

MAX Financial Services

Estimate change	↑
TP change	↑
Rating change	↔

CMP: INR836 TP: INR900 (+8%) Neutral

VNB margin improves sharply aided by a shift in product mix

Banca channel reviving; Axis to acquire remaining 7% stake on fair value basis

- MAX Financial Services (MAXLIFE) reported a strong quarter as VNB margin expanded sharply to 39.3% in 3QFY23 even as APE growth remained under pressure and declined 5% YoY (7% miss). Within segments, Non-PAR continued its robust momentum led by annuity business, while Individual Protection too saw an improvement. Others remained under pressure.
- Growth in APE was driven by the proprietary channels, which rose 13% YoY and contributed ~33% of overall APE. Conversely, the banca channel APE declined 12% YoY but recovered and jumped 36% QoQ. Management expects counter share to stabilize at ~70%, thereby sustaining the growth momentum over the medium term.
- We expect the VNB margin to sustain at ~30% and estimate an 18% APE CAGR over FY23-25. This would imply a 21% VNB CAGR over FY23-25E. **Maintain Neutral with a TP of INR900, premised on 2.2x Sep'24E EV and a holding company discount of 20%.**

Persistency trends stable; APE growth under pressure

- MAXLIFE's gross written premium grew ~12% YoY (4% miss) within which single premium rose 27% YoY, while renewal premium increased 18% YoY. However, first-year premium declined 5% YoY. Shareholders' pre-tax profits surged 156% YoY to INR2.9b (MOSLe: INR901m) during the quarter.
- In 3QFY23, individual APE declined 5% YoY, similar to the total APE decline of 5% (7% miss). Among the segments, Non-PAR savings grew at a robust 118% YoY (+83% QoQ) fueled by 300% YoY jump in Annuity segment. Retail Protection too saw a pick-up and grew 18% YoY, while Group Protection declined 32% YoY. Thus, total Protection declined 4% YoY, while PAR declined 46% YoY. ULIP too saw a decline of 52% YoY in 3QFY23.
- MAXLIFE's business mix thus improved in favor of Non-PAR, which rose to 55% in 3QFY23 from 24% in 3QFY22, while Protection stood stable at 10%. PAR declined to 12% from 21% in 3QFY22 while the share of ULIP moderated to 23% in 3QFY23 from 45% in 3QFY22.
- Absolute VNB spiked 50% YoY to INR5.9b (20% beat). VNB margin thus expanded sharply by 1,440bp YoY to 39.3% (from 31.3% in 2QFY23) aided by improved product mix. EV grew at 16% YoY, while Operating RoEV came in at 19.5%. RoEV (including non-operating variance) was at 13.1% in 9MFY23.
- On the distribution side, Banca APE declined 12% YoY; however, it picked up and grew 36% QoQ. Proprietary channels continued to witness a healthy growth of 13% YoY.
- Persistency ratios remained steady on a YoY basis. On the cost front, opex-to-GWP ratio improved 100bp YoY to 20.4% (v/s 21.0% in 1HFY23).

Bloomberg	MAXF IN
Equity Shares (m)	345
M.Cap.(INRb)/(USDb)	288.4 / 3.5
52-Week Range (INR)	960 / 628
1, 6, 12 Rel. Per (%)	26/-6/-14
12M Avg Val (INR M)	630

Financials & Valuations (INR b)

Y/E MARCH	FY23E	FY24E	FY25E
Net Premiums	250.3	285.8	332.4
Sh. PAT	6.5	6.2	7.2
NBP gr - unwt'd (%)	6.0	16.0	17.0
NBP gr - APE (%)	0.2	23.0	14.0
Premium gr (%)	11.7	14.2	16.3
VNB margin (%)	29.4	29.9	30.5
Op. RoEV (%)	20.6	21.4	21.0
Total AUMs (INRb)	1,243	1,474	1,698
VNB(INRb)	16.4	20.5	23.9
EV per Share	384	459	552

Valuations

P/EV (x)	2.7	2.3	1.9
P/EVOP (x)	15.5	12.7	10.8

Shareholding pattern (%)

As On	Dec-22	Sep-22	Dec-21
Promoter	11.5	14.7	14.7
DII	57.9	53.6	51.2
FII	22.9	23.9	26.1
Others	7.7	7.8	8.0

FII Includes depository receipts

Highlights from the management commentary

- Management expects VNB margin to remain at ~27-28% over the medium term. MAXLIFE's margin profile has witnessed an improvement across products. However, the bulk of expansion is due to a shift in product mix.
- The company launched a new Non-Par product in 3QFY23, which has received a stellar response across channels and became one of the most successful products in Max Life's history. This has supported the VNB margin and growth trajectory.
- Management expects the mix of Non-Par segment to be ~40% on a sustainable basis with Annuity at ~6%.
- The company remains focused on increasing the agent count and invest in agency channel, which will drive the incremental growth.

Valuation and view

MAXLIFE reported a strong quarter as VNB margin expanded sharply while APE growth remained under pressure. Non-PAR and Individual Protection segments witnessed a healthy growth with a sharp improvement in the mix of Non-PAR segment. Growth via the banca channel has seen a sequential recovery, while proprietary channel reported healthy trends. Persistency trends were stable, while Operating RoEV for 9MFY23 came in healthy at 19.5%. We expect VNB margin to sustain at ~30% and estimate an 18% APE CAGR over FY23-25. This would imply a 21% VNB CAGR over FY23-25E. **Maintain Neutral with a TP of INR900 premised on 2.2x Sep'24E EV and a holding company discount of 20%.**

Quarterly performance**(INR m)**

Policy holder's A/c (INR b)	FY22				FY23E				FY22	FY23E	FY23E 3QE	A v/s E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
First Year premium	8.0	12.3	15.4	17.4	9.2	11.1	14.6	17.9	53.2	52.8	16	-6%
Growth (%)	29.5%	8.9%	28.7%	-7.6%	14.2%	-9.3%	-5.5%	2.7%	10.0%	-0.7%	0.6%	
Renewal premium	22.4	34.6	34.2	53.8	26.2	39.1	40.2	61.1	145.1	166.5	42	-4%
Growth (%)	21.2%	17.9%	18.8%	19.0%	16.7%	12.9%	17.5%	13.5%	19.0%	14.8%	22.2%	
Single premium	4.4	6.4	6.3	8.8	5.7	7.8	8.0	9.5	25.9	31.0	8	3%
Growth (%)	56.5%	37.4%	15.3%	25.5%	30.1%	21.3%	26.9%	8.5%	29.8%	19.8%	23.1%	
Gross premium	34.8	53.3	56.0	80.0	41.0	58.0	62.8	88.5	224.1	250.3	65	-4%
Growth (%)	26.6%	17.6%	21.0%	12.6%	17.8%	8.8%	12.2%	10.6%	17.9%	11.7%	16.3%	
PAT	0.8	0.7	1.2	1.5	0.9	0.5	2.9	2.1	3.9	6.5	1	226%
Growth (%)	-44.2%	163.0%	-54.4%	45.3%	18.2%	-25.4%	155.7%	35.2%	-26.1%	67.1%	-21.6%	
Key metrics (INR b)												
New Business APE	8.8	12.8	15.9	18.4	10.1	11.9	15.1	18.8	55.8	55.9	16	-7%
Growth (%)	32.4	11.2	30.0	-4.2	15.3	-7.2	-5.2	2.3	12.5	0.2	2.3	
VNB	1.7	3.7	4.0	5.9	2.1	3.7	5.9	4.6	15.3	16.4	5	20%
Growth (%)	52.2	15.1	13.1	27.1	23.8	-0.3	49.7	-21.2	22.3	7.4	24.7	
AUM (INRb)	937	1,001	1,025	1,075	1,071	1,134	1,184	1,243	1,075	1,243	1,200	-1%
Growth (%)	28.4	28.7	20.6	18.9	14.3	13.3	15.5	15.6	18.9	15.6	17.1	
Key Ratios (%)												
VNB Margins (%)	19.7	29.2	24.9	31.9	21.1	31.3	39.3	24.6	27.4	29.4	30.3	897
Solvency ratio (%)	197.0	211.0	207.0	201.0	196.0	196.0	200.0	204.0	201.0	204.0	194.0	600

Exhibit 1: Quarterly snapshot

Policyholder A/c (INRb)	FY21				FY22				FY23			Change	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY	QoQ
Gross premium	27.5	45.3	46.3	71.1	34.8	53.3	56.0	80.0	41.0	58.0	62.8	12	8
First year prem	6.2	11.3	12.0	18.9	8.0	12.3	15.4	17.4	9.2	11.1	14.6	-5	31
Renewal prem	18.5	29.4	28.8	45.2	22.4	34.6	34.2	53.8	26.2	39.1	40.2	18	3
Single premium	2.8	4.7	5.5	7.0	4.4	6.4	6.3	8.8	5.7	7.8	8.0	27	3
Shareholders PAT	1.4	0.3	2.5	1.1	0.8	0.7	1.2	1.5	0.9	0.5	2.9	-31	455
APE data (INRb)													
PAR	1.5	1.6	2.1	4.3	1.5	2.6	3.4	3.7	1.7	2.0	1.8	-46	-10
Individual Protection	0.9	1.3	0.9	1.4	0.9	0.9	0.9	1.3	0.7	0.8	1.1	18	27
Group Protection	0.7	0.7	0.4	0.7	0.8	1.2	0.7	1.3	1.1	0.7	0.5	-32	-28
Non-PAR Savings	1.2	4.4	4.4	4.8	2.4	4.3	3.8	5.7	2.7	4.5	8.3	118	83
ULIP	2.3	3.3	4.4	8.3	3.2	3.9	7.1	6.4	3.8	3.9	3.4	-52	-11
APE (% of total)												Change (bp)	
PAR	22.0	14.1	17.0	22.2	17.0	20.4	21.4	20.0	17.0	17.0	12.1	-927	-491
Individual Protection	14.0	10.9	7.0	7.4	10.0	6.6	5.6	7.0	7.0	7.0	7.0	135	0
Group Protection	11.0	6.3	3.0	3.4	9.0	9.0	4.3	7.0	11.0	5.5	3.1	-120	-237
Non-PAR Savings	18.0	38.4	36.0	25.2	27.0	33.7	23.9	31.0	27.0	38.1	55.1	3,118	1,703
ULIP	35.0	28.7	36.0	43.3	37.0	30.3	44.8	35.0	38.0	32.5	22.7	-2,206	-974
Distribution mix (%)													
Proprietary	37	29	24	25	30	28	27	31	34	36	33	590	-330
Banca	62	70	75	74	70	70	72	71	65	63	66	-590	330
Others	1	1	1	1	0	2	1	-2	1	1	1	0	0
Key Ratios (%)													
Operating ratios													
Opex to GWP ratio	21.9	21.6	21.7	20.7	23.4	21.7	21.4	19.7	22.9	21.0	20.4	-100	-60
Solvency Ratio	212.0	207.0	208.0	196.0	197.0	211.0	207.0	201.0	196.0	196.0	200.0	-700	400
Profitability ratios													
VNB margins	17.1	28.2	28.6	24.0	19.7	29.1	24.9	31.9	21.1	31.3	39.3	1,441	795
Persistency ratios													
13th Month	82.0	82.0	83.0	84.0	84.0	84.0	83.0	86.0	84.0	84.0	83.0	0	-100
25th Month	68.0	69.0	69.0	71.0	67.0	67.0	68.0	72.0	68.0	67.0	68.0	0	100
37th Month	61.0	61.0	61.0	63.0	59.0	60.0	60.0	62.0	61.0	61.0	61.0	100	0
49th Month	57.0	58.0	57.0	58.0	55.0	56.0	56.0	58.0	56.0	56.0	57.0	100	100
61st Month	52.0	53.0	54.0	54.0	50.0	50.0	50.0	54.0	50.0	50.0	51.0	100	100
Key Metrics (INRb)													
VNB	1.1	3.3	3.5	4.6	1.7	3.7	4.0	5.9	2.1	3.7	5.9	50	59
EV	107	110	117	118	123	130	134	142	142	147	155	16	6
AUM	730	778	850	904	937	1001	1025	1075	1071	1134	1184	16	4
Equity Mix (%)	20.8	21.0	23.1	21.6	25.1	27.0	24.4	23.5	23.8	23.8	25.2	77	139

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

Sources: MOFSL, company reports



Highlights from the management commentary

With respect to business metrics

- Max Financial has concluded the acquisition of 5.17% stake in MAXLIFE from MSI. Post this, Max Financial holds 87% in MAXLIFE
- The last stage of transaction is pending now, wherein Axis Bank would acquire 7% stake from Max Financial.
- Further, Max Financial has entered into a revised agreement with Axis and its subsidiaries to purchase the balance stake at fair market value using the DCF method. This is as per the guidance received from the IRDAI
- The company is aiming for a sustainable growth led by new partnerships and pick up in Banca channel as open architecture settles down

- Within APE, online business grew 26% YoY. The company has penetrated into new segments such as Homemaker, NRI and Self-employed that formed 20% of Term business on run rate basis
- The company further launched a new product in online savings, which is witnessing a 100% YoY growth in savings run rate and jumped 4x over 9MFY23
- Within APE, offline channels grew at 18% YoY
- MAXLIFE maintains its leadership in 13th-month persistency in terms of number of policies issued
- The company is constantly investing in building its technology capabilities. ~54% of the entire infrastructure has been shifted to clouds
- The company is using analytics to improve the underwriting decision and make it more efficient
- MAXLIFE expects VNB margin to remain at ~27-28% over the medium term
- Margin profile has witnessed an improvement across products. However, the bulk of expansion is due to shift in product mix
- Economic variance came in at INR6.57b for 9MFY23 primarily due to the adverse impact of interest rates
- MAXLIFE is not looking to increase the dividend to Max Financial and would look to utilize profits for growth prospects

With respect to Product mix

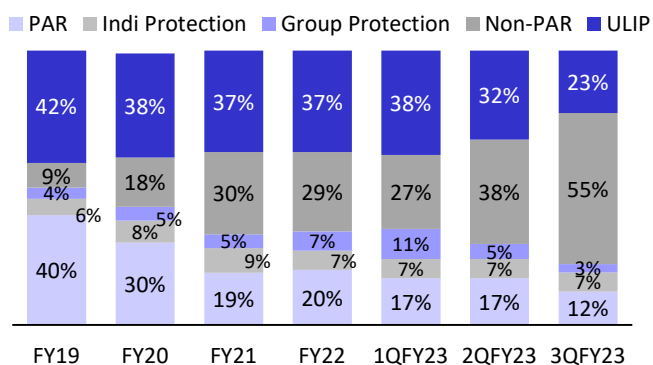
- MAXLIFE launched a new Non-Par product in 3Q, which has received a stellar response across channels and became one of the successful products in the company's history. This has supported the VNB margin and growth trajectory
- Further, MAXLIFE launched two new protection plans in 2QFY23 which is witnessing healthy traction and is likely to maintain the momentum going ahead
- The focus remains on growing the Annuity segment and gain market share
- The company expects the mix of Non-Par segment to be ~40% on a sustainable basis and Annuity to be another ~6%
- Within Annuity of 6%, 2-3% was single premium while 3-4% was regular premium
- RoP products formed 15% in terms of total APE

With respect to Distribution mix

- The company has entered into multiple partnerships to strengthen its distribution franchise. It has entered into partnership with Ujjivan SFB and two new renowned brokers
- The higher base impact in APE (particularly in Banca channel) seems to be over and the growth is thus likely to come back and pick up from 4QFY23
- MAXLIFE's share in Axis Bank's premium sourcing has been maintained at 70% since Jan'22
- The company remains focused on increasing the agent count and make investments in agency channel, which will drive the incremental growth

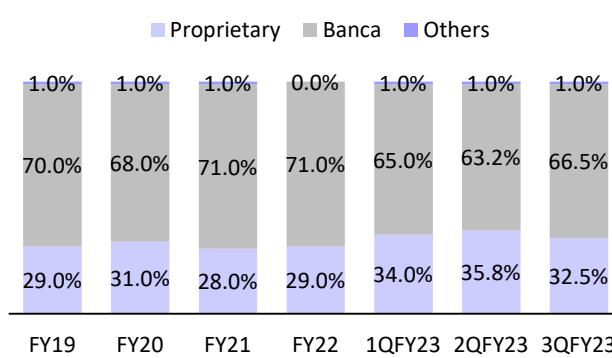
Key exhibits

Exhibit 2: Product mix improves in favor of Non-PAR



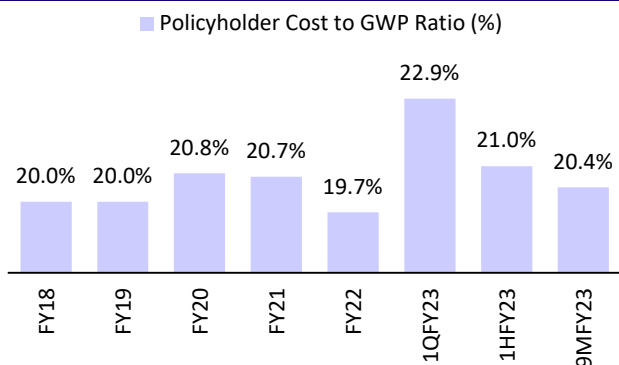
Sources: MOFSL, company reports

Exhibit 3: Proprietary channel forms 33% of total APE



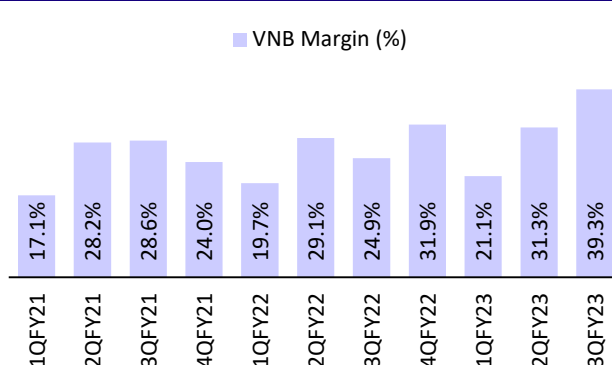
Sources: MOFSL, company reports

Exhibit 4: OPEX-to-GWP ratio improves 100bp YoY to 20.4% in 9MFY23



Sources: MOFSL, company reports

Exhibit 5: VNB margin improves sharply by 1,440bp YoY to 39.3%; QoQ sees ~800bp expansion



Sources: MOFSL, company reports

Valuation and view

- MAXLIFE has increased its focus on the Non-PAR segments, which along with the Protection segment formed ~65% of total APE in 3QFY23 (v/s ~16% in FY17). Growth in non-par savings continued to witness strong momentum led by the annuity business. Group Protection saw a decline due to pricing pressure in GTL policies, while Individual Protection improved. Going forward, MAXLIFE would increase its focus on Annuity and Protection, which along with healthy growth in other segments, would support the overall growth momentum.
- The proprietary channel saw a healthy growth of 13% YoY in APE v/s 12% YoY decline for the banca channel; however, the same picked up and grew 36% QoQ. With this, the proprietary channel now contributes ~33% of the total APE. The management continues to make significant investments in growing the proprietary channel and expects its share to remain around the similar range. MAXLIFE has also taken a number of steps to improve sales momentum in the banca channel.

- Maintain Neutral with a TP of INR900:** MAXLIFE reported a strong quarter as VNB margin expanded sharply while APE growth remained under pressure. Non-PAR and Individual Protection segments witnessed a healthy growth with a sharp improvement in the mix of Non-PAR segment. Growth via the banca channel has seen a sequential recovery, while proprietary channel reported healthy trends. Persistency trends were stable, while Operating RoEV for 9MFY23 came in healthy at 19.5%. We expect VNB margin to sustain at ~30% and estimate an 18% APE CAGR over FY23-25. This would imply a 21% VNB CAGR over FY23-25E. **Maintain Neutral with a TP of INR900 premised on 2.2x Sep'24E EV and a holding company discount of 20%.**

Exhibit 6: We value MAXLIFE at INR900 per share

Appraisal value method (INR b)	Sep'24E
Embedded value	218
New business profit	22.2
Appraisal value	485
MFS stake post deal	80%
MFS Value	388
MFS valuation per share (INR)	1,125
Appraisal value-to-embedded value (x)	2.2
Holding company discount	20%
Target price (INR)	900
Upside	8%

Source: MOFSL

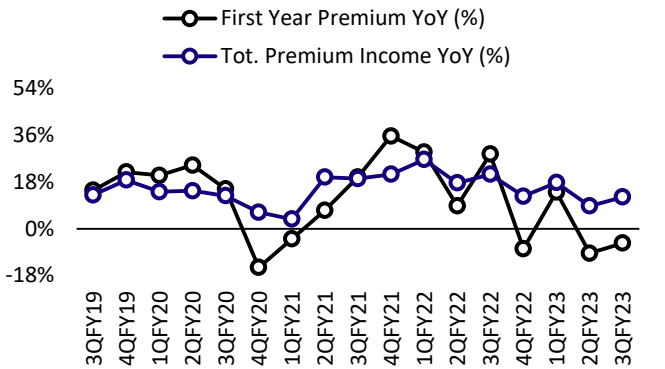
Exhibit 7: Changes to our estimates

Technical Account (INR b)	Old Est			Revised Est.			Estimates Chg		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Gross Premiums	248.4	282.7	326.4	250.3	285.8	332.4	0.8	1.1	1.8
Investment income	66.2	73.1	82.5	66.2	73.1	82.5	0.0	0.0	0.0
Total income	311.4	352.3	405.0	313.3	355.3	410.9	0.6	0.9	1.5
Commission	17.4	19.7	22.7	17.5	19.9	23.1	0.8	1.1	1.8
Operating expenses	35.9	40.8	47.0	36.2	41.2	47.8	0.8	1.0	1.7
Surplus / Deficit	2.5	3.0	3.5	6.4	6.6	7.1	150.9	118.2	103.3
Shareholder's Account									
Total Income	4.8	5.2	5.8	8.1	7.9	9.1	67.3	51.9	58.5
Total Expenses	0.8	0.9	1.0	0.8	0.9	1.0	0.0	0.0	0.0
PBT	4.0	4.3	4.7	7.3	7.0	8.1	80.7	62.8	71.1
PAT	3.6	3.8	4.2	6.5	6.2	7.2	80.7	62.8	71.1
Key Metrics									
VNB (INR b)	16.9	20.7	24.3	16.4	20.5	23.9	-2.9	-0.9	-1.7
EV (INR b)	166.8	196.9	232.2	165.7	198.2	238.1	-0.6	0.6	2.6
Key Ratios									
VNB margin (%)	29.0	29.9	30.5	29.4	29.9	30.5	1.1	0.0	0.0
Op. ROEV (%)	20.9	21.5	21.3	20.6	21.4	21.0	-1.6	-0.1	-1.3
RoEV (%)	17.7	18.1	17.9	16.9	19.6	20.1	-4.2	8.3	12.6

Source: MOFSL

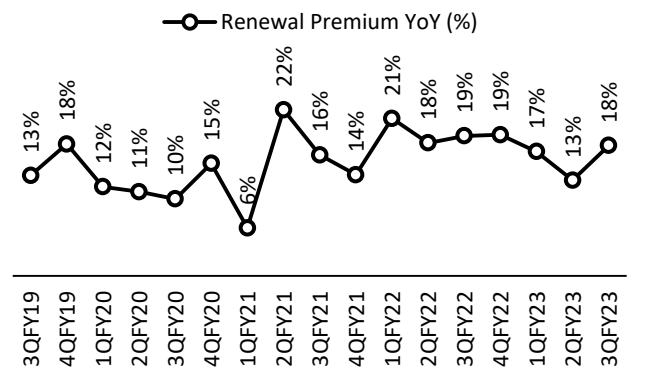
Story in charts

Exhibit 8: First-year premium declines 5% YoY in 3QFY23 while total gross premium income rises 12% YoY



Sources: MOFSL, company reports

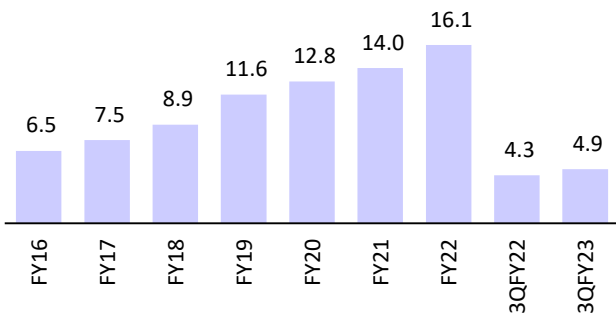
Exhibit 9: Renewal premium increases 18% YoY in 3QFY23



Sources: MOFSL, company reports

Exhibit 10: Proprietary channel APE rises 13% YoY in 3QFY23 as investments made in the past starts paying off

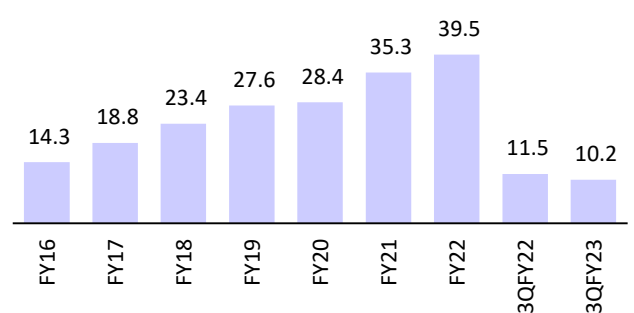
Proprietary Channels New Business (APE) (INRb)



Sources: MOFSL, company reports

Exhibit 11: Banca APE declines 12% YoY in 3QFY23 but picks up QoQ and increases 36% QoQ

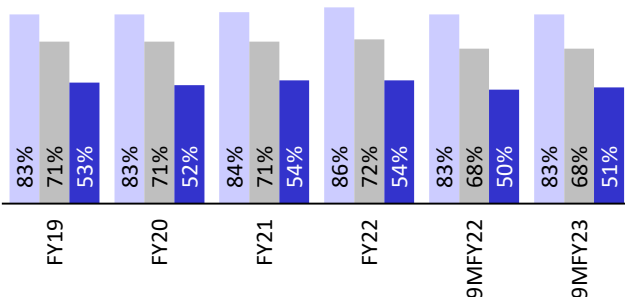
Banca APE (INRb)



Sources: MOFSL, company reports

Exhibit 12: Persistency trends for MAXLIFE remains stable

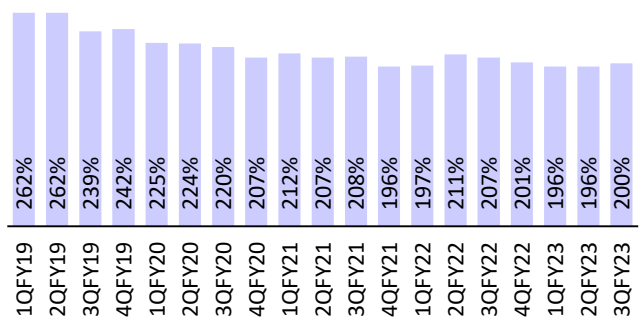
13th Month, 25th Month, 61th Month



Sources: MOFSL, company reports

Exhibit 13: Solvency ratio stands at 200%

Solvency Ratio (%)



Sources: MOFSL, company reports

Financials and valuations

Technical account (INR m)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Gross Premiums	125,009	145,752	161,836	190,179	224,141	250,337	285,826	332,366
Reinsurance Ceded	1,213	1,569	2,049	2,788	4,272	4,003	4,501	5,079
Net Premiums	123,795	144,184	159,788	187,391	219,870	246,334	281,325	327,287
Income from Investments	37,574	48,643	21,589	121,657	87,408	66,219	73,097	82,508
Other Income	346	440	612	730	878	780	908	1,057
Total income (A)	161,715	193,267	181,989	310,230	308,155	313,333	355,330	410,852
Commission	8,929	9,896	10,244	12,270	14,028	17,514	19,949	23,143
Operating expenses	16,098	19,274	23,441	27,008	30,192	36,215	41,227	47,778
Total commission and opex	25,027	29,170	33,685	39,277	44,220	53,729	61,176	70,921
Benefits Paid (Net)	49,466	57,178	66,222	70,149	92,772	104,501	119,060	138,525
Change in reserves	79,043	97,365	66,394	196,686	164,581	146,251	165,675	190,999
Total expenses (B)	153,555	183,730	166,321	306,153	301,592	304,493	345,924	400,460
(A) - (B)	8,160	9,536	15,668	4,077	6,564	8,840	9,406	10,392
Prov. for Tax	1,077	1,299	2,752	1,857	2,402	2,453	2,815	3,256
Surplus / Deficit	7,083	8,237	12,916	2,220	4,162	6,387	6,590	7,135

Shareholder's a/c (INR m)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Transfer from technical a/c	3,992	4,402	4,690	3,864	2,781	5,398	5,051	5,929
Income From Investments	2,178	2,177	2,074	2,360	3,212	2,661	2,858	3,197
Total Income	6,175	6,604	6,781	6,351	6,033	8,060	7,909	9,126
Other expenses	(68)	257	292	739	707	798	902	1,020
Contribution to technical a/c	91	120	410	502	1,168	-	-	-
Total Expenses	24	377	802	1,249	1,862	798	902	1,020
PBT	6,152	6,226	5,978	5,102	4,170	7,261	7,006	8,107
Prov. for Tax	875	662	585	(131)	303	799	771	892
PAT	5,276	5,564	5,394	5,232	3,867	6,463	6,236	7,215
Growth	-20%	5%	-3%	-3%	-26%	67%	-4%	16%

Premium (INR m) & growth (%)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
New business prem - unwtd	43,486	51,604	55,835	68,262	79,049	83,792	97,199	113,723
New business prem - WRP	33,072	40,019	42,380	50,327	55,762	55,889	68,768	78,412
Renewal premium	81,523	94,148	106,002	121,917	145,092	166,545	188,627	218,643
Total premium - unwtd	125,009	145,752	161,836	190,179	224,142	250,337	285,826	332,366
New bus. growth - unwtd	18.6%	18.7%	8.2%	22.3%	15.8%	6.0%	16.0%	17.0%
New business growth - wrp	20.3%	21.0%	5.9%	18.8%	10.8%	0.2%	23.0%	14.0%
Renewal premium growth	14.6%	15.5%	12.6%	15.0%	19.0%	14.8%	13.3%	15.9%
Total prem growth - unwtd	16.0%	16.6%	11.0%	17.5%	17.9%	11.7%	14.2%	16.3%

Premium mix (%)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
New business - unwtd								
- Individual mix	91.6%	92.0%	91.9%	91.2%	89.8%	90.0%	90.0%	90.0%
- Group mix	8.4%	8.0%	8.1%	8.8%	10.2%	10.0%	10.0%	10.0%
New business mix - WRP								
- Participating	44.7%	41.4%	32.2%	20.7%	22.6%	33.3%	32.8%	31.5%
- Non-participating	13.9%	16.4%	29.6%	41.6%	38.5%	30.9%	30.2%	30.6%
- ULIPs	41.4%	42.2%	38.2%	37.7%	39.0%	35.8%	37.0%	37.9%
Total premium mix - unwtd								
- Participating	57.3%	53.4%	49.0%	41.3%	NA	43.6%	43.9%	44.9%
- Non-participating	14.2%	15.0%	19.8%	27.7%	NA	23.7%	23.3%	22.4%
- ULIPs	28.5%	31.5%	31.2%	30.9%	NA	32.7%	32.8%	32.7%

Individual prem sourcing mix (%)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Individual agents	23.6%	23.2%	22.2%	25.2%	23.0%	24.0%	25.0%	26.0%
Corporate Agents-Banks	63.6%	63.1%	61.4%	63.5%	64.4%	63.0%	63.0%	63.0%
Direct Business	10.0%	11.3%	14.5%	7.0%	8.4%	11.0%	10.0%	9.0%
Others	2.8%	2.5%	1.8%	4.2%	4.2%	2.0%	2.0%	2.0%

Financials and valuations

Balance sheet (INR m)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Sources of Fund								
Share Capital	19,188	19,188	19,188	19,188	19,188	19,188	19,188	19,188
Reserves And Surplus	7,702	8,478	6,806	10,589	12,760	18,532	23,043	27,843
Shareholders' Fund	26,989	27,609	25,739	30,079	31,959	37,733	42,245	47,047
Policy Liabilities	310,137	381,436	454,807	558,936	672,822	662,443	721,037	783,589
Prov. for Linked Liab.	163,050	186,738	174,210	254,703	294,035	507,203	602,869	722,739
Current liabilities & prov.	17,841	23,398	20,276	28,853	37,214	40,936	45,029	49,532
Total	549,628	659,270	717,724	941,082	1,120,549	1,305,981	1,482,674	1,691,642
Application of Funds								
Shareholders' inv	32,146	35,187	32,581	38,484	51,477	69,494	93,817	126,653
Policyholders' inv	319,238	394,173	460,484	581,847	689,187	829,667	951,722	1,093,061
Assets to cover linked liab.	170,981	198,619	191,642	283,736	334,432	354,498	375,768	398,314
Loans	2,233	3,265	4,264	5,322	6,661	10,191	15,592	23,856
Fixed Assets	1,582	1,921	2,187	2,213	2,604	3,047	3,565	4,171
Current assets	23,448	26,105	26,566	29,480	36,189	39,084	42,211	45,588
Total	549,628	659,270	717,724	941,082	1,120,550	1,305,981	1,482,674	1,691,642
Operating ratios (%)								
Investment yield	8.3%	9.0%	3.3%	15.3%	9.1%	5.9%	5.8%	5.9%
Commissions / GWP	7.1%	6.8%	6.3%	6.5%	6.3%	7.0%	7.0%	7.0%
- first year premiums	20.2%	18.1%	17.2%	17.5%	18.0%	24.7%	22.7%	23.2%
- renewal premiums	3.0%	2.7%	2.6%	2.7%	2.5%	2.5%	2.5%	2.5%
- single premiums	0.1%	1.2%	1.1%	1.4%	1.8%	1.0%	1.0%	1.0%
Operating expenses / GWP	12.9%	13.2%	14.5%	14.2%	13.5%	14.5%	14.4%	14.4%
Total expense ratio	20.0%	20.0%	20.8%	20.7%	19.7%	21.5%	21.4%	21.3%
Claims / NWP	39.9%	39.6%	41.4%	37.4%	42.2%	42.4%	42.3%	42.3%
Solvency ratio	275%	242%	207%	202%	201%	204%	197%	189%
Persistency ratios (%)								
13th Month	80.0%	83.0%	83.0%	84.0%	86.0%	87.0%	88.0%	89.0%
25th Month	72.0%	71.0%	71.0%	71.0%	72.0%	73.0%	74.0%	75.0%
37th Month	62.0%	64.0%	63.0%	63.0%	62.0%	62.5%	63.0%	63.5%
49th Month	57.0%	58.0%	59.0%	58.0%	58.0%	58.5%	59.0%	59.5%
61st Month	53.0%	53.0%	52.0%	54.0%	54.0%	54.5%	55.0%	55.5%
Profitability ratios (%)								
New business margin (%)	20.2%	21.7%	21.6%	25.2%	27.4%	29.4%	29.9%	30.5%
RoE (%)	20.3%	20.4%	20.2%	18.7%	12.5%	18.5%	15.6%	16.2%
Operating RoEV	20.6%	21.9%	20.3%	18.5%	19.2%	20.6%	21.4%	21.0%
RoEV (%)	13.9%	19.0%	11.6%	18.6%	19.8%	16.9%	19.6%	20.1%
Valuation ratios								
Total AUMs (INR b)	522	628	685	904	1,075	1,243	1,474	1,698
EPS (INR)	14.3	15.0	14.5	11.0	8.1	15.0	14.5	16.7
Value of new business (INRb)	6.6	8.6	9.0	12.5	15.3	16.4	20.5	23.9
Embedded Value (INR b)	75.1	89.4	99.8	118.4	141.8	165.7	198.2	238.1
EV Per share (INR)	157.7	187.8	209.6	274.3	328.6	384.2	459.4	551.9
P/EV (x) - after 20% holdco disc	6.6	5.6	5.0	3.8	3.2	2.7	2.3	1.9
P/EPS (x)	72.9	69.7	72.0	95.0	128.6	69.7	72.2	62.4
P/EVOP(x)	33.2	27.4	24.9	24.3	19.8	15.5	12.7	10.8
P/VNB(x)	68.7	54.7	50.2	36.1	29.5	27.5	21.9	18.9

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

NOTES

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