

Estimate change	↓
TP change	↓
Rating change	↔

**CMP: INR1,295 TP: INR1,570 (+21%) BUY**

## APE growth healthy; VNB margin moderates to 27.8%

### Persistency improves across cohorts

- SBILIFE reported a mixed 3QFY23. APE grew 19% YoY (7% beat), whereas VNB margins contracted 374bp QoQ to 27.8% due to higher growth in ULIP. Shareholders' PAT declined 16% YoY to INR3.0b (29% miss).
- Among segments, Annuity saw a healthy growth of 17% YoY, while Non-Par savings grew 75% YoY in 3QFY23. Growth in the Protection business was modest at 10% YoY, while the ULIP business saw healthy sequential growth.
- We lower our VNB margin estimates by 160-170bp for FY23-25 and expect VNB margins to remain at ~30% in FY25. We expect SBILIFE to deliver a 25% CAGR in APE over FY22-25, thus enabling a 32% VNB CAGR. RoEV is expected to stay around ~20-22%. **Maintain Buy.**

### Strong QoQ recovery in ULIP; robust trends in Non-PAR/Annuity

- SBILIFE reported 6% YoY growth in net premium (in line), led by 24%/13% growth in first year/renewal premium. Shareholders' PAT declined 16% YoY to INR3b (29% miss). For 9MFY23, PAT grew 13% YoY to INR9.4b.
- Total APE grew 19% YoY (7% beat), within which Non-Par savings and Annuity grew 75% and 17% YoY, respectively. The Protection business grew 10% YoY, led by 18% growth in group protection and a sequential pick-up in individual protection growth. Par products grew 20% YoY, while ULIP grew 15% YoY (+77% QoQ).
- The share of ULIP increased sharply to 65% (vs 51% in 2QFY23), while Non-par savings stood at 18% vs. 12% in 3QFY22. SBILIFE does not have any internal cap on the share of this segment and will continue to underwrite as long as it can effectively hedge the interest rate risk. The Protection mix was stable at ~8% vs 11% in 2QFY23.
- Absolute VNB grew 31% YoY to INR15.1b (+43% YoY in 9MFY23). VNB margins moderated 374bp QoQ to 27.8% due to higher growth in ULIP. For 9MY23, VB margin stood at 29.6%.
- On the distribution front, the banca channel increased by 25% YoY, while the agency channel grew 23% YoY on APE basis.
- Persistency improved across cohorts, with 13M/61M persistency growing by 70bp/ 490bp YoY at 84.6%/53.6%, though moderated on a sequential basis.

### Highlights from the management commentary

- Going ahead, Non-Par guaranteed products will continue to see traction and with good equity markets, demand may rise.
- The company does not aim for a particular product mix. A broad guidance for the mix would be 60% from ULIP and the remaining from other products.
- VNB margin fell due to a higher share of ULIP in the product mix. For FY23, the margins will be in the range of 28-30%.

Bloomberg	SBILIFE IN
Equity Shares (m)	1000
M.Cap.(INRb)/(USD\$b)	1296.5 / 16
52-Week Range (INR)	1340 / 1004
1, 6, 12 Rel. Per (%)	7/0/3
12M Avg Val (INR M)	1423

### Financials & Valuations (INR b)

Y/E MARCH	FY23E	FY24E	FY25E
Net Premiums	689.2	836.9	1,037.3
Surplus / Deficit	21.9	25.8	29.7
Sh. PAT	16.7	18.7	20.8
NBP gr- unwt'd (%)	23.0	22.0	22.0
NBP gr- APE (%)	24.3	25.9	25.8
Premium gr (%)	18.4	21.4	23.9
VNB margin (%)	29.4	29.9	30.3
RoEV (%)	20.0	21.0	21.8
Total AUMs (INRt)	3.2	3.8	4.6
VNB	51.8	66.5	84.8
EV per share	476	575	701

### Valuations

P/EV (x)	2.7	2.3	1.8
P/EVOP (x)	15.1	12.3	9.9

\*VNB, VNB margins based on ETR

### Shareholding pattern (%)

As On	Dec-22	Sep-22	Dec-21
Promoter	55.5	55.5	55.7
DII	14.9	15.7	12.0
FII	25.1	24.3	24.5
Others	4.5	4.6	7.8

FII Includes depository receipts

**Valuation and view**

SBILIFE reported a mixed quarter, with a beat in APE and a contraction in VNB margins to 27.8% due to higher growth in ULIP. Despite volatility in capital markets, ULIPs saw a strong sequential recovery. The Protection business too saw a healthy pick-up. All distribution channels continued to see a rise in productivity, which resulted in a better cost ratio; SBI Life continues to maintain its cost leadership. Persistency too saw an improvement across all cohorts. We estimate a 25% CAGR in APE over FY22-25 and estimate VNB margin to remain at ~30% in FY25, thus enabling a 32% VNB CAGR. RoEV is expected to stay around ~20-22%. **We maintain our Buy rating with a TP of INR1,570 (2.5x Sep'24E EV).**

**Quarterly performance**

Policy holder's A/c (INR b)	FY22				FY23E				FY22	FY23E	FY23E 3QE	V/s Est.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
First year premium	14.0	36.1	40.7	38.5	25.7	34.8	50.6	50.2	129.4	161.3	47.2	7.1
Growth (%)	29%	56%	24%	5%	83%	-4%	24%	30%	25%	25%	16%	
Renewal premium	50.3	77.8	96.5	108.4	57.6	91.2	109.1	124.5	333.0	382.4	110.3	(1.1)
Growth (%)	10%	9%	14%	15%	14%	17%	13%	15%	12%	15%	14%	
Single premium	19.4	33.3	44.3	28.1	30.2	40.2	33.7	47.8	125.2	151.9	33.9	(0.6)
Growth (%)	-2%	-8%	105%	11%	56%	20%	-24%	70%	22%	21%	-23%	
<b>Gross premium</b>	<b>83.8</b>	<b>147.2</b>	<b>181.6</b>	<b>175.1</b>	<b>113.5</b>	<b>166.2</b>	<b>193.3</b>	<b>222.5</b>	<b>587.6</b>	<b>695.6</b>	191.4	1.0
Growth (%)	10%	12%	31%	12%	35%	13%	6%	27%	17%	18%	5%	
<b>PAT</b>	<b>2.2</b>	<b>2.5</b>	<b>3.6</b>	<b>6.7</b>	<b>2.6</b>	<b>3.8</b>	<b>3.0</b>	<b>7.3</b>	<b>15.1</b>	<b>16.7</b>	4.3	(28.7)
Growth (%)	-43%	-18%	56%	26%	18%	53%	-16%	8%	3%	11%	17%	
<b>Key metrics (INR b)</b>												
New Business APE	16.2	39.7	45.7	41.3	29.0	39.3	54.3	53.8	141.9	176.4	50.6	7.4
Growth (%)	27.6	46.5	30.6	4.0	79.0	-1.0	18.8	30.4	24.9	24.3	10.7	
VNB	3.8	10.0	11.5	11.7	8.8	12.4	15.1	15.5	37.0	51.8	15.4	(2.1)
Growth (%)	46.2	85.2	51.3	6.4	131.6	24.0	31.3	32.7	39.1	40.1	27.5	
AUM	2,316	2,442	2,569	2,674	2,624	2,826	3,000	3,174	2,674	3,174	2,979	0.7
Growth (%)	32.1	31.0	22.6	21.1	13.3	15.7	16.8	18.7	21.1	18.7	16.0	
<b>Key Ratios (%)</b>												
VNB margins (%)	23.7	25.2	25.2	28.3	30.4	31.6	27.8	28.8	25.9	29.4	30.5	269
Solvency ratio (%)	215.0	212.0	209.0	205.0	221.0	219.0	225.0	221.1	204.8	221.1	215.0	(1,000)

## Quarterly snapshot

Policyholder A/C (INR b)	FY21				FY22				FY23			Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	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>164.8</b>	<b>191.7</b>	<b>6</b>	<b>16</b>
First year	10.9	23.2	32.8	36.6	14.0	36.1	40.7	38.5	25.7	34.8	50.6	24	45
Renewal	45.8	71.5	84.4	94.6	50.3	77.8	96.5	108.4	57.6	91.2	109.1	13	20
Single	19.7	36.2	21.6	25.3	19.4	33.3	44.3	28.1	30.2	40.2	33.7	-24	-16
Investment Income	85.8	55.9	127.8	45.1	74.1	107.3	24.2	30.0	-64.1	110.4	74.4	207	-33
<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>275.3</b>	<b>266.3</b>	<b>30</b>	<b>-3</b>
Commission paid	2.3	4.1	5.2	5.9	2.6	5.3	6.1	6.8	5.1	7.1	8.5	38	19
Operating expenses	5.5	6.0	6.5	6.6	6.1	7.5	7.9	9.0	7.7	8.5	9.1	16	7
<b>Total comm. &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>15.7</b>	<b>17.6</b>	<b>25</b>	<b>12</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>269.4</b>	<b>260.5</b>	<b>30</b>	<b>-3</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>3.9</b>	<b>3.3</b>	<b>26</b>	<b>-16</b>
<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>3.4</b>	<b>3.0</b>	<b>26</b>	<b>-14</b>
<b>Shareholder's A/C</b>													
<b>Trf from policyholder</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>1.9</b>	<b>1.1</b>	<b>-32</b>	<b>-40</b>
Investment income	0.9	1.9	1.7	2.3	2.8	2.4	2.2	2.4	1.8	2.0	2.0	-9	0
<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>3.9</b>	<b>3.2</b>	<b>-19</b>	<b>-19</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>3.9</b>	<b>3.1</b>	<b>-19</b>	<b>-20</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>3.8</b>	<b>3.0</b>	<b>-16</b>	<b>-19</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>31.8</b>	<b>47.5</b>	<b>24</b>	<b>49</b>
Par	1.1	2.4	3.0	3.2	1.2	2.1	2.0	2.2	1.7	2.4	2.4	20	0
Non Par	2.2	2.0	3.3	3.2	1.1	4.2	5.5	6.3	8.2	9.3	9.6	75	3
ULIP	6.1	16.2	24.1	27.8	10.2	27.1	30.8	26.0	13.6	20.1	35.5	15	77
<b>Group Saving</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>1.6</b>	<b>0.9</b>	<b>-57</b>	<b>-44</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>4.5</b>	<b>4.6</b>	<b>10</b>	<b>2</b>
Individual Protection	0.7	1.9	2.2	2.5	1.3	2.3	2.5	3.1	2.0	2.2	2.6	4	18
Group Protection	0.9	1.5	1.1	1.2	0.9	1.8	1.7	1.8	1.2	2.3	2.0	18	-13
<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>39.3</b>	<b>54.3</b>	<b>19</b>	<b>38</b>
<b>APE (% of total)</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>80.9</b>	<b>87.5</b>	<b>367</b>	<b>656</b>
Par	8.7	8.9	8.5	8.1	7.4	5.3	4.4	5.3	5.9	6.1	4.4	4	-169
Non Par	17.3	7.4	9.4	8.1	6.7	10.6	12.0	15.2	28.3	23.7	17.7	564	-598
ULIP	48.0	60.0	68.7	70.0	62.6	68.3	67.4	62.8	46.9	51.1	65.4	-202	1423
<b>Group Savings</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>4.1</b>	<b>1.7</b>	<b>-294</b>	<b>-241</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>11.5</b>	<b>8.5</b>	<b>-72</b>	<b>-298</b>
Individual Protection	5.5	7.0	6.3	6.3	8.0	5.8	5.5	7.5	6.9	5.6	4.8	-68	-81
Group Protection	7.1	5.6	3.1	3.0	5.5	4.5	3.7	4.3	4.1	5.9	3.7	-4	-217
<b>Distribution mix (%)</b>													
Banca	55.5	63.7	68.3	60.7	56.8	63.6	66.1	61.7	62.5	63.5	69.9	384	641
Agency	26.6	22.6	24.6	30.7	29.0	26.6	22.8	27.6	26.5	24.5	23.6	86	-87
Others	18.0	13.7	7.1	8.6	14.2	9.8	11.2	10.7	11.0	12.0	6.5	-470	-553
<b>Key Ratios (%)</b>													
<b>Operating ratios</b>													
Commission	2.9	3.2	3.7	3.7	3.1	3.6	3.4	3.9	4.5	4.3	4.4	99	9
Opex	7.1	4.6	4.7	4.2	7.3	5.1	4.3	5.1	6.7	5.1	4.7	39	-41
Total Cost	10.1	7.7	8.4	8.0	10.5	8.9	7.7	9.0	11.2	9.4	9.1	137	-33
Solvency ratio	239.0	245.0	234.0	215.0	215.0	212.0	209.0	205.0	221.0	219.0	225.0	1,600	600
<b>Operating ratios</b>													
VNB margins	20.1	20.3	21.9	27.7	23.7	25.2	25.2	28.3	30.4	31.6	27.8	264	-374
RoE	17.3	15.0	13.0	15.2	8.5	8.8	10.3	0.0	0.0	0.0	10.4	10	1,040
<b>Persistency ratios</b>													
13th month	82.6	83.2	83.4	85.4	85.9	84.7	83.9	85.2	85.6	85.2	84.6	68	-62
25th month	76.3	76.2	75.9	75.8	75.3	76.1	76.4	78.1	78.7	77.5	76.3	-17	-127
37th month	68.8	69.9	70.8	72.1	72.0	72.1	71.9	72.1	72.2	72.9	73.2	133	29
49th month	60.9	62.3	63.8	65.6	66.3	67.5	68.3	69.9	70.3	70.3	70.1	179	-19
61st month	50.0	50.0	52.5	50.9	49.3	48.8	48.7	49.5	50.3	52.5	53.6	491	114
<b>Key Metrics (INR b)</b>													
VNB	2.6	5.4	7.6	11.0	3.8	10.0	11.5	11.7	8.8	12.4	15.1	31	22
EV	NA	312.7	NA	364.0	NA	384.9	NA	396.3	NA	424.1	NA	NA	NA
AUM	1754	1864	2095	2209	2316	2442	2569	2674	2624	2826	3000	17	6
Equity Portion (%)	24.0	24.0	27.0	27.0	28.0	30.0	29.0	29.0	27.0	29.0	29.0	0	0

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



## Highlights from the management commentary

### Product mix

- Single premium growth was driven by individual annuity, and the market share improved significantly in this segment.
- Protection grew for the industry, as well as for SBILIFE, in 9MFY23. Individual protection saw muted growth in 3QFY23 due to the base effect. SBI Life's customer base is different from the competition; hence, new launches by private players do not impact the company materially.
- The ULIP mix improved in the quarter on the back of a good product, with growth coming from all the channels.
- Going ahead, Non-Par guaranteed products will continue to see traction and with good equity markets, demand may rise.
- The company does not aim for a particular product mix. A broad guidance for the mix would be 60% from ULIP and the remaining from other products.
- Non-Par new products contributed 22% of the individual APE. Non-Par growth declined in 3Q. The company will take a calibrated approach to pricing if on-the-ground feedback indicates better competitive pricing.
- In the Non-Par segment, Income product has been a key growth contributor rather than the lump sum variant. It did not witness any major change over the past nine months in terms of customer preference for income vs lump sum.
- Group protection growth in 3Q came primarily from the credit life and not GTI. Attachment rates stood above 50%.
- Don't see any competition between deposit accretion and insurance sales.
- Individual annuity has been growing throughout the year and SBI Life has made a couple of price hikes.
- The Health business has commonalities with the current business but will evaluate if it fits into the business model.

### Distribution

- For 9MFY23, the Agency channel saw NBP growth of 22% and Individual APE growth of 15%. SBILIFE added 47,578 agents in 9MFY23, taking the total count to 193,635. Increased agency force has not yet translated into premium growth.
- Productivity per SBI branch improved to INR6m vs INR3m in 2Q, aided by seasonality. NOP growth of 22% was seen at SBI branches, while it was negligible for the industry. Productivity per branch is expected to improve further as SBILIFE is yet to reach all customers.
- The presence of SBI branches is also greater as compared to other players, while ticket sizes are smaller. SBI's mis-selling ratio is the lowest among peers and, hence, it is not worried about the finance ministry's diktat to PSU banks to reduce mis-selling.
- SBI has a large customer base and aims to increase awareness. It also supports sales via data analytics. 54k SBI employees are selling SBI Life policies.
- ULIP in the agency channel declined, while banca saw a strong growth. ULIP demand may recover in 4Q.
- About 54% growth in other banks and corporate agents came from a lower base. Other channel will continue to witness strong growth.

**VNB**

- While calculating VNB, SBILIFE does not consider asset backing, while the same is considered while calculating sensitivity. FRA is affected negatively when interest rates rise.
- A positive economic variance on VNB is from 1) the interest yield curve moving up, 2) a higher share of Non-Par, and 3) a delay in re-pricing.
- Operating variance on persistency, mortality and expenses for 9MFY23 has been positive.
- The decline in VNB margin on the QoQ basis was because of a higher share of ULIP in the product. For FY23, the margins will be in the range of 28-30%.
- The assumption change in VNB walk is reflective of changes made in 4QFY22 with regards to reinsurance pricing.

**Persistency**

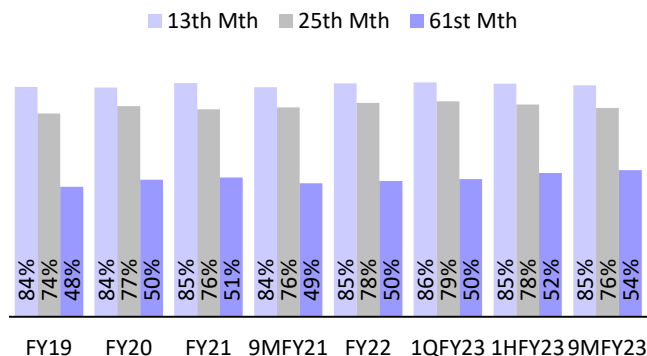
- It will be higher in the March quarter than in other quarters as customers delay premium payments until March.
- Persistency in protection is not lower than in other products.

**Finance**

- The commission has increased because of the product mix change.
- SBILIFE does not expect any major increase in commission rates for SBI under the new regulation.
- The acquisition cost of new customers increases if expectations of higher payouts come through from channel partners. However, the same is likely to be calibrated.
- Renewal premium growth depends on what was sold in the previous fiscal and collection efficiency is better than in the past.
- Back-book is generating higher surplus, more than offsetting the new business strain.

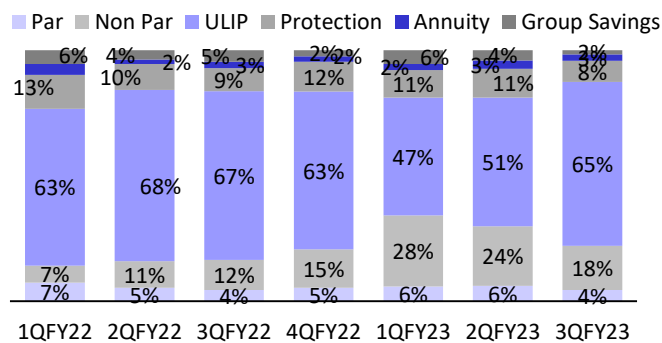
## Key exhibits

**Exhibit 1: Persistency ratios across cohorts**



Source: MOFSL, Company

**Exhibit 2: Share of ULIP increased to 65% of total APE**



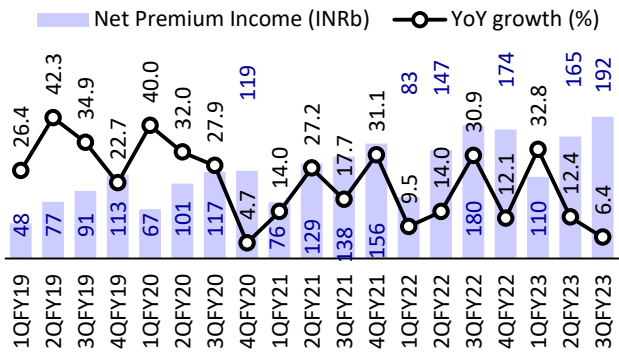
Source: MOFSL, Company

## Valuation and view

- With an Individual-rated premium market share of ~25% in 9MFY23 among private players, SBILIFE is the market leader. APE growth was healthy at 19% YoY in 3QFY23 (+21% in 9MFY23) and we expect a 25% CAGR in APE over FY22-25.
- The share of ULIP increased in 3QFY23 due to a strong performance while Non-Par savings saw moderation. Protection saw a healthy recovery, with the mix declining on a sequential basis. VNB margin thus moderated to 27.8%.
- **Maintain Buy, with a TP of INR1,570:** SBILIFE reported a mixed quarter, with a beat in APE and a contraction in VNB margins to 27.8% due to higher growth in ULIP. Despite volatility in capital markets, ULIPs saw a strong sequential recovery, while the Protection business too saw a healthy pickup. All distribution channels continued to report higher productivity, which resulted in a better cost ratio; SBI Life continues to maintain its cost leadership. Persistency too saw an improvement across all cohorts. We estimate a 25% CAGR in APE over FY22-25 and estimate VNB margin to remain at ~30% in FY25, thus enabling a 32% VNB CAGR. RoEV is expected to stay around ~20-22%. **We maintain our Buy rating with a TP of INR1,570 (2.5x Sep'24E EV).**

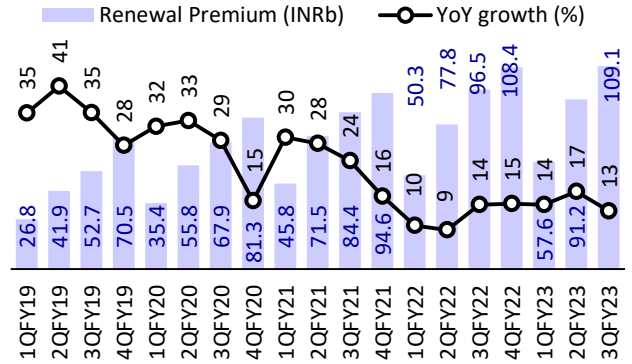
Story in charts

Exhibit 3: Net premium up 6% YoY



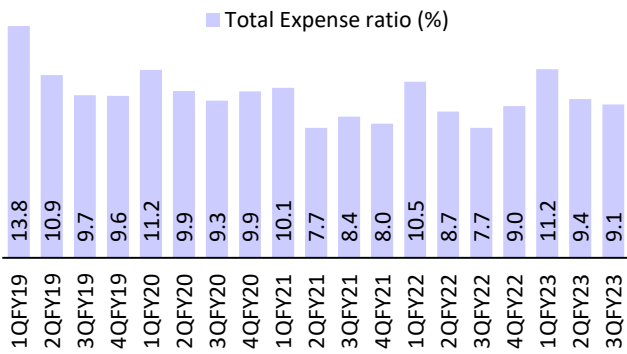
Source: MOFSL, Company

Exhibit 4: Renewal premium growth healthy at 13% YoY



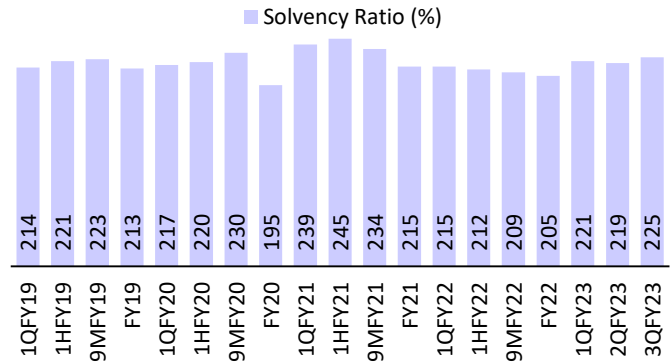
Source: MOFSL, Company

Exhibit 5: Total expense ratio moderates to 9.1%



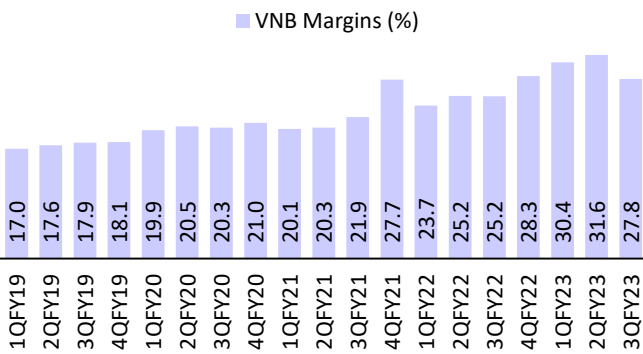
Source: MOFSL, Company

Exhibit 6: Solvency ratio remains healthy at 215%



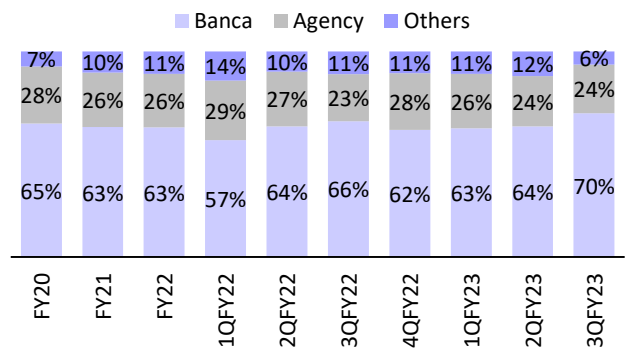
Source: MOFSL, Company

Exhibit 7: VNB margin moderates ~370bp to 27.8%



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

Exhibit 8: Share of distribution mix across channels



Source: MOFSL, Company; Distribution mix based on APE

## Financials and valuations

Technical account (INR b)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Gross Premiums	253.5	329.9	406.3	502.5	587.6	695.6	844.2	1,045.9
Reinsurance Ceded	(1.9)	(1.0)	(3.1)	(4.9)	(3.3)	(6.4)	(7.2)	(8.6)
Net Premiums	251.7	328.9	403.2	497.7	584.3	689.2	836.9	1,037.3
Income from Investments	84.6	112.1	30.0	314.6	235.7	186.7	221.6	258.0
Other Income	1.4	1.6	5.2	8.6	10.3	13.4	16.8	20.1
<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>889.3</b>	<b>1,075.3</b>	<b>1,315.5</b>
Commission	11.2	13.5	16.2	17.7	21.6	26.3	32.0	39.5
Operating expenses	17.2	21.2	24.1	24.1	29.7	38.7	47.6	58.8
<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>65.0</b>	<b>79.6</b>	<b>98.4</b>
Benefits Paid (Net)	117.1	152.9	162.5	215.8	313.4	253.4	305.9	380.4
Change in reserves	176.0	235.9	206.0	539.3	437.6	538.0	650.3	790.2
<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>864.8</b>	<b>1,046.4</b>	<b>1,282.4</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>24.6</b>	<b>28.9</b>	<b>33.1</b>
Prov. for Tax	2.4	2.7	3.8	1.0	1.3	2.7	3.1	3.5
<b>Surplus / Deficit</b>	<b>10.2</b>	<b>10.9</b>	<b>19.0</b>	<b>18.1</b>	<b>18.8</b>	<b>21.9</b>	<b>25.8</b>	<b>29.7</b>

Shareholder's a/c (INR b)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Transfer from technical a/c	8.3	10.0	14.6	16.8	17.3	17.9	21.1	24.1
Income From Investments	4.6	5.2	4.8	6.9	9.9	7.8	9.2	11.2
<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>25.8</b>	<b>30.4</b>	<b>35.4</b>
Other expenses	0.6	0.6	1.0	0.6	2.9	2.2	3.1	4.3
Contribution to technical a/c	0.8	1.0	4.8	8.2	9.8	6.7	8.4	10.1
Total Expenses	1.1	1.4	5.3	8.3	11.6	8.9	11.5	14.4
<b>PBT</b>	<b>11.8</b>	<b>13.7</b>	<b>14.1</b>	<b>15.4</b>	<b>15.6</b>	<b>16.9</b>	<b>18.9</b>	<b>21.0</b>
Prov. for Tax	0.3	0.5	(0.1)	0.9	0.5	0.2	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>16.7</b>	<b>18.7</b>	<b>20.8</b>
<i>Growth</i>	20.5%	15.3%	7.2%	2.4%	3.4%	10.8%	12.2%	11.1%

Premium (INR b) & growth (%)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
New business prem - unwtd	109.7	137.9	165.9	206.2	254.6	313.1	382.0	466.1
New business prem - wrp	84.2	95.3	105.1	113.7	141.9	176.4	222.1	279.4
Renewal premium	143.9	192.0	240.4	296.3	333.0	382.4	462.1	579.9
Total premium - unwtd	253.5	329.9	406.3	502.5	587.6	695.6	844.2	1,045.9
New bus. growth - unwtd	8.1%	25.8%	20.3%	24.3%	23.4%	23.0%	22.0%	22.0%
New business growth - wrp	27.6%	13.2%	10.2%	8.2%	24.9%	24.3%	25.9%	25.8%
Renewal premium growth	32.3%	33.4%	25.2%	23.2%	12.4%	14.8%	20.8%	25.5%
Total prem growth - unwtd	20.6%	30.1%	23.2%	23.7%	16.9%	18.4%	21.4%	23.9%

Premium mix (%)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
<b>New business - unwtd</b>								
- Individual mix	76.7%	69.9%	67.8%	60.6%	64.8%	70.0%	70.0%	70.0%
- Group mix	23.3%	30.1%	32.2%	39.4%	35.2%	30.0%	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%	9.3%
- Non-participating	9.0%	10.3%	18.6%	26.6%	28.9%	43.5%	43.2%	43.0%
- ULIPs	67.0%	71.3%	70.5%	65.0%	65.8%	46.4%	47.2%	47.7%
<b>Total premium mix - unwtd</b>								
- Participating	24.8%	21.8%	18.3%	15.1%	12.9%	15.7%	15.3%	15.1%
- Non-participating	19.5%	20.8%	23.8%	28.2%	30.3%	35.6%	34.4%	33.1%
- ULIPs	55.7%	57.4%	57.9%	56.6%	56.8%	48.7%	50.4%	51.7%

Individual prem sourcing mix (%)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Individual agents	31.2%	29.6%	28.8%	27.7%	26.6%	27.7%	28.4%	28.1%
Corporate agents-Banks	67.4%	68.9%	67.5%	65.4%	64.9%	65.0%	63.4%	63.0%
Direct business	0.8%	0.7%	2.0%	4.1%	5.3%	5.3%	6.0%	6.5%
Others	0.5%	0.7%	1.8%	2.8%	3.1%	2.0%	2.2%	2.4%



## Financials and valuations

Balance sheet (INR b)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
<b>Sources of Fund</b>								
Share Capital	10.0	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	117.9	133.2	150.2
<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>129.6</b>	<b>144.7</b>	<b>161.5</b>
Policy Liabilities	555.6	649.5	761.2	924.1	1,097.6	1,327.6	1,612.2	1,952.1
Prov. for Linked Liab.	495.6	605.9	763.0	965.5	1,174.9	1,347.5	1,564.2	1,840.0
Funds For Future App.	-	2.8	7.1	8.4	9.9	11.7	13.8	16.3
Current liabilities & prov.	35.5	37.4	30.2	42.4	51.3	53.4	55.7	58.1
<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>3,230.5</b>	<b>3,853.1</b>	<b>4,625.0</b>
<b>Application of Funds</b>								
Shareholders' inv	50.1	57.2	68.3	86.0	100.8	118.9	140.3	165.5
Policyholders' inv	544.9	644.7	734.2	939.4	1,121.3	1,365.5	1,656.9	2,004.9
Assets to cover linked liab.	549.4	691.3	785.7	1,162.2	1,426.3	1,645.6	1,936.9	2,313.6
Loans	1.7	1.7	3.6	3.6	3.6	4.2	4.8	5.5
Fixed Assets	5.8	6.0	5.8	5.7	5.3	5.7	6.1	6.6
Current assets	65.2	66.4	58.2	71.5	76.2	90.7	108.0	128.8
<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>3,230.5</b>	<b>3,853.1</b>	<b>4,625.0</b>
<b>Operating ratios (%)</b>								
Investment yield	7.8%	8.4%	1.9%	15.0%	9.3%	6.2%	6.2%	6.1%
<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>3.8%</b>	<b>3.8%</b>
- first year premiums	8.7%	8.3%	8.4%	8.4%	8.3%	10.2%	10.2%	10.2%
- renewal premiums	2.7%	2.7%	2.7%	2.6%	2.6%	2.6%	2.6%	2.6%
- single premiums	0.8%	1.5%	1.4%	1.1%	1.2%	1.8%	1.8%	1.8%
Operating expenses / GWP	6.8%	6.4%	5.9%	4.8%	5.1%	5.6%	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>9.4%</b>	<b>9.4%</b>
Claims / NWP	46.4%	46.3%	40.1%	43.2%	53.5%	36.6%	36.4%	36.5%
Solvency ratio	206%	213%	195%	215%	205%	221%	212%	204%
<b>Persistency ratios (%)</b>								
13th Month	83.0%	85.1%	86.1%	87.9%	88.4%	88.8%	89.1%	89.3%
25th Month	75.2%	76.7%	78.5%	79.4%	81.7%	83.1%	83.9%	84.4%
37th Month	70.0%	71.4%	71.6%	74.1%	76.0%	77.0%	77.4%	77.7%
49th Month	63.9%	66.4%	67.3%	68.1%	71.4%	73.1%	73.9%	74.3%
61st Month	58.4%	57.2%	59.9%	61.6%	62.0%	62.2%	62.4%	62.4%
<b>Profitability ratios (%)</b>								
VNB margin (%)	18.4%	19.8%	20.7%	23.2%	25.9%	29.4%	29.9%	30.3%
RoE (%)	19.0%	18.8%	17.4%	15.2%	13.7%	13.6%	13.7%	13.6%
RoIC (%)	19.4%	19.2%	17.4%	15.3%	14.0%	13.8%	13.8%	13.7%
Operating ROEV (%)	18.0%	17.3%	20.5%	19.1%	20.6%	21.7%	22.1%	22.7%
RoEV (%)	15.3%	17.5%	17.4%	27.0%	18.7%	20.0%	21.0%	21.8%
<b>Valuation ratios</b>								
Total AUMs	1,163	1,410	1,604	2,209	2,674	3,174	3,799	4,561
- of which equity AUMs (%)	23%	23%	21%	27%	29%	30%	31%	31%
Dividend %	20%	20%	0%	25%	20%	30%	34%	38%
Dividend payout ratio (%)	21%	18%	0%	17%	13%	18%	18%	18%
EPS, Rs	11.5	13.3	14.2	14.6	15.1	16.7	18.7	20.8
VNB	15.7	19.2	22.2	26.6	37.0	51.8	66.5	84.8
- VNB growth (%)	36.1%	22.3%	15.6%	19.8%	39.1%	40%	28%	28%
EV per share	201.7	237.3	276.4	364.0	396.3	475.6	575.3	700.7
VIF as % of EV	61%	62%	63%	63%	68%	71%	73%	76%
P/VIF	11.2	9.4	7.8	6.2	4.8	3.8	3.1	2.4
P/AUM (%)	111%	92%	81%	59%	48%	41%	34%	28%
P/EV (x)	6.4	5.5	4.7	3.6	3.3	2.7	2.3	1.8
P/EPS (x)	112.6	97.6	91.1	89.0	86.0	77.6	69.2	62.3
P/EVOP (x)	43.6	39.2	28.2	25.8	18.8	15.1	12.3	9.9
P/VNB (x)	82.5	67.5	58.4	48.7	35.0	25.0	19.5	15.3

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

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

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