b)

Y/E MARCH	FY22	FY23E	FY24E
Net Premiums	454.0	565.1	685.5
Surplus / Deficit	9.6	9.7	12.9
Sh. PAT	12.1	14.4	17.1
NBP gr - unwt'd (%)	20.1	19.0	21.0
NBP gr - APE (%)	18.1	22.6	23.6
Premium gr (%)	19.1	24.3	21.3
VNB margin (%)	27.4	27.5	29.1
RoEV (%)	23.8	17.0	18.3
Total AUMs (INRt)	2.0	2.5	2.9
VNB (INRb)	26.7	32.6	42.6
EV per share	155.7	182.2	215.4

Valuations

P/EV (x)	3.5	3.0	2.5
P/EVOP (x)	26.1	18.9	15.1

Shareholding pattern (%)

As On	Jun-22	Mar-22	Dec-21
Promoter	51.5	51.5	53.8
DII	6.8	7.8	6.1
FII	26.3	26.3	30.5
Others	15.4	14.4	9.6

FII Includes depository receipts

CMP: INR543

TP: INR600 (+11%)

Neutral

Premium growth tepid; VNB in line aided by margin expansion

Persistency ratio continues to improve

- HDFC Life Insurance (HDFCLIFE) reported 6% YoY growth in total premium in 2QFY23, led by 23% YoY growth in renewal premium while new business premium saw a contraction of 7% YoY.
- VNB rose 10% YoY (in line) with 170bp YoY expansion in VNB margin to 28.3% on a pre-merger basis. Consolidated VNB margin was 26.2% in 1HFY23.
- APE grew 4% YoY to INR26.5b (5% miss) in 2QFY23, driven by annuity, non-linked savings and credit life. Demand for ULIP was soft due to volatile capital markets while retail protection trend has improved sequentially with a growth of 26% QoQ.
- In 2QFY23, HDFCLIFE reported financial performance post-merger with Exide Life for the first time. As we incorporate this and adjust for the quarterly performance, we expect HDFCLIFE to deliver ~26% VNB CAGR over FY22-24 and estimate margin to remain ~29% by FY24. **We maintain our Neutral rating with a TP of INR600 (premised on 2.8x FY24E EV).**

Retail protection trends improving; operating RoEV at 17.7% in 1HFY23

- The renewal business grew 23% YoY in 2QFY23 (on pre-merged basis), aided by higher persistency ratio across cohorts. PAT grew 16% YoY to INR3.2b (in line) during the same period.
- APE rose 4% YoY (5% miss) in 2QFY23, on a pre-merger basis. During 1HFY23, APE growth was higher than industry and led to 40bp market share gain to 15.0%. Within APE, annuity grew 39% YoY in 1HFY23 while Non-PAR/Par segments grew 37%/24% YoY, respectively. Protection grew 37% YoY led by credit life with 66% YoY growth in new business premium. Retail protection trend has improved sequentially with a growth of 26% QoQ.
- VNB increased 10% YoY to INR7.5b on pre-merger basis (in line). HDFCLIFE is optimistic of improving this momentum as it looks to grow consolidated VNB at 15%+ in FY23E.
- VNB margin improved 170bp YoY to 28.3% on pre-merger basis, primarily driven by a more optimal business mix. Including Exide Life, VNB margin stood at 26.2% in 1HFY23. The management aims to maintain FY22 margin (27.4%) in FY23 as well, as the drag from consolidation reduces.
- On the distribution front, the share of banca and agency increased to 58% and 19%, respectively. This increase was at the cost of direct channel as it continues to face headwind in the form of heightened competition.
- EVOP grew 9% YoY in 1HFY23 to INR25.5b with operating return on EV at 17.7% for the pre-merged entity. However, EV grew 10% QoQ to INR330b, due to fresh capital infusion, offset by adverse economic variances and payment of dividend. Including Exide Life, EV stood at INR360b.
- Total AUM grew 18% YoY to INR2.2t on a post-merger basis while solvency ratio increased to 210% in 2QFY23 from 178% in 1Q due to equity infusion of INR20b from the parent, partially offset by dividend payment.

Nitin Aggarwal - Research Analyst (Nitin.Agarwal@MotilalOswal.com)

Yash Agarwal - Research Analyst (Yash.Agarwal@motilaloswal.com) | **Vinayak Agarwal - Research Analyst** (Vinayak.Agarwal@motilaloswal.com)

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

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Highlights from the management commentary

- IRDAI is taking various measures to improve the penetration and sale of life insurance.
- Dependence on FRA is lower for HDFCLIFE v/s other peers and is well diversified across 10 parties. We do not see any challenges in raising this further.
- Within Non-PAR segment, shorter tenure – Sanchay FMP product saw a healthy growth and contributed 20% to the total Non-PAR APE.

Valuation and view

HDFCLIFE remains focused on maintaining a balanced product mix across businesses, with an emphasis on product innovation and superior customer service. In the near term, Non-PAR/Annuity is likely to witness healthy growth while retail protection should see a gradual recovery over 2HFY23. Credit life will lead growth in protection as momentum in disbursements across lending institutions is strong. Demand for ULIP remains muted due to volatile capital markets. Persistency trend improved across all cohorts for pre-merged entity. Further, HDFCLIFE has the scope to improve post-merger margins by bringing in efficiencies in the operations of Exide Life. We expect HDFCLIFE to deliver ~26% VNB CAGR over FY22-24 and estimate margin to remain ~29% by FY24. **We maintain our Neutral rating with a TP of INR600 (premised on 2.8x FY24E EV).**

Quarterly performance**(INR m)**

Policy holder's A/c (INR b)	FY22				FY23E				FY22	FY23E	FY23E 2QE	V/s est
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
First year premium	12.9	20.8	21.2	25.7	17.1	24.2	26.4	32.0	80.5	99.7	23.3	3.9
<i>Growth (%)</i>	25.8%	24.0%	19.4%	7.8%	32.9%	16.6%	24.9%	24.3%	17.4%	23.8%	12.2%	
Renewal premium	38.9	50.3	55.4	73.4	51.0	69.1	75.2	88.4	218.1	283.7	62.4	10.8
<i>Growth (%)</i>	20.1%	16.8%	21.1%	15.6%	31.1%	37.2%	35.6%	20.5%	18.0%	30.1%	23.9%	
Single premium	24.8	45.2	46.0	45.1	32.4	39.5	49.7	66.0	161.0	187.7	46.2	-14.4
<i>Growth (%)</i>	54.9%	7.7%	40.2%	8.0%	30.6%	-12.5%	8.2%	46.6%	21.5%	16.6%	2.2%	
Net premium inc.	75.4	114.4	121.2	142.9	98.5	131.1	149.8	185.8	454.0	565.1	131.6	-0.4
<i>Growth (%)</i>	31.7%	13.9%	27.8%	11.0%	30.6%	14.6%	23.5%	30.0%	19.1%	24.5%	15.0%	
PAT	3.0	2.7	2.7	3.6	3.6	3.3	3.6	4.2	12.1	14.4	3.6	-8.1
<i>Growth (%)</i>	-33.0%	-15.9%	3.3%	12.4%	19.1%	19.0%	29.8%	17.3%	-11.2%	19.0%	29.5%	
Key metrics (INR b)												
New business APE	15.6	25.5	26.0	30.5	19.0	30.1	31.4	38.0	96.6	118.5	27.9	7.8
<i>Growth (%)</i>	30.3	19.4	20.4	5.8	22.0	18.0	20.9	24.5	18.1	22.6	9.5	
VNB	4.1	6.8	6.9	9.0	5.1	7.8	8.5	11.2	26.7	32.6	7.6	2.0
<i>Growth (%)</i>	40.2	23.9	21.8	15.2	25.0	14.7	22.6	25.4	22.4	22.0	12.5	
AUM (INR b)	1,813	1,912	1,947	2,042	2,001	2,249	2,329	2,484	2,042	2,484	2,101	7.0
<i>Growth (%)</i>	29.5	27.0	17.6	17.4	10.4	17.6	19.6	21.7	17.4	21.7	9.9	
Key Ratios (%)												
VNB Margins (%)	26.2	26.6	26.7	29.4	26.8	25.8	27.1	29.6	27.4	27.5	27.3	-145
Solvency ratio (%)	203.0	190.0	190.0	176.0	178.0	210.0	207.0	206.3	175.6	206.3	205.0	500

Quarterly snapshot

	FY21				FY22				FY23		Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	YoY	QoQ
Net premium income	57.2	100.5	94.9	128.7	75.4	114.4	121.2	142.9	98.5	131.1	15	33
First year premium	10.2	16.8	17.7	23.9	12.9	20.8	21.2	25.7	17.1	24.2	17	42
Renewal premium	32.4	43.1	45.8	63.5	38.9	50.3	55.4	73.4	51.0	69.1	37	35
Single premium	16.0	42.0	32.8	41.7	24.8	45.2	46.0	45.1	32.4	39.5	-13	22
Investment income	87.5	63.2	115.9	60.2	69.6	88.7	19.8	14.0	-33.0	97.8	10	-396
Total income (A)	145.1	164.1	211.3	191.9	146.0	204.8	142.2	160.5	66.1	229.7	12	247
Commission paid	2.4	4.2	4.5	6.0	3.0	5.1	5.1	6.2	4.0	6.7	32	68
Operating expense	6.7	11.0	13.1	15.1	9.5	13.5	15.0	18.1	15.6	18.4	36	18
Total commission & Opex	9.1	15.3	17.6	21.1	12.5	18.6	20.1	24.3	19.6	25.1	35	28
Total Expenses (B)	142.0	161.7	207.7	185.7	146.6	202.5	139.4	152.5	62.8	226.0	12	260
PBT	2.8	1.6	3.2	6.2	0.6	1.8	2.0	7.1	2.2	2.7	53	21
Tax	0.3	0.2	0.4	1.8	0.0	0.1	0.2	1.5	0.1	0.2	75	64
Surplus/(Deficit)	2.5	1.4	2.7	4.3	0.6	1.6	1.8	5.5	2.1	2.5	51	18
Shareholder A/c												
Trf from Policyholder a/c	3.5	2.2	1.4	2.9	1.2	2.0	1.8	5.0	2.5	2.2	8	-13
Investment Income	1.0	1.4	1.4	2.7	2.6	2.0	1.8	1.5	1.2	1.6	-21	33
Total income	4.4	3.5	2.8	5.6	3.8	4.1	3.6	6.5	3.7	3.8	-7	2
PBT	4.5	3.3	2.7	3.1	3.1	2.8	2.8	3.2	3.6	3.3	19	-9
Tax	0.0	0.0	0.0	-0.1	0.0	0.0	0.0	-0.4	0.0	0.0	-40	-1
PAT	4.5	3.3	2.6	3.2	3.0	2.7	2.7	3.6	3.6	3.3	19	-9
Individual APE												
ULIP	2.9	3.6	4.2	6.4	3.5	5.4	5.6	6.7	3.9	4.8	-12	23
PAR	3.2	6.1	7.0	7.9	3.8	6.5	6.5	7.8	4.6	8.1	25	74
Term	1.2	1.4	0.7	1.7	1.0	1.4	0.9	1.6	0.8	0.9	-36	12
Non-Par savings	3.0	5.5	5.5	8.1	4.2	6.8	7.4	8.6	5.4	9.8	44	81
Annuity	0.5	0.9	0.9	1.2	0.7	1.1	1.1	1.3	0.9	1.5	45	66
Total individual APE	10.7	17.6	18.3	24.6	13.1	21.2	21.5	25.9	15.5	25.6	21	66
Total APE	12.0	21.4	21.6	28.8	15.6	25.5	26.0	30.5	19.0	30.1	18	58
APE (% of total)												
ULIP	27.0	20.6	23.0	25.9	27.0	25.4	26.0	26.0	25.0	18.6	-680	-642
PAR	30.0	34.8	38.1	32.1	29.0	30.6	30.0	30.0	30.0	31.6	99	160
Term	11.0	7.8	3.9	7.0	8.0	6.4	4.4	6.0	5.0	3.4	-299	-160
Non-Par savings	28.0	31.2	30.0	32.9	32.0	32.0	34.6	33.0	35.0	38.2	621	321
Distribution mix (%)												
Bancassurance	59.0	60.6	67.7	57.2	56.0	62.5	62.6	61.0	56.0	57.6	-486	160
Individual agents	12.0	13.6	10.4	14.9	15.0	11.8	15.6	14.0	16.0	19.2	744	321
Direct	24.0	19.2	15.9	19.0	23.0	19.8	15.8	19.0	22.0	14.0	-579	-802
Broker	5.0	6.6	6.0	8.9	6.0	6.0	6.0	6.0	7.0	8.6	260	160
Key Ratios (%)												
Operating ratios												
Commission (unwtd)	4.1	4.2	4.7	4.6	3.9	4.4	4.1	4.3	3.9	5.1	74	124
Opex (unwtd)	11.5	10.9	13.7	11.8	12.5	11.7	12.4	12.6	14.9	13.8	215	-105
Total Cost	15.5	15.0	18.2	16.3	16.4	16.0	16.4	16.8	18.8	19.0	298	18
Solvency ratio	190	203	202	201	203	190	190	176	178	210	2,000	3,200
Profitability ratios												
VNB margins	24.3	25.6	26.4	27.0	26.2	26.6	26.7	29.4	26.8	25.8	-73	-95
ROE	25.0	21.0	18.4	17.6	14.1	13.5	13.0	10.1	9.5	12.4	-110	290
Op. ROEV	15.8	17.6	18.3	18.5	14.4	16.1	16.2	16.6	16.5	17.7	160	120
Persistency ratios												
13th Month	87.0	88.0	89.0	90.0	90.0	86.0	92.0	92.0	93.0	87.0	100	-600
25th Month	80.8	79.0	80.0	81.0	82.0	76.0	84.0	86.0	86.0	77.0	100	-900
37th Month	69.5	69.0	69.0	71.0	73.0	66.0	77.0	79.0	80.0	70.0	400	-1,000
49th Month	64.9	66.0	67.0	67.0	67.0	63.0	68.0	69.0	72.0	63.0	0	-900
61st Month	54.4	53.0	53.0	53.0	53.0	52.0	57.0	58.0	58.0	51.0	-100	-700
Key Metrics (INR b)												
VNB	2.9	5.5	5.7	7.8	4.1	6.8	6.9	9.0	5.1	7.8	15	53
EV	225.8	233.3	250.5	266.2	273.3	287.0	295.4	300.5	297.1	360.2	25	21
EVOP	7.7	9.8	10.3	10.5	10.3	13.2	12.9	14.2	11.7	13.8	5	18
AUM	1,400	1,506	1,656	1,738	1,813	1,912	1,947	2,042	2,001	2,249	18	12
Equity portion (%)	32	33	36	36	37	38	36	37	35	32	-600	-300

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



Highlights from the management commentary

Operating environment and business performance

- Mr. Suresh Badami has been appointed as the Deputy MD of the company
- Exide Life has merged with HDFCLIFE on 14th Oct'22 post the final approval by the IRDAI with effect from 1st Apr'22. The transaction got completed within 14 months
- The merger is likely to improve the geographical presence for HDFCLIFE
- Indian companies have overall navigated the Covid-19 crisis well with decent growth in both top line and VNB compared to the industry
- Despite the total claims of INR400b in FY21 and INR690b in FY22, adequate solvency ratio was mentioned by the life insurance companies
- IRDAI is taking various measures to improve the penetration and sale of life insurance
- BIMA Sugam portal launched by the IRDAI should aid in improving the penetration which will likely see a healthy adoption by the customers
- HDFC pension's market share improved to 39.3% from 35% one year back. It had an AUM of INR351.5b which grew 57% YoY
- Dependence on FRA is lower for HDFCLIFE v/s other peers and is well diversified across 10 parties. We do not see any challenges in raising this further
- Of the economic variance of INR12.4b, ~INR10b was due to interest rate movement while INR400m was due to equities
- Overall, growth is likely to be ~16-17% in FY23
- Persistency for Exide's standalone business stood at ~76% and the company is targeting to increase the same to 80%
- There is no MTM impact on FRA's on a net basis.

Business Mix

- Product mix continues to remain balance both on pre-merger and post-merger basis
- Within Non-PAR segment, shorter tenure – Sanchay FMP product saw a healthy growth and contributed 20% to the total Non-PAR APE. Higher interest rate continues to offer healthy growth opportunities in traditional savings business
- Credit protect grew 66% YoY in 1HFY23 led by a rise in disbursements. Growth in retail protection was tepid on a YoY basis; however, it picked up and grew 26% QoQ. The same is likely to improve over 2HFY22
- The company has further launched a new product – “Click to Protect” which will further aid the growth in protection business
- Annuity business grew strongly at 44% on APE basis while regular systematic plan continue to show healthy interest by the customers
- VNB margins have expanded in 1HFY23 for both the standalone and merged entity. Overall, the company remains on track to deliver FY22 margin neutrality for the combined entity
- The conversion rate across channels are improving which will further aid the premium growth
- Further, the growth in Return of Premium products is witnessing a robust growth.

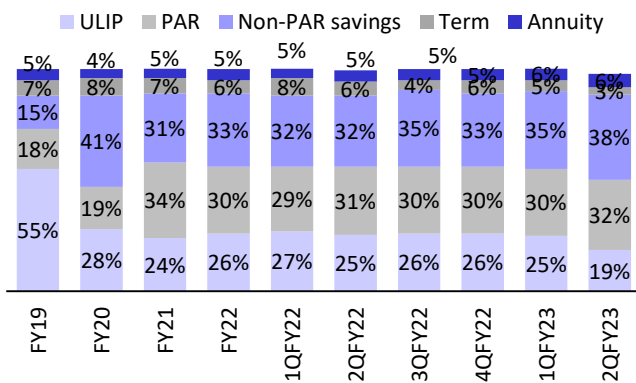
- The company is likely to grow in a calibrated manner in GTI while group credit life is witnessing a health growth.
- Group annuity for industry saw a decline while HDFC Life saw a marginal growth
- Within group credit, the share of LAP/Housing finance stands at 29% and MFI at 35% which is witnessing a healthy growth. Attachment rate too remain strong at 20-30%.

Distribution Mix

- Banca channel – Strong growth being witnessed in new relation like Bandhan, Yes and IDFC First bank. Further, the bank added India Post Payments Bank that will further aid the growth
- Agency channel – the company added ~24k agents in 1HFY23 and is focused on improving the activation and productivity levels
- Around 46-48% of the business comes from HDFC banca channel and the company is likely to keep this at ~50%.

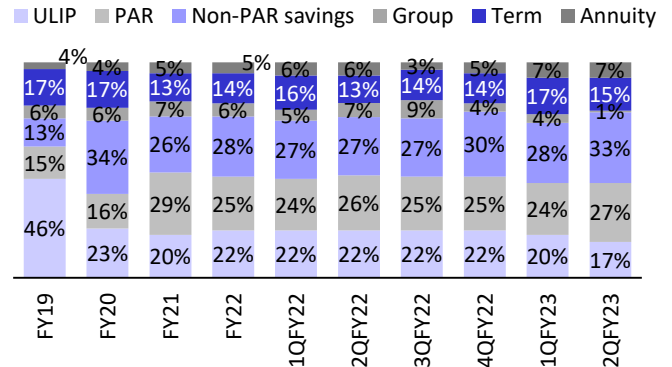
Key exhibits

Exhibit 1: Share of Non-PAR savings inches up to 38% of Individual APE



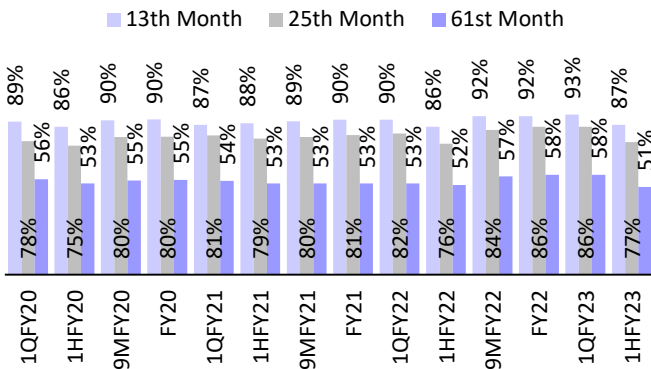
Source: MOFSL, Company

Exhibit 2: Share of Non-PAR Savings/Annuity/Protection at 33%/7%/15% of total APE, respectively



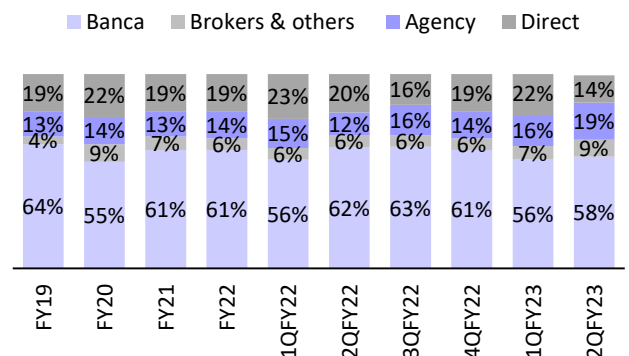
Source: MOFSL, Company

Exhibit 3: Persistency ratio across cohorts

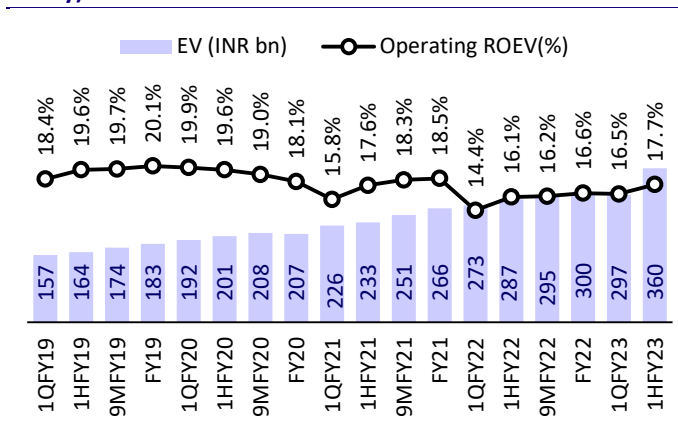


Source: MOFSL, Company
1HFY22 and 1HFY23 for merged entity

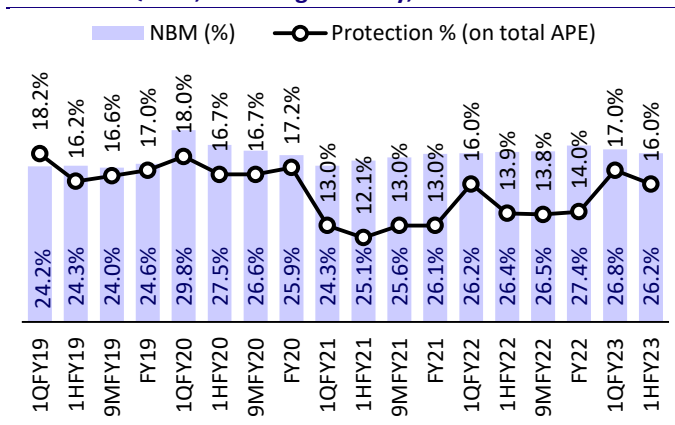
Exhibit 4: Share of banca improves after a few dull quarters



Source: MOFSL, Company

Exhibit 5: Operating RoEV steady at 17.7% (for pre-merged entity)

Source: MOFSL, Company

Exhibit 6: VNB margin for pre-merged entity improved to 27.6% in 2QFY23; For merged entity, it came in at 26.2%

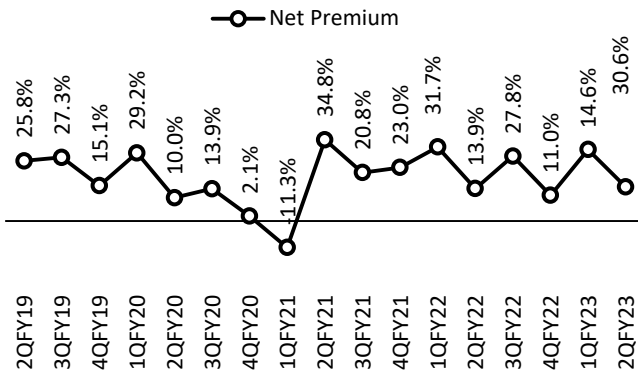
Source: MOFSL, Company

Valuation and view

- HDFCLIFE maintained market leadership as it is a top 3 life insurer in the industry with an Individual APE-based market share of ~16.1% in 2QFY23 among private insurers (v/s 8.0% in FY10).
- Product innovation has been a key differentiator and has played a critical role in driving business growth. Several of the company's savings products – such as Sanchay Plus and Sanchay-PAR Advantage – have seen strong traction.
- Non-PAR/Annuity is likely to witness healthy trends. Protection remains a long-term structural story, and the management will continue to leverage this opportunity on a prudent basis.
- We expect the share of high-margin products (Annuity, Non-PAR, and Protection) to increase, thus driving a gradual expansion in margin. We expect VNB margin to improve to ~29% by FY24.
- HDFCLIFE has delivered strong return ratios in the past few years, which should remain robust, driven by: a) healthy new business margin, b) a balanced product mix, c) quality underwriting, and d) robust persistency ratios.
- **Neutral, with a TP of INR600:** HDFCLIFE remains focused on maintaining a balanced product mix across businesses, with an emphasis on product innovation and superior customer service. In the near term, Non-PAR/Annuity is likely to witness healthy growth while retail protection should see a gradual recovery over 2HFY23. Credit life will lead growth in protection as momentum in disbursements across lending institutions is strong. Demand for ULIP remains muted due to volatile capital markets. Persistency trend improved across all cohorts for pre-merged entity. Further, HDFCLIFE has the scope to improve post-merger margins by bringing in efficiencies in the operations of Exide Life. We expect HDFCLIFE to deliver ~26% VNB CAGR over FY22-24 and estimate margin to remain ~29% by FY24. **We maintain our Neutral rating with a TP of INR600 (premised on 2.8x FY24E EV).**

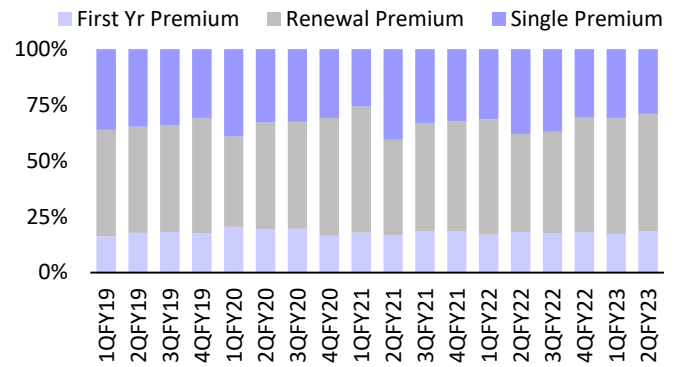
Story in charts

Exhibit 7: Net premium income rises ~31% YoY (due to Exide Life merger)



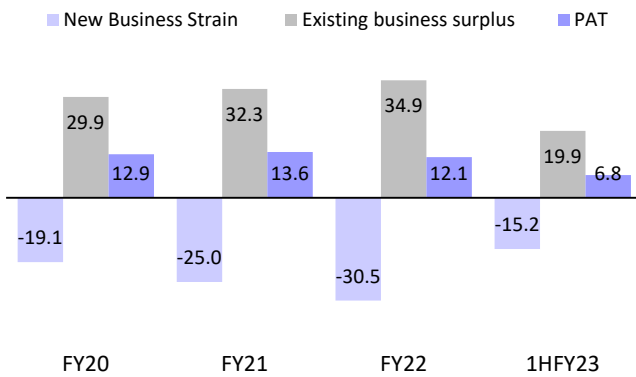
Source: MOFSL, Company

Exhibit 8: Proportion of premium trends among first year, single and renewal premium



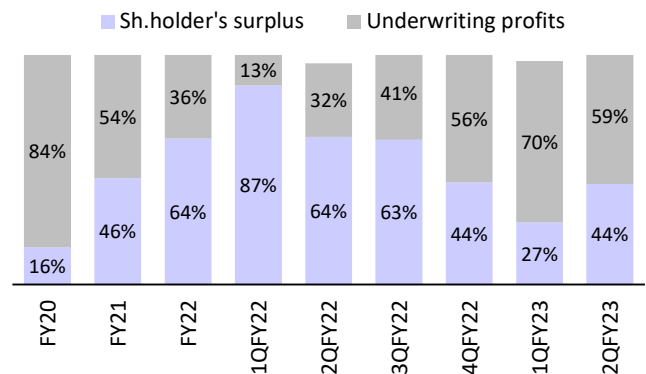
Source: MOFSL, Company

Exhibit 9: Trend in PAT, existing business surplus, and new business strain for pre-merged entity



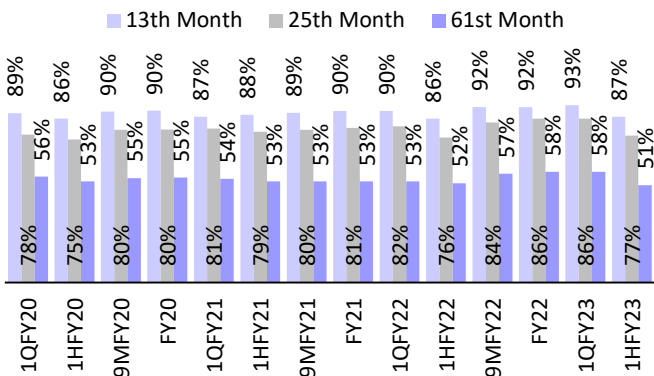
Source: MOFSL, Company

Exhibit 10: Trend in underwriting profit and shareholders' surplus



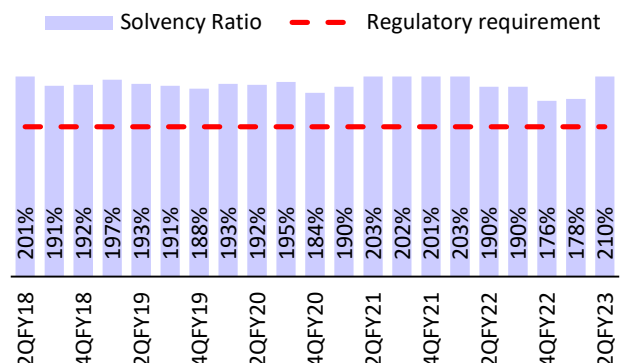
Source: MOFSL, Company

Exhibit 11: Persistency trends improve across cohorts YoY



Source: MOFSL, Company

Exhibit 12: Solvency ratio increases at 210% in 2QFY23



Source: MOFSL, Company

Financials and valuations

Technical account (INR b)	FY19	FY20	FY21	FY22	FY23E	FY24E
Gross Premiums	291.9	327.1	385.8	459.6	571.1	692.9
Reinsurance Ceded	(2.6)	(4.8)	(4.6)	(5.7)	(6.0)	(7.4)
Net Premiums	289.2	322.2	381.2	454.0	565.1	685.5
Income from Investments	90.3	(33.1)	326.8	192.2	197.9	227.0
Other Income	4.8	3.5	4.4	7.5	8.4	9.4
Total income (A)	384.4	292.6	712.4	653.6	771.4	921.9
Commission	11.2	14.9	17.1	19.4	25.0	30.8
Operating expenses	38.1	42.7	45.9	56.1	65.3	78.4
Total commission and opex	49.3	57.6	63.0	75.5	90.3	109.2
Benefits Paid (Net)	139.9	190.2	225.7	318.6	338.0	405.9
Change in reserves	175.1	24.4	408.3	246.8	332.0	393.5
Prov for doubtful debts	0.9	5.7	(1.9)	(2.5)	(3.2)	(3.8)
Total expenses (B)	365.2	277.9	695.1	638.4	757.1	904.7
(A) - (B)	19.2	14.7	17.3	15.1	14.3	17.2
Tax (incl GST)	5.7	5.0	6.3	5.5	4.7	4.3
Surplus / Deficit	13.5	9.7	11.0	9.6	9.7	12.9

Shareholder's a/c (INR b)	FY19	FY20	FY21	FY22	FY23E	FY24E
Transfer from technical a/c	12.1	11.9	9.9	10.1	11.2	14.4
Income From Investments	4.1	4.4	6.5	7.9	5.5	6.3
Total Income	16.4	16.5	16.4	18.0	16.8	20.7
Other expenses	0.3	0.3	0.6	0.8	0.9	1.0
Contribution to technical a/c	3.1	1.0	2.6	5.7	1.3	2.4
Total Expenses	3.5	3.4	2.8	6.2	2.2	3.4
PBT	12.9	13.1	13.5	11.8	14.6	17.3
Tax	(0.1)	(0.2)	0.1	0.3	(0.2)	(0.3)
PAT	12.8	13.0	13.6	12.1	14.4	17.1
Growth	15%	1%	5%	-11%	19%	19%

Premium (INR b) & growth (%)	FY19	FY20	FY21	FY22	FY23E	FY24E
NBP - unweighted	149.7	172.4	201.1	241.5	287.4	347.8
NBP - wrp	60.5	71.6	81.8	96.6	118.5	146.5
Renewal premium	142.1	154.7	184.8	218.1	283.7	345.1
Total premium - unweighted	291.9	327.1	385.8	459.6	571.1	692.9
NBP growth - unweighted	31.9%	15.1%	16.6%	20.1%	19.0%	21.0%
NBP growth - wrp	12.0%	18.4%	14.2%	18.1%	22.6%	23.6%
Renewal premium growth	16.4%	8.8%	19.4%	18.0%	30.1%	21.6%
Tot. premium growth - unweighted	23.9%	12.1%	18.0%	19.1%	24.3%	21.3%

Premium mix (%)	FY19	FY20	FY21	FY22	FY23E	FY24E
New business - un weighted						
- Individual mix	51.1%	48.8%	49.9%	48.0%	65.0%	67.0%
- Group mix	48.9%	51.2%	50.1%	52.0%	35.0%	33.0%
New business mix - WRP						
- Participating	14.4%	15.9%	28.8%	25.2%	26.9%	26.1%
- Non-participating	38.5%	59.5%	49.9%	51.7%	40.7%	40.5%
- ULIPs	47.1%	24.5%	21.3%	23.1%	32.4%	33.3%
Total premium mix - un weighted						
- Participating	20.0%	18.5%	19.8%	19.7%	40.0%	40.0%
- Non-participating	41.2%	47.3%	51.0%	54.1%	12.8%	12.8%
- ULIPs	38.8%	34.2%	29.1%	26.2%	47.2%	47.2%

Indi premium sourcing mix (%)	FY19	FY20	FY21	FY22	FY23E	FY24E
Individual agents	13.8%	13.3%	12.3%	13.2%	17.0%	18.0%
Corporate agents-Banks	46.7%	41.8%	45.8%	44.5%	46.6%	46.5%
Direct business	31.8%	35.0%	32.9%	32.9%	29.0%	28.0%
Others	7.8%	9.9%	9.0%	9.4%	7.4%	7.5%

Financials and valuations

Balance sheet (INR b)	FY19	FY20	FY21	FY22	FY23E	FY24E
Sources of Fund						
Share Capital	20.2	20.2	20.2	21.2	21.2	21.2
Reserves And Surplus	36.4	49.7	64.1	132.9	143.0	154.8
Shareholders' Fund	56.6	68.0	86.4	154.9	165.0	176.8
Policy Liabilities	536.7	652.7	855.2	1,043.4	1,324.9	1,641.8
Prov. for Linked Liab.	605.2	508.4	709.6	765.2	858.7	955.0
Funds For Future App.	39.5	42.2	47.9	50.4	59.4	70.2
Current liabilities & prov.	51.2	49.8	65.2	62.3	81.0	105.3
Total	1,300.3	1,321.6	1,795.8	2,103.9	2,489.0	2,949.1
Application of Funds						
Shareholders' invt	50.5	58.6	85.4	152.4	182.9	219.4
Policyholders' invt	571.2	671.9	905.4	1,083.1	1,346.1	1,666.8
Assets to cover linked liab.	633.8	541.8	747.6	806.2	882.8	966.7
Loans	1.1	3.0	4.2	6.4	8.0	9.9
Current assets	40.4	43.1	49.8	52.3	65.4	81.8
Total	1,300.3	1,321.6	1,795.8	2,103.9	2,489.0	2,949.1

Operating ratios (%)	FY19	FY20	FY21	FY22	FY23E	FY24E
Investment yield	7.5%	-2.7%	19.8%	10.2%	8.9%	8.6%
Commissions / GWP	3.8%	4.6%	4.4%	4.2%	4.4%	4.4%
- first year premiums	15.5%	17.9%	18.5%	17.0%	19.8%	19.7%
- renewal premiums	1.5%	1.6%	1.5%	1.5%	1.5%	1.5%
- single premiums	1.2%	1.3%	1.0%	1.3%	0.5%	0.5%
Operating expenses / GWP	13.1%	13.0%	11.9%	12.2%	11.4%	11.3%
Total expense ratio	16.9%	17.6%	16.3%	16.4%	15.8%	15.8%
Claims / NWP	46.4%	56.4%	57.1%	66.3%	56.0%	55.4%
Solvency ratio	188%	184%	201%	176%	206%	196%

Persistency ratios (%)	FY19	FY20	FY21	FY22	FY23E	FY24E
13th Month	87.2%	90.1%	90.0%	92.0%	92.8%	93.1%
25th Month	80.5%	80.2%	81.0%	86.0%	87.2%	87.7%
37th Month	72.0%	73.8%	71.0%	79.0%	80.5%	80.9%
49th Month	67.7%	67.2%	67.0%	69.0%	74.6%	76.3%
61st Month	52.3%	55.0%	53.0%	58.0%	59.2%	62.6%

Profitability ratios (%)	FY19	FY20	FY21	FY22	FY23E	FY24E
VNB margin (%)	24.6%	25.9%	26.1%	27.4%	27.5%	29.1%
RoE (%)	24.5%	20.8%	17.6%	10.0%	9.0%	10.0%
Operating ROEV	20.1%	18.2%	18.5%	16.5%	18.4%	19.7%
RoEV (%)	20.3%	12.9%	28.9%	23.8%	17.0%	18.3%

Valuation & key data	FY19	FY20	FY21	FY22	FY23E	FY24E
Total AUMs (INR b)	1,256	1,272	1,738	2,042	2,484	2,853
- of which equity AUMs (%)	38%	29%	36%	37%	38%	39%
Dividend %	16%	0%	0%	17%	20%	25%
Dividend payout ratio (%)	31%	0%	0%	0%	29%	31%
EPS, INR	6.3	6.4	6.7	5.7	6.8	8.1
VNB (INRb)	15.40	19.18	21.85	26.74	32.6	42.6
Embedded Value (INR b)	182.7	206.3	266.2	329.4	385.5	455.9
EV per share (INR)	86.4	97.5	125.8	155.7	182.2	215.4
VIF as % of EV	68%	65%	66%	64%	74%	76%
P/VIF (%)	9.2	8.5	6.5	5.4	4.0	3.3
P/AUM (%)	91%	90%	66%	56%	46%	40%
P/EV (x)	6.3	5.6	4.3	3.5	3.0	2.5
P/EPS (x)	85.6	84.5	80.6	95.1	79.9	67.2
P/EVOP (x)	37.5	34.6	30.0	26.1	18.9	15.1
P/VNB (x)	74.6	59.9	52.6	42.9	35.2	26.9

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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MOFSL is a subsidiary company of Passionate Investment Management Pvt. Ltd.. (PIMPL). MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL),NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act") and together with the 1934 Act, the "Acts), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co.Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore.As per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

Specific Disclosures

- 1 MOFSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
- 2 MOFSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
- 3 MOFSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
- 4 MOFSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
- 5 Research Analyst has not served as director/officer/employee in the subject company
- 6 MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 7 MOFSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
- 8 MOFSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
- 9 MOFSL has not received any compensation or other benefits from third party in connection with the research report
- 10 MOFSL has not engaged in market making activity for the subject company

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company
- received compensation/other benefits from the subject company in the past 12 months
- other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alterations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 71934200/ 022-71934263; Website www.motilaloswal.com.CIN no.: L67190MH2005PLC153397. Correspondence Office Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad(West), Mumbai- 400 064. Tel No: 022 7188 1000.

Registration Nos.: Motilal Oswal Financial Services Limited (MOFSL)*: INZ000158836(BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN - 146822; Investment Adviser: INA000007100; Insurance Corporate Agent: CA0579;PMS:INP000006712. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP00000670); PMS and Mutual Funds are offered through MOAMC which is group company of MOFSL. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) is offered through MOWML, which is a group company of MOFSL. Motilal Oswal Financial Services Limited is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance Products and IPOs. Real Estate is offered through Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. which is a group company of MOFSL. Private Equity is offered through Motilal Oswal Private Equity Investment Advisors Pvt. Ltd which is a group company of MOFSL. Research & Advisory services is backed by proper research. Please read the Risk Disclosure Document prescribed by the Stock Exchanges carefully before investing. There is no assurance or guarantee of the returns. Investment in securities market is subject to market risk, read all the related documents carefully before investing. Details of Compliance Officer: Name: Neeraj Agarwal, Email ID: na@motilaloswal.com, Contact No.:022-71881085.

* MOSL has been amalgamated with Motilal Oswal Financial Services Limited (MOFSL) w.e.f August 21, 2018 pursuant to order dated July 30, 2018 issued by Hon'ble National Company Law Tribunal, Mumbai Bench.