

Life Insurance Corporation

Estimate change	↑
TP change	↑
Rating change	↔

CMP: INR665

TP: INR870 (+31%)

BUY

Profitability surges; APE and VNB trajectory on a strong footing Gradual diversification in the product and channel mix underway

Bloomberg	LICI IN
Equity Shares (m)	6,325
M.Cap.(INRb)/(USDb)	4204.9 / 51.7
52-Week Range (INR)	920 / 588
1, 6, 12 Rel. Per (%)	2/-/-
12M Avg Val (INR M)	1950

Financials & Valuations (INR b)

Y/E MARCH	FY22	FY23E	FY24E
Net Premiums	4,295	4,939	5,444
Surplus / Deficit	57.2	215.6	144.9
Sh. PAT	41.2	215.0	143.0
NBP gr- unwt'd (%)	7.9	27.0	12.0
NBP gr - APE (%)	8.0	26.5	14.7
Premium gr (%)	6.1	15.5	10.2
VNB margin (%)	15.1	15.7	16.4
RoEV (%)	NM	8.4	11.8
Total AUMs (INRt)	39.4	42.4	47.9
VNB (INRb)	76.2	105.3	125.7
EV per share	856.1	928.0	1,037.4

Valuations

P/EV (x)	0.8	0.7	0.6
P/EVOP (x)	7.5	6.2	6.6

Shareholding pattern (%)

As On	Sep-22	Jun-22	Mar-22
Promoter	96.5	96.5	100.0
DII	0.9	0.9	0.0
FII	0.2	0.1	0.0
Others	2.4	2.5	0.0
FII Includes depository receipts			

- LIC reported a strong financial performance in 2QFY23, with a 48% YoY growth in APE to INR252b in 1HFY23. VNB grew 132% YoY to INR36.8b as VNB margin improved by 530bp to 14.6% in 1HFY23. VNB margin rose 160bp QoQ to 15.2% in 2QFY23. Shareholder PAT rose 10x YoY to INR159b in 2QFY23 due to the INR143b transfer from non-PAR to the shareholders' account as it relates to accretion on available solvency margin.
- The Individual/Group business constituted 53%/47% of APE in 1HFY23. Within the Individual business, the share of PAR products remained stable ~92%. In terms of NBP, the share of PAR products was lower at 68%. Annuity/Pension and ULIPs constituted the bulk of the residual at 24%/6%. We expect the momentum to sustain led by incremental focus and the introduction of new products.
- The 160bp QoQ increase in VNB margin was due to higher margin in the Group segment and Individual PAR business. However, the same was partially offset by a 470bp QoQ decline in margin in the individual Non-PAR segment, led by a revision in Annuity rates to make it more competitive v/s its peers. Within the Group segment, a higher share of Annuity drove the 230bp QoQ expansion in margin to 17.6% in 1HFY23.
- We raise our FY23/FY24 VNB margin higher by ~160bp/~180bp to 15.7%/16.4%, and raise our VNB estimate by 24%/28%. We now expect LIC to deliver a 20% CAGR in APE over FY22-24, thus enabling 28% VNB CAGR. We expect operating RoEV to remain modest at 11.8%, given its lower margin profile than private peers. **We maintain our Buy rating.**

EV compounding remains soft; the share of banca on the rise

- LIC reported a 27% YoY growth in net premium, led by a 53%/2% growth in the New/Renewal business. Total NBP grew 51% YoY to INR780b in 2QFY23, led by 71% growth in the Group segment. However, the same was partially offset by a 2% YoY decline in Individual NBP.
- On an NBP basis, the business mix was stable, with the share of PAR products marginally lower QoQ at 68%. Annuity/Pension and ULIP formed the bulk of the residual at 24%/6%. Term products contributed only 0.4%.
- Sales (Individual NBP) in banca and the alternate channel grew 63% YoY to INR8.3b in 1HFY23. This channel now contributes 3.4% to overall sales v/s 2.3% in 1HFY22. Incremental focus and a wider product offering will continue to drive higher sales from this channel.
- Growth in the agency channel (Individual NBP) was soft (down 3% YoY) at INR130b. However, LIC is continuously training its agents to sell non-PAR products. The agency channel contributed 96% to individual NBP in 1HFY23.
- EV growth stood flat YoY at INR5.4t, and thus remains a concern. As contribution of VNB to EV is marginal, we need to monitor other variables for a better understanding of the EV drivers.

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

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

Highlights from the management commentary

- The management aims to achieve a product mix of 75:25 between PAR and the non-PAR business in a couple of years.
- Moderation in margin in the Individual Non-PAR business is due to the re-pricing of Annuity to make it more competitive v/s its peers.
- In line with its strategy of launching only Non-PAR products, three new products were launched in 1HFY23. This includes LIC Bima Ratna, LIC Dhan Sanchay, and LIC Pension Plus.

Valuation and view

LICI has all the levers in place to maintain its industry-leading position and ramp up growth in the highly profitable product segments (mainly Protection, Non-PAR Savings, and Annuity). However, changing gears for such a vast organization requires a superior and a well-thought out execution. We expect 20% APE CAGR over FY22-24, thus enabling 28% VNB CAGR. However, we expect operating RoEV to remain modest at 11.8%, given its lower margin profile than private peers. Valuation at 0.6x FY24E EV appears reasonable, considering the gradual recovery in margin and diversification in the business mix. **We maintain our Buy rating with a revised TP of INR870 (0.8x FY24E EV).**

Quarterly performance**(INR b)**

Policy holder's A/c (INRb)	FY22				FY23		FY22	FY23E
	1Q	2Q	3Q	4QE	1Q	2Q		
First year premium	50.9	82.0	87.5	146.1	74.3	91.2	368.8	462.3
Growth (%)	-27%	2%	10%	33%	46%	11%	7%	25%
Renewal premium	462.0	549.1	568.2	711.6	502.6	561.6	2,304.2	2,418.3
Growth (%)	14%	-1%	3%	5%	9%	2%	5%	5%
Single premium	305.5	413.5	321.9	582.0	408.0	669.0	1,628.1	2,064.1
Growth (%)	3%	-5%	-6%	34%	34%	62%	8%	27%
Net premium income	817.2	1,043.3	976.2	1,437.5	983.5	1,321.0	4,295.0	4,938.6
Growth (%)	6%	-3%	1%	18%	20%	27%	6%	15%
PAT	0.0	14.3	2.3	23.7	6.8	159.5	41.2	215.0
Growth (%)	7%	NM	NM	-18%	NM	NM	39%	421%
Key metrics (INRb)								
New business APE	NA	NA	NA	NA	102.7	149.6	528.8	668.7
Growth (%)	NA	NA	NA	NA	NA	NA	8%	26%
VNB	NA	NA	NA	NA	14.0	22.8	76.2	105.3
Growth (%)	NA	NA	NA	NA	NA	NA	83%	38%
AUM (INRt)	38.1	NA	NA	NA	41.0	42.9	39.4	42.4
Growth (%)	NA	NA	NA	NA	8%	NA	7%	8%
Key Ratios (%)								
Key metrics (INRb)								
VNB Margins (%)	NA	NA	NA	NA	13.6	15.2	15.1	15.7
Solvency ratio (%)	173.3	183.4	177.0	185.0	188.5	188.0	185.0	337.7

Quarterly snapshot

	FY21				FY22				FY23		Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	YoY	QoQ
Net premium income	771.8	1,071.9	968.4	1,216.3	817.2	1,043.3	976.2	1,437.5	983.5	1,321.0	27	34
First year premium	69.9	80.2	79.6	109.6	50.9	82.0	87.5	146.1	74.3	91.2	11	23
Renewal premium	406.9	557.2	549.9	674.6	462.0	549.1	568.2	711.6	502.6	561.6	2	12
Single premium	295.6	435.0	340.6	433.7	305.5	413.5	321.9	582.0	408.0	669.0	62	64
Investment income	604.6	725.0	783.6	674.4	722.9	765.3	765.7	675.0	695.7	841.0	10	21
Total income (A)	1,377.7	1,798.9	1,753.7	1,891.8	1,541.5	1,862.8	1,745.9	2,114.5	1,688.8	2,222.2	19	32
Commission paid	37.7	53.4	55.8	74.8	41.9	55.6	56.8	77.4	50.3	58.1	4	16
First year premium	14.1	20.5	22.2	32.9	15.1	22.8	24.0	35.4	20.7	24.1	6	17
Renewal premium	20.6	28.5	29.6	35.5	23.4	28.4	30.4	36.4	25.9	28.8	1	11
Single premium	0.7	2.1	1.6	1.2	0.6	1.3	1.4	1.6	0.9	1.2	-8	41
Operating expense	76.8	79.5	101.9	91.7	87.8	100.3	83.4	117.4	93.4	183.1	83	96
Total commission & Opex	114.6	132.8	157.7	166.5	129.7	155.9	140.2	194.8	143.7	241.2	55	68
Benefits paid	475.2	663.3	687.0	1,025.2	644.5	854.5	850.4	1,219.5	686.6	842.7	-1	23
Bonus paid	4.6	6.2	7.3	0.0	5.7	0.0	0.0	0.0	0.0	0.0	NA	NA
Total Expenses (B)	1,361.4	1,775.1	1,724.1	1,852.7	1,525.8	1,719.3	1,745.3	2,084.8	1,638.5	2,018.4	17	23
PBT	16.3	23.8	29.6	39.1	15.8	143.5	0.5	29.7	50.3	203.7	42	305
Tax	16.3	23.8	29.6	10.2	15.8	31.7	31.7	-0.4	14.0	54.0	70	285
Surplus/(Deficit)	0.0	0.0	0.0	28.9	0.0	111.8	-31.1	30.1	36.2	149.7	34	313
Shareholder A/c												
Trf from Policyholder a/c	0.0	0.0	0.0	28.9	0.0	67.7	1.9	22.8	13.6	150.4	122	1,009
Investment Income	0.0	0.1	0.0	0.1	0.0	0.4	0.8	0.8	1.5	1.5	270	0
Other income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NA	NA
Total income	0.0	0.1	0.0	29.0	0.0	68.1	2.6	23.6	15.0	151.9	123	910
Other expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-26	-11
Amounts trf to P/H account	0.0	0.0	0.0	0.0	0.0	53.7	0.0	0.1	8.0	-7.9	-115	-199
PBT	0.0	0.1	0.0	29.0	0.0	14.5	2.6	23.5	7.0	159.7	1,004	2,168
Tax	0.0	0.0	0.0	0.0	0.0	0.1	0.3	-0.2	0.2	0.2	59	2
PAT	0.0	0.0	0.0	28.9	0.0	14.3	2.3	23.7	6.8	159.5	1,013	2,236
Total APE (calculated)	99.5	123.7	113.6	152.9	81.4	123.3	119.7	204.3	115.1	158.1	28	37
Key Ratios (%)												
Operating ratios												
Commission (unwtd)	4.9	5.0	5.8	6.1	5.1	5.3	5.8	5.4	5.1	4.4	-93	-71
Opex (unwtd)	9.9	7.4	10.5	7.5	10.7	9.6	8.5	8.2	9.5	13.9	425	437
Total Cost	14.8	12.4	16.3	13.7	15.9	14.9	14.3	13.5	14.6	18.2	332	366
Solvency ratio	NA	164.8	164	176	173	183	177	185	189	188	463	-54
Profitability ratios												
VNB margins	NA	NA	NA	NA	NA	9.3	NA	NA	13.6	15.2	594	164
Op. ROEV	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Persistency ratios												
13th Month	NA	80.6	81.2	78.8	72.5	78.8	76.8	75.6	75.8	70.5	-825	-523
25th Month	NA	75.9	75.5	70.0	66.5	70.9	71.7	73.5	67.8	63.9	-706	-393
37th Month	NA	72.8	72.4	66.9	62.6	67.6	67.8	66.6	64.3	60.6	-696	-370
49th Month	NA	67.6	68.2	63.1	59.9	64.8	65.0	63.9	60.8	57.0	-779	-380
61st Month	NA	63.1	63.0	58.8	56.0	60.6	61.9	61.0	59.0	55.8	-474	-316
Key Metrics (INR b)												
VNB	NA	NA	NA	NA	NA	30.6	NA	NA	18.6	29.8	-3	60
EV	NA	NA	NA	NA	NA	5,396.9	NA	5,414.9	NA	5,442.9	1	NA
EVOP	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
AUM	NA	NA	NA	NA	38,134	0	NA	NA	41,020	42,938	NA	5

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



Highlights from the management commentary

With respect to business performance, product and distribution mix

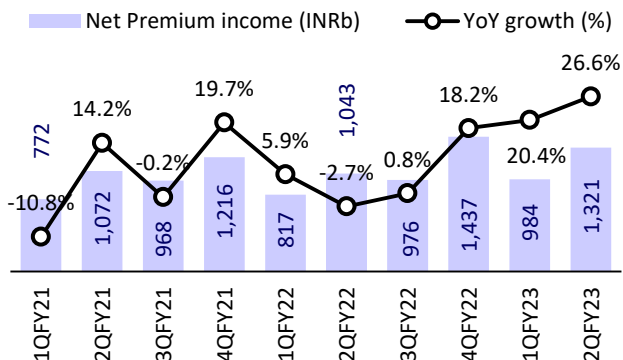
- LIC has consistently increased market share on a month on month basis since the beginning of calendar year 2022. Currently, it stands at 68% of First Year Premium in 1HFY23 compared to 63% in FY22
- As a result, market share has improved to 42% in Individual business and 81% in Group business (on a similar basis)
- In line with strategy of launching only non-par products, 3 new products were launched in 1HFY23. This includes LIC Bima Ratna, LIC Dhan Sanchay and LIC Pension Plus
- LIC had also launched 1 new group rider during 1QFY23
- Within individual business, share of non-par has increased to 9% of APE compared to 7% in FY22
- The aspiration of LIC is to reach a mix of 75-25% between par-non-par business in a couple of years
- ULIP grew 79% YoY to INR15b while non-par savings/annuity grew 251%/7% YoY to INR2b/50b
- Revision in rates in annuity to gain market share has led to moderation in margin. This was primarily due to correction of divergence in rates offered by LIC compared to competition.
- LIC will also focus on ULIPs as it is a low capital intensive business
- In some flagship product, top end IRR is 6% to policyholder
- Within group segment, 60% is fund based business and 40% comes from other segments
- PAT has increased due to transfer of INR143b from non-par to shareholders account as it relates to accretion on available solvency margin
- LIC also made a provision INR11.5b on account of wage revision from 1 Oct 2022
- LIC has 53.6% of total industry agents
- Banca and other channel contributed 3.37% in 1HFY23 vs. 2.31% in 1HFY22 (on a premium basis)
- Death claims are lower by 45% in 1HFY23
- LIC maintains Covid reserves as it is. It will look at reversing it at an appropriate time
- Focus of LIC will be to ensure value creation for policyholder as well as shareholder

With respect to VNB margin

- VNB margin came in at 14.6% (net) in 1HFY23 compared to 9.3% for 1HFY22
- The increase in margin in Group business is due to a higher proportion of annuity business within group segment
- The moderation in margin in Individual non-par business is due to re-pricing of annuity to make it more competitive vs. peers
- The impact of change in assumptions on VNB margin is primarily due to change in risk free rate
- It is also important to look at the absolute level/growth of VNB and not margin exclusively
- LIC expects EV compounding to be higher in future
- Unwind rate in the long term should be in the 8-9% range

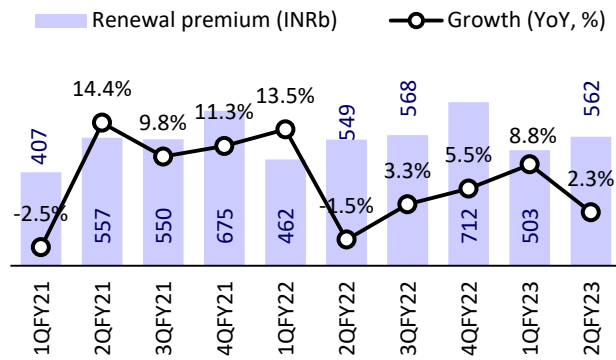
Key exhibits

Exhibit 1: Net premium income grew 27% YoY in 2QFY23



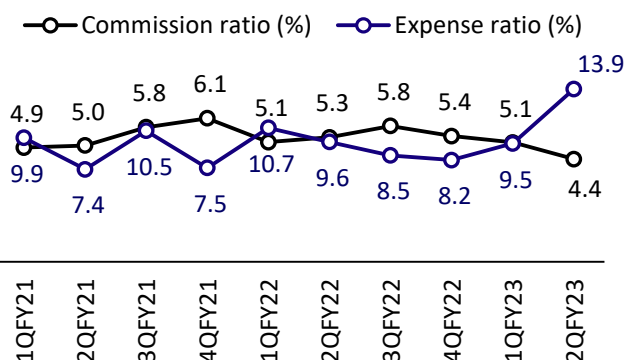
Source: MOFSL, Company

Exhibit 2: Renewal book growth was muted at 2% in 2QFY23



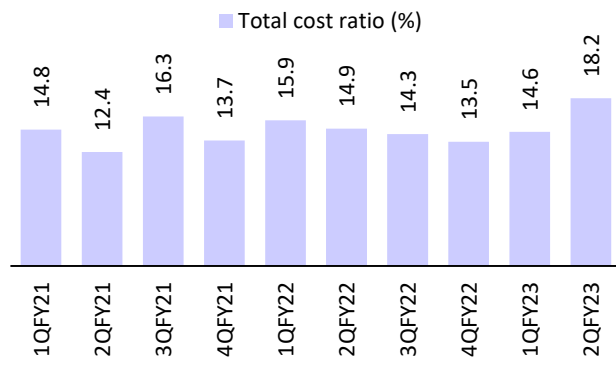
Source: MOFSL, Company

Exhibit 3: Commission ratio fell QoQ but expense ratio increased



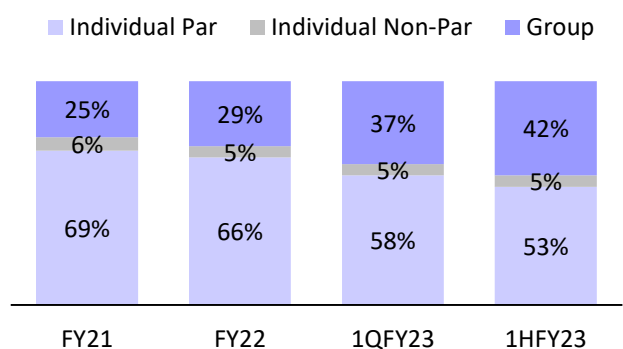
Source: MOFSL, Company

Exhibit 4: Total cost ratio inched up QoQ to 18.2%



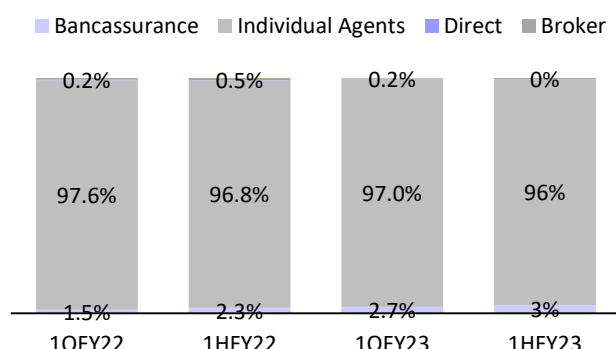
Source: MOFSL, Company

Exhibit 5: Individual forms 58% of total APE in 1HFY23; 92% of individual APE comes from par products



Source: MOFSL, Company

Exhibit 6: Share of banca has increased to 3.4% in 1HFY23; Incremental focus and expanded product suite to further drive this



Source: MOFSL, Company; Distribution mix based on individual NBP

Valuation and view

- We expect margins of LIC to rise aided by improving mix of non-PAR and higher profit retention for shareholders. Retention will increase to 10% in PAR business by FY25E from 5% earlier, besides retaining the complete profits in non-PAR business.
- A large EV base, however, reduces the significance of incremental build-up of new book as it is always going to be a marginal contribution. Therefore, even

significant changes in our assumptions will not dramatically alter the EV trajectory. However, it will be relevant to accord a suitable multiple.

- Despite expansion, LIC's VNB margin will be <1/2 of top private peers and therefore we expect the valuation gap to sustain. A stronger-than-expected growth in non-PAR savings and protection can however, lead to a faster normalization of the margin and can result in narrowing of valuation gap
- **Maintain Buy, with a TP of INR870/share:** LIC has all the levers in place to maintain its industry-leading position and ramp up growth in the highly profitable product segments (mainly Protection, Non-PAR, and Savings Annuity). However, changing gears for such a vast organization requires a superior and a well thought out execution. We expect LIC to deliver a 20% CAGR in APE over FY22-24, thus enabling 28% VNB CAGR. However, we expect operating RoEV to remain modest at 11.8%, given its lower margin profile than private peers. LIC's valuation at 0.6x FY24E EV, appears reasonable, considering the gradual recovery in margin and diversification in the business mix. **We maintain our Buy rating with a revised TP of INR870 (0.8x FY24E EV).**

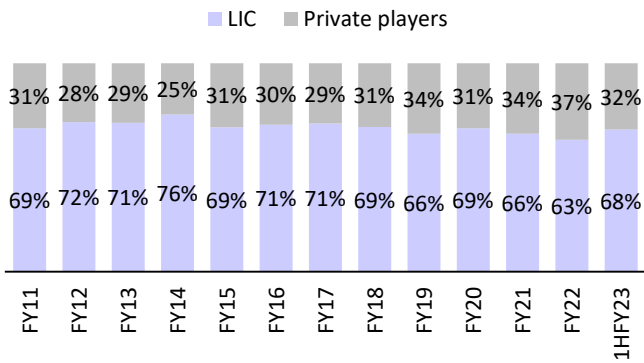
Exhibit 7: Following a surge in profitability and strong growth in topline, we revise our estimates for FY23/24E

INR b	Old Est.		Revised Est.		Change (%/bp)	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Net Premiums	4,654	5,015	4,939	5,444	6.1	8.6
PAT	74.7	111.5	215.0	143.0	187.8	28.3
Key Metrics						
VNB	85.2	98.6	105.3	125.7	23.6	27.5
EV	5,907	6,638	5,870	6,562	-0.6	-1.1
Ratios						
VNB margin (%)	14.2	14.6	15.7	16.4	156	181
Op. ROEV	11.7	11.2	12.5	10.8	80	-44
RoEV (%)	9.1	12.4	8.4	11.8	-70	-57

Source: MOFSL, Company

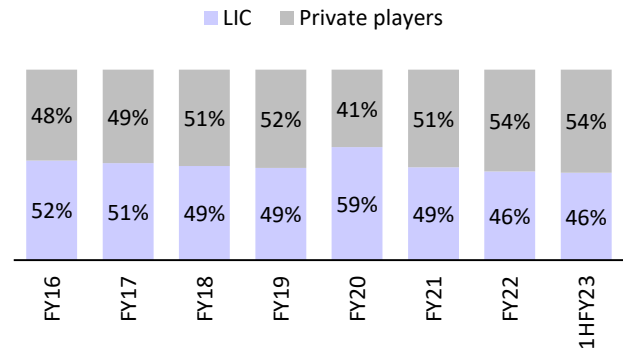
Story in charts

Exhibit 8: Despite rising competition, LICI dominates the industry NBP with 68% market share (%)



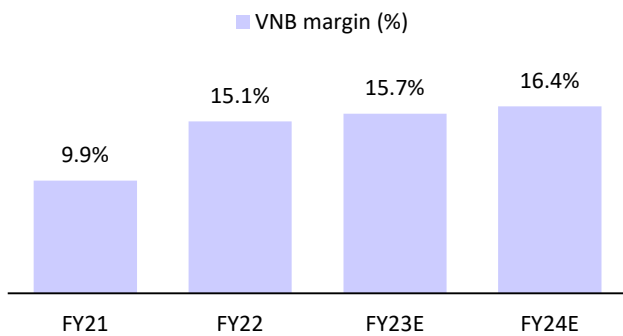
Source: MOFSL, Company

Exhibit 9: In terms of APE, LICI has a lower market share due to high focus on single premium products (%)



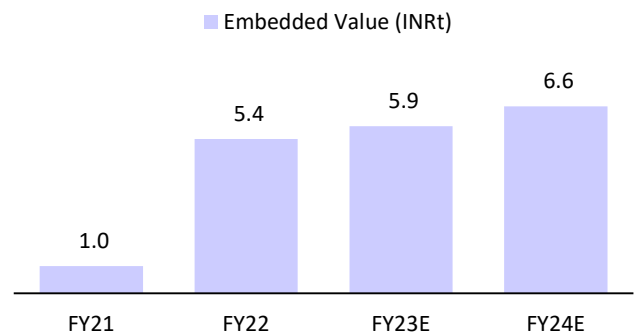
Source: MOFSL, Company

Exhibit 10: VNB margin to continue northward trajectory and reach 16.4% by FY24E



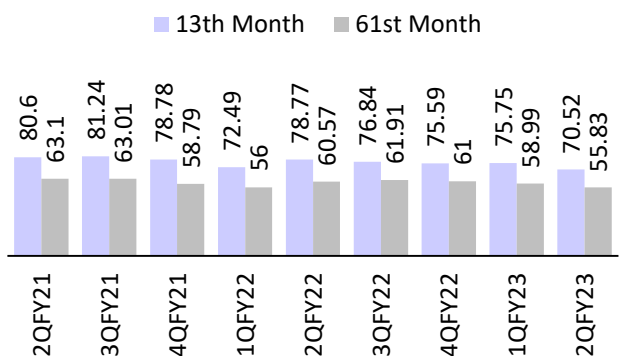
Source: MOFSL, Company

Exhibit 11: We expect EV compounding to be slower at 10% CAGR between FY22-24E due to lower margin profile vs. peers



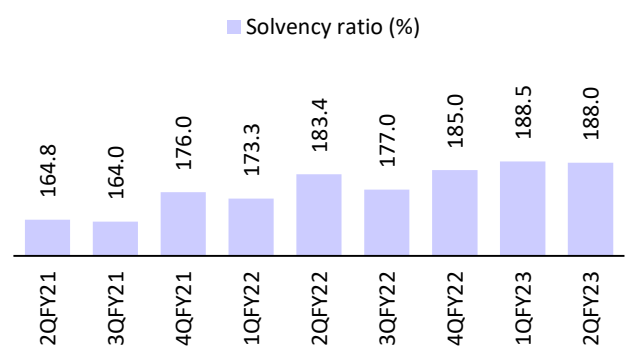
Source: MOFSL, Company

Exhibit 12: Persistency ratio softened QoQ in key cohorts



Source: MOFSL, Company

Exhibit 13: Solvency ratio remains flat QoQ at 188%



Source: MOFSL, Company

Financials and valuations

Technical account (INR b)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Gross Premiums	3,182.2	3,402.9	3,828.1	4,058.5	4,301.2	4,944.7	5,450.9
Reinsurance Ceded	(3.7)	(3.2)	(3.4)	(4.5)	(6.2)	(6.1)	(6.6)
Net Premiums	3,178.5	3,399.7	3,824.8	4,054.0	4,295.0	4,938.6	5,444.3
Income from Investments	2,049.6	2,250.4	2,428.4	2,855.2	2,941.1	3,501.9	4,043.8
Other Income	8.0	57.9	202.9	127.9	8.2	8.0	9.2
Total income (A)	5,236.1	5,708.1	6,456.1	7,037.1	7,244.3	8,448.5	9,497.3
Commission	182.3	204.8	215.5	223.6	233.1	273.9	304.3
Operating expenses	301.4	283.3	344.3	351.6	390.2	397.7	431.2
Total commission and opex	483.7	488.1	559.7	575.2	623.3	671.6	735.4
Benefits Paid (Net)	1,981.2	2,540.3	2,571.5	2,907.2	3,595.1	3,759.7	4,113.6
Change in reserves	2,606.9	2,442.8	2,875.2	3,215.8	2,981.7	3,581.0	4,202.6
Prov for doubtful debts (inc other exp)	64.0	204.3	441.8	207.7	(93.7)	67.6	78.8
Total expenses (B)	5,135.7	5,675.6	6,448.3	6,905.8	7,106.4	8,079.9	9,130.5
(A) - (B)	100.4	32.5	7.7	131.3	137.9	368.6	366.8
Tax (incl GST)	76.2	56.7	109.2	92.6	80.6	153.0	221.9
Surplus / Deficit	24.2	(24.2)	(101.5)	38.6	57.2	215.6	144.9
Shareholder's a/c (INR b)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Transfer from technical a/c	24.2	26.0	27.0	29.6	38.8	212.7	140.7
Income From Investments	0.4	0.5	0.4	0.2	2.1	2.3	2.5
Total Income	24.6	26.4	27.3	29.9	42.0	215.0	143.1
Other expenses	0.0	0.0	0.1	0.0	0.3	0.3	0.3
Contribution to technical a/c	-	0.0	0.1	0.0	0.1	0.1	0.1
Total Expenses	0.0	0.0	0.1	0.1	0.4	0.4	0.4
PBT	24.6	26.4	27.2	29.8	41.6	214.6	142.7
Tax	0.1	0.1	0.1	0.1	0.4	0.4	0.3
PAT	24.5	26.3	27.1	29.7	41.2	215.0	143.0
Growth	10%	7%	3%	10%	39%	421%	-34%
Premium (INR b) and growth (%)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
NBP - unweighted	1,346.7	1,423.4	1,782.8	1,844.3	1,989.3	2,526.4	2,829.6
NBP - wrp	388.0	424.3	699.9	489.8	528.8	668.7	766.8
Renewal premium	1,835.5	1,951.7	2,011.1	2,188.6	2,290.9	2,418.3	2,621.3
Total premium - unweighted	3,182.2	3,375.1	3,793.9	4,032.9	4,280.2	4,944.7	5,450.9
NBP growth - unweighted	8.1%	5.7%	25.3%	3.5%	7.9%	27.0%	12.0%
NBP growth - wrp	7.4%	9.4%	65.0%	-30.0%	8.0%	26.5%	14.7%
Renewal premium growth	4.3%	6.3%	3.0%	8.8%	4.7%	5.6%	8.4%
Premium growth - unweighted	5.9%	6.1%	12.4%	6.3%	6.1%	15.5%	10.2%
Premium mix (%)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
New business - un weighted							
- Individual mix	38.5%	35.9%	28.9%	30.6%	27.6%	31.5%	32.0%
- Group mix	61.5%	64.1%	71.1%	69.4%	72.4%	68.5%	68.0%
New business mix - WRP							
- Participating	67.5%	65.2%	42.6%	57.3%	56.1%	55.1%	54.3%
- Non-participating	32.3%	34.7%	57.3%	42.3%	43.4%	44.4%	45.2%
- ULIPs	0.2%	0.1%	0.1%	0.4%	0.5%	0.5%	0.5%
Total premium mix - un weighted							
- Participating	67.0%	66.8%	60.1%	60.7%	59.7%	55.7%	55.0%
- Non-participating	32.7%	32.9%	39.7%	39.0%	39.8%	43.6%	44.5%
- ULIPs	0.3%	0.2%	0.2%	0.3%	0.5%	0.7%	0.5%
Indi premium sourcing mix (%)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Individual agents	95.6%	95.8%	94.7%	93.8%	96.2%	92.5%	91.5%
Corporate agents-Banks	2.6%	2.5%	2.8%	3.1%	2.6%	3.6%	4.0%
Direct business	1.6%	1.5%	1.9%	2.2%	0.3%	2.8%	3.1%
Others	0.2%	0.2%	0.6%	0.9%	0.8%	1.1%	1.4%

Financials and valuations

Balance Sheet	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Sources of Fund							
Share Capital	1.0	1.0	1.0	1.0	63.2	63.2	63.2
Reserves And Surplus	5.3	8.0	8.9	67.1	49.2	250.3	375.9
Shareholders' Fund	6.5	9.0	11.0	69.8	114.6	316.0	441.9
Policy Liabilities	25,335.6	28,056.9	31,028.2	34,207.3	37,278.9	39,467.3	44,594.4
Prov. for Linked Liab.	509.2	416.5	325.4	329.6	239.1	409.8	422.1
Funds For Future App.	0.5	0.7	0.8	0.5	19.2	24.8	32.1
Current liabilities & prov.	533.7	609.1	856.6	831.2	715.2	786.7	865.4
Total	28,449.9	34,272.5	34,998.3	38,295.2	42,540.6	45,763.9	51,596.2
Application of Funds							
Shareholders' invt	5.9	3.7	4.0	4.3	52.3	62.7	75.3
Policyholders' invt	25,155.5	28,776.9	29,579.1	34,984.4	39,114.2	42,308.7	47,847.5
Assets to cover linked liab.	881.3	335.7	321.7	329.7	239.6	-	-
Loans	1,027.5	2,498.8	2,374.3	1,087.6	1,110.3	1,165.9	1,224.1
Current assets	1,352.2	2,511.8	2,573.5	1,854.4	1,988.4	2,187.3	2,406.0
Total	28,449.9	34,272.5	34,998.3	38,295.2	42,540.6	45,763.9	51,596.2
Operating ratios (%)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Investment yield	7.9%	7.7%	8.1%	8.1%	7.5%	8.3%	8.4%
Commissions / GWP	5.7%	6.0%	5.6%	5.5%	5.4%	5.5%	5.6%
- first year premiums	29.3%	28.1%	16.8%	26.4%	26.5%	26.0%	25.5%
- renewal premiums	5.2%	5.2%	5.1%	5.2%	5.2%	5.3%	5.3%
- single premiums	0.5%	0.5%	0.4%	0.4%	0.3%	0.6%	0.6%
Operating expenses / GWP	9.5%	8.3%	9.0%	8.7%	9.1%	8.0%	7.9%
Total expense ratio	15.2%	14.3%	14.6%	14.2%	14.5%	13.6%	13.5%
Claims / NWP	61.8%	74.2%	66.8%	71.2%	83.7%	75.5%	74.8%
Solvency ratio	158%	160%	155%	176%	185%	338%	317%
Persistency ratios (%)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
13th Month	76.0%	77.0%	72.0%	78.8%	75.6%	77.0%	79.0%
25th Month	68.0%	71.0%	67.0%	70.0%	73.5%	74.3%	74.8%
37th Month	63.0%	65.0%	63.0%	66.9%	66.6%	67.3%	68.1%
49th Month	66.0%	60.0%	58.0%	63.1%	63.9%	64.7%	65.2%
61st Month	59.0%	63.0%	54.0%	58.8%	61.0%	61.4%	61.8%
Profitability ratios (%)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
VNB margin (%)	0.0%	0.0%	0.0%	9.9%	15.1%	15.7%	16.4%
RoE (%)	NM	NM	NM	73.6%	44.7%	99.9%	37.7%
Operating ROEV	NM	NM	NM	36.9%	NM	12.5%	10.8%
RoEV (%)	NM	NM	NM	NM	NM	8.4%	11.8%
Valuation & key data	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Total AUMs (INRb)	27,236	29,879	30,744	36,762	39,406	42,371	47,923
- of which equity AUMs (%)	0%	0%	0%	21%	21%	20%	21%
Dividend %	-2422%	-2725%	-2700%	-15%	15%	20%	25%
Dividend payout ratio (%)	99%	104%	100%	1%	25%	6%	12%
EPS, INR	244.6	4.2	4.3	4.7	6.5	34.0	22.6
VNB (INRb)	-	-	-	41.67	76.2	105.3	125.7
Embedded Value (INRb)	-	-	-	956.1	5,414.9	5,869.6	6,561.8
EV per share (INR)	-	-	-	151.2	856.1	928.0	1,037.4
VIF as % of EV	NM	NM	NM	93%	98%	95%	93%
P/VIF (%)	NM	NM	NM	4.7	0.8	0.8	0.7
P/AUM (%)	15%	14%	14%	11%	11%	10%	9%
P/EV (x)	NM	NM	NM	4.4	0.8	0.7	0.6
P/EPS (x)	2.7	160.0	155.1	141.3	101.9	19.6	29.4
P/EVOP (x)	NM	NM	NM	24.5	7.5	6.2	6.6

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
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