

# Life Insurance Corporation

Estimate change

TP change

Rating change



**CMP: INR620**

**TP: INR830 (+34%)**

**Buy**

## APE growth moderates with modest VNB margin

### Gradual diversification of product/channel mix underway

- LIC reported a PAT of INR63.3b in 3QFY23, up 27x YoY. This is a result of the transfer of INR56.7b from the Non-Par segment to shareholders' accounts (related to accretion on available solvency margin). For 9MFY23, PAT grew 13.7x YoY to INR229.7b.
- APE came in at INR123.2b in 3QFY23 (down 18% QoQ; INR375.5b in 9MFY23). VNB declined 21% YoY to INR18.0b as VNB margin moderated by 60bp QoQ to 14.6% in 3QFY23. For 9MFY23, VNB margin stood stable at 14.6% with VNB of INR54.8b.
- The Individual/Group business constituted 62%/38% of APE, respectively, in 9MFY23. Within the Individual business, the share of PAR products remained stable at ~91%. In terms of NBP, the share of PAR products was lower at 66%. Annuity/Pension and ULIPs constituted the bulk of the residual with 24% and 7%, respectively. We expect the momentum to sustain in the medium term, led by incremental focus and introduction of new products.
- The sequential decline in VNB margin was a result of higher growth in the ULIP segment and re-pricing in the Annuity products. Margin in the Individual Par segment improved to 11% from 10.6% in 1HFY23, while the same for Non-Par segment moderated to 63.6% from 68.7% in 1HFY23. Within the group segment, the margin moderated to 12.3% in 9MFY23.
- We have cut our FY23/FY24 VNB margin estimate by ~100bp/~110bp to 14.8%/15.3% and VNB estimate by 9%/10%, respectively. We now expect LIC to deliver a 15% CAGR in APE over FY23-25, thus enabling a 21% VNB CAGR. However, we expect operating RoEV to remain modest at 10.4%, given its lower margin profile than private peers. **We reiterate our Buy rating.**

### Persistency improves sequentially; share of banca channel on the rise

- LIC reported a 15% YoY growth in net premium, led by a 27%/6% growth in the new/renewal business. Total NBP grew 27% YoY to INR518b in 3QFY23, primarily led by 39% YoY growth in the group segment, while Individual NBP reported a muted growth of 2% YoY.
- On an NBP basis, the share of PAR products moderated QoQ to 66.4%. Annuity/Pension and ULIP constituted the bulk of the residual with a share of 24% and 7%, respectively. Term products contribute only 0.4%.
- Sales (Individual NBP) in the banca channel grew 48% YoY to INR13.6b in 9MFY23. This channel now contributes 3.5% of overall sales vs. 2.6% in 9MFY22. Incremental focus and a wider product offering will continue to drive higher sales from this channel.
- Growth in agency channel (Individual NBP) was modest at 8% YoY to INR373b. However, LIC is continuously training the agents to sell Non-Par products. Agency contributed 96% of Individual NBP in 9MFY23.
- The persistency ratio saw mixed trends, with improvement in select cohorts.

Bloomberg	LICI IN
Equity Shares (m)	6325
M.Cap.(INRb)/(USDb)	3922.1 / 47.5
52-Week Range (INR)	920 / 582
1, 6, 12 Rel. Per (%)	-13/-11/-
12M Avg Val (INR M)	1864

### Financials & Valuations (INR b)

Y/E MARCH	FY23E	FY24E	FY25E
Net Premiums	4,859	5,342	5,909
Surplus / Deficit	247.2	222.2	245.8
Sh. PAT	246.6	220.4	243.0
NBP gr- unwt'd (%)	23.0	12.0	12.0
NBP gr- APE (%)	22.5	14.7	14.6
Premium gr (%)	13.7	9.9	10.6
VNB margin (%)	14.8	15.3	16.4
RoEV (%)	4.0	11.8	11.0
Total AUMs (INRt)	45.3	49.8	55.0
VNB	95.6	113.4	139.9
EV per share	891	996	1,105

### Valuations

P/EV (x)	0.7	0.6	0.6
P/EVOP (x)	6.0	6.7	6.0

### Shareholding pattern (%)

As On	Dec-22	Sep-22
Promoter	96.5	96.5
DII	0.9	0.9
FII	0.2	0.2
Others	2.4	2.4

FII Includes depository receipts

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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](http://www.motilalosal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

**Highlights from the management commentary**

- The impact of proposed changes due to tax treatment on maturity receipts stands minimal at 1.8% of APE.
- The bank has launched six new products in the Non-Par segments over 9MFY23 to increase the mix of such products.
- LIC is witnessing an increase in the mix of business by Banca and other channels. LIC will continue to scale up these channels.
- Within the Non-Par segment, ULIP business has grown at a higher pace. Since it has a lower margin profile, it has been adversely impacting the overall margins.

**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, and Savings Annuity). However, changing gears for such a vast organization requires a superior and a well-thought out execution plan. We expect LICI to deliver a 15% CAGR in APE over FY23-25, thus enabling 21% VNB CAGR. However, we expect operating RoEV to remain modest at 10.4%, given its lower margin profile than private peers. LICI is trading at 0.6x FY24E EV, which appears reasonable considering the gradual recovery in margin and diversification in the business mix. **We reiterate our Buy rating with a revised TP of INR830 (0.8x Sep'24E EV).**

**Quarterly performance**

Policy holder's A/c (INRb)	(INR b)								
	FY22				FY23			FY22	FY23E
	1Q	2Q	3Q	4QE	1Q	2Q	3Q		
First year premium	50.9	82.0	87.5	146.1	74.3	91.2	97.2	368.8	447.8
Growth (%)	-27%	2%	10%	33%	46%	11%	11%	7%	21%
Renewal premium	462.0	549.1	568.2	711.6	502.6	561.6	601.9	2,304.2	2,418.3
Growth (%)	14%	-1%	3%	5%	9%	2%	6%	5%	5%
Single premium	305.5	413.5	321.9	582.0	408.0	669.0	421.2	1,628.1	1,999.1
Growth (%)	3%	-5%	-6%	34%	34%	62%	31%	8%	23%
<b>Net premium income</b>	<b>817.2</b>	<b>1,043.3</b>	<b>976.2</b>	<b>1,437.5</b>	<b>983.5</b>	<b>1,321.0</b>	<b>1,117.9</b>	<b>4,295.0</b>	<b>4,859.2</b>
Growth (%)	6%	-3%	1%	18%	20%	27%	15%	6%	13%
<b>PAT</b>	<b>0.0</b>	<b>14.3</b>	<b>2.3</b>	<b>23.7</b>	<b>6.8</b>	<b>159.5</b>	<b>63.3</b>	<b>41.2</b>	<b>246.6</b>
Growth (%)	7%	NM	NM	-18%	NM	NM	NM	39%	498%
<b>Key metrics (INRb)</b>									
New business APE	NA	NA	NA	NA	102.7	149.6	123.2	528.8	647.7
Growth (%)	NA	NA	NA	NA	NA	NA	NA	8%	22%
VNB	NA	NA	NA	NA	14.0	22.8	18.0	76.2	95.6
Growth (%)	NA	NA	NA	NA	NA	NA	NA	83%	25%
AUM (INRt)	38.1	NA	40.1	NA	41.0	42.9	44.3	39.4	45.3
Growth (%)	NA	NA	NA	NA	8%	NA	11%	7%	15%
<b>Key Ratios (%)</b>									
VNB Margins (%)	NA	NA	NA	NA	13.6	15.2	14.6	15.1	14.8
Solvency ratio (%)	173.3	183.4	177.0	185.0	188.5	188.0	185.0	185.0	203.4

## Quarterly snapshot

	FY21				FY22				FY23			Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY	QoQ
<b>Net premium income</b>	<b>771.8</b>	<b>1,071.9</b>	<b>968.4</b>	<b>1,216.3</b>	<b>817.2</b>	<b>1,043.3</b>	<b>976.2</b>	<b>1,437.5</b>	<b>983.5</b>	<b>1,321.0</b>	<b>1,117.9</b>	<b>15</b>	<b>-15</b>
First year premium	69.9	80.2	79.6	109.6	50.9	82.0	87.5	146.1	74.3	91.2	97.2	11	7
Renewal premium	406.9	557.2	549.9	674.6	462.0	549.1	568.2	711.6	502.6	561.6	601.9	6	7
Single premium	295.6	435.0	340.6	433.7	305.5	413.5	321.9	582.0	408.0	669.0	421.2	31	-37
Investment income	604.6	725.0	783.6	674.4	722.9	765.3	765.7	675.0	695.7	841.0	848.7	11	1
<b>Total income (A)</b>	<b>1,377.7</b>	<b>1,798.9</b>	<b>1,753.7</b>	<b>1,891.8</b>	<b>1,541.5</b>	<b>1,862.8</b>	<b>1,742.8</b>	<b>2,114.5</b>	<b>1,688.8</b>	<b>2,222.2</b>	<b>1,968.9</b>	<b>13</b>	<b>-11</b>
Commission paid	37.7	53.4	55.8	74.8	41.9	55.6	58.5	77.4	50.3	58.1	63.2	8	9
First year premium	14.1	20.5	22.2	32.9	15.1	22.8	24.0	35.4	20.7	24.1	25.8	8	7
Renewal premium	20.6	28.5	29.6	35.5	23.4	28.4	30.4	36.4	25.9	28.8	31.7	4	10
Single premium	0.7	2.1	1.6	1.2	0.6	1.3	1.4	1.6	0.9	1.2	1.4	1	17
Operating expense	76.8	79.5	101.9	91.7	87.8	100.3	81.7	117.4	93.4	183.1	74.8	-8	-59
<b>Total commission &amp; Opex</b>	<b>114.6</b>	<b>132.8</b>	<b>157.7</b>	<b>166.5</b>	<b>129.7</b>	<b>155.9</b>	<b>140.2</b>	<b>194.8</b>	<b>143.7</b>	<b>241.2</b>	<b>138.0</b>	<b>-2</b>	<b>-43</b>
Benefits paid	475.2	663.3	687.0	1,025.2	644.5	854.5	850.4	1,219.5	686.6	842.7	784.6	-8	-7
Change in actuarial liability	718.6	983.0	856.7	632.4	775.9	790.8	752.8	681.1	779.4	958.2	978.7	<b>30</b>	<b>2</b>
<b>Total Expenses (B)</b>	<b>1,361.4</b>	<b>1,775.1</b>	<b>1,724.1</b>	<b>1,852.7</b>	<b>1,525.8</b>	<b>1,719.3</b>	<b>1,745.3</b>	<b>2,084.8</b>	<b>1,638.5</b>	<b>2,018.4</b>	<b>1,865.2</b>	<b>7</b>	<b>-8</b>
<b>PBT</b>	<b>16.3</b>	<b>23.8</b>	<b>29.6</b>	<b>39.1</b>	<b>15.8</b>	<b>143.5</b>	<b>-2.5</b>	<b>29.7</b>	<b>50.3</b>	<b>203.7</b>	<b>103.7</b>	<b>NM</b>	<b>-49</b>
Tax	16.3	23.8	29.6	10.2	15.8	31.7	31.7	-0.4	14.0	54.0	-25.2	<b>-NM</b>	<b>NM</b>
<b>Surplus/(Deficit)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>28.9</b>	<b>0.0</b>	<b>111.8</b>	<b>-34.2</b>	<b>30.1</b>	<b>36.2</b>	<b>149.7</b>	<b>128.8</b>	<b>NM</b>	<b>-14</b>
<b>Shareholder A/c</b>													
<b>Trf from Policyholder a/c</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>28.9</b>	<b>0.0</b>	<b>67.7</b>	<b>1.9</b>	<b>22.8</b>	<b>13.6</b>	<b>150.4</b>	<b>61.0</b>	<b>3,176</b>	<b>-59</b>
Investment Income	0.0	0.1	0.0	0.1	0.0	0.4	0.8	0.8	1.5	1.5	2.8	275	91
<b>Total income</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>29.0</b>	<b>0.0</b>	<b>68.1</b>	<b>2.6</b>	<b>23.6</b>	<b>15.0</b>	<b>151.9</b>	<b>63.8</b>	<b>2,342</b>	<b>-58</b>
<b>PBT</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>29.0</b>	<b>0.0</b>	<b>14.5</b>	<b>2.6</b>	<b>23.5</b>	<b>7.0</b>	<b>159.7</b>	<b>63.6</b>	<b>2,334</b>	<b>-60</b>
Tax	0.0	0.0	0.0	0.0	0.0	0.1	0.3	-0.2	0.2	0.2	0.2	-17	-1
<b>PAT</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>28.9</b>	<b>0.0</b>	<b>14.3</b>	<b>2.3</b>	<b>23.7</b>	<b>6.8</b>	<b>159.5</b>	<b>63.3</b>	<b>2,596</b>	<b>-60</b>
<b>Total APE (calculated)</b>	<b>99.5</b>	<b>123.7</b>	<b>113.6</b>	<b>152.9</b>	<b>81.4</b>	<b>123.3</b>	<b>119.7</b>	<b>204.3</b>	<b>115.1</b>	<b>158.1</b>	<b>139.4</b>	<b>16</b>	<b>-12</b>
<b>Key Ratios (%)</b>													
<b>Operating ratios</b>													
Commission (unwtd)	4.9	5.0	5.8	6.1	5.1	5.3	6.0	5.4	5.1	4.4	5.6	-34	125
Opex (unwtd)	9.9	7.4	10.5	7.5	10.7	9.6	8.4	8.2	9.5	13.9	6.7	-168	-718
Total Cost	14.8	12.4	16.3	13.7	15.9	14.9	14.3	13.5	14.6	18.2	12.3	-203	-593
Solvency ratio	NA	164.8	164.0	176	173	183.4	177.0	185	189	188.0	185	800	-300
<b>Profitability ratios</b>													
VNB margins	NA	NA	NA	NA	NA	NA	NA	NA	13.6	15.2	14.6	NM	-62
<b>Persistency ratios</b>													
13th Month	NA	80.6	81.2	78.8	72.5	78.8	76.8	75.6	75.8	77.6	77.6	77	-1
25th Month	NA	75.9	75.5	70.0	66.5	70.9	71.7	73.5	67.8	73.8	71.3	-38	-252
37th Month	NA	72.8	72.4	66.9	62.6	67.6	67.8	66.6	64.3	67.9	68.3	47	46
49th Month	NA	67.6	68.2	63.1	59.9	64.8	65.0	63.9	60.8	64.7	64.7	-27	-3
61st Month	NA	63.1	63.0	58.8	56.0	60.6	61.9	61.0	59.0	62.8	62.7	82	-4
<b>Key Metrics (INR b)</b>													
VNB	NA	NA	NA	NA	NA	NA	NA	NA	14.0	22.8	18.0	NM	-21
EV	NA	NA	NA	NA	NA	5,397	NA	NA	NA	5,443	NA	NM	NM
AUM	NA	NA	NA	NA	38,134	NA	NA	NA	41,020	42,938	44,349	NM	3

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

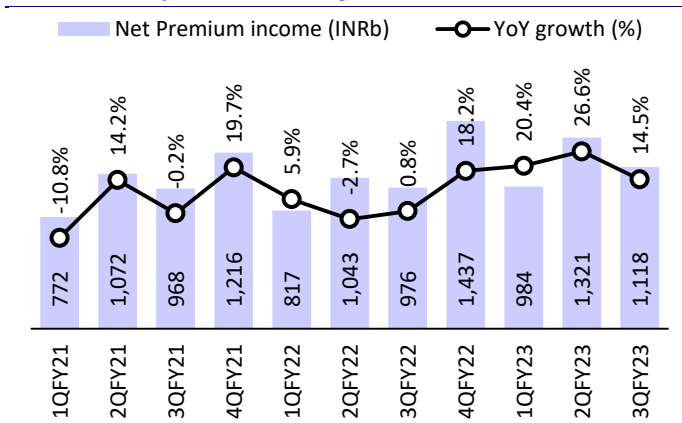
- As on Dec'22, its total exposure to Adani Group stands at less than 1% of AUM
- The impact of proposed changes due to tax treatment on maturity receipts stands minimal at 1.8% of APE for LIC
- LIC continues to see a market share gain across products
- The mix of Non-Par products is rising gradually, in line with LIC's strategy of increasing the mix of high margin products
- The bank has launched six new products in the Non-Par segments over 9MFY23 to increase the mix of such products
- More than 90% of the policies continue to be contributed by the Agency channel
- Since LIC is witnessing an increase in the mix of business by Banca and other channel, it plans to continue scaling up these channels
- LIC is focused on building its digital capabilities and gradually improving the technology-led offerings
- Death claims were down by 40% and maturity claims were down by 7% YoY
- Annuity – Average ticket size stands at INR0.89m
- On the banca channel, IDBI bank is driving the bulk of the growth
- Within the group APE, significant portion comes from the savings business

#### With respect to business performance, product, and distribution mix

- The interest rate movements have had a positive impact on VNB margins
- The change in pricing has adversely impacted the VNB margins on Non-Par products
- Within the Non-Par segment, ULIP business has grown at a higher pace. Its lower margin profile has been negatively impacting the overall margins

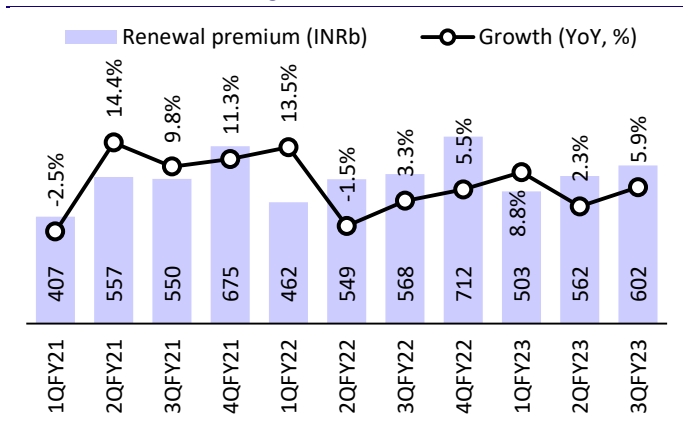
### Key Exhibits

**Exhibit 1: Net premium income grew 14.5% YoY in 3QFY23**



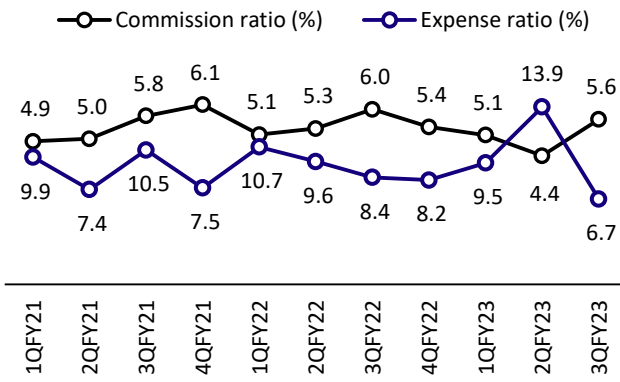
Source: MOFSL, Company

**Exhibit 2: Renewal book grew 6% YoY in 3QFY23**

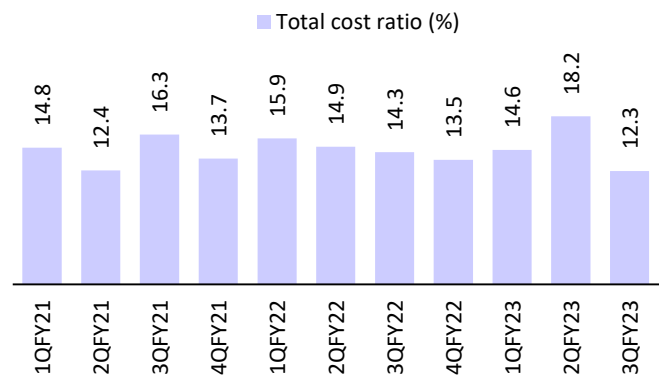


Source: MOFSL, Company

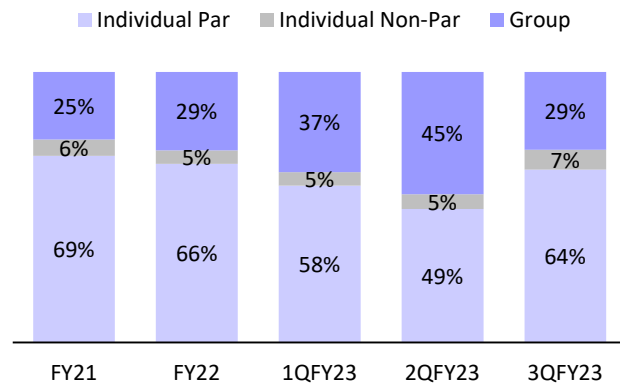
**Exhibit 3: Commission ratio rose QoQ but expense ratio declined**



**Exhibit 4: Total cost ratio moderated QoQ to 12.3%**

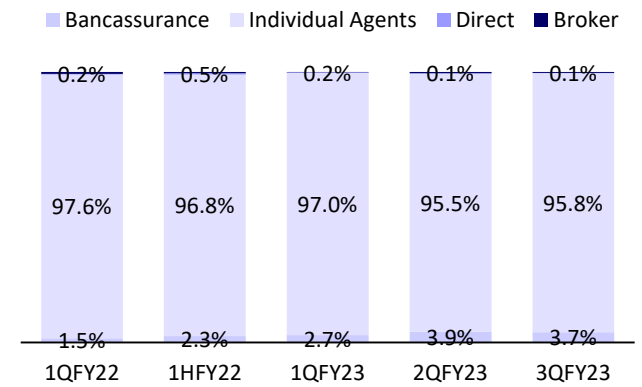


**Exhibit 5: Individual forms 64% of total APE in 3QFY23; ~90% of individual APE comes from Par products**



Source: MOFSL, Company

**Exhibit 6: The share of banca has increased to 3.7% in 3QFY23; this is further expected to increase, driven by incremental focus and expanded product suite**



Source: MOFSL, Company

## Valuation and view

- We expect margins of LICl to rise, aided by improving mix of Non-PAR and higher profit retention for shareholders. Retention is expected to increase to 10% in the PAR business by FY25 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, LICl'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.
- **Reiterate Buy, with a TP of INR830:** LICl 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 plan. We expect LICl to deliver a 15% CAGR in APE over FY23-25, thus enabling 21% VNB CAGR. However, we expect operating RoEV to remain modest at 10.4%, given its lower margin profile than private peers. LICl is trading at 0.6x FY24E EV, which appears to be reasonable, considering the gradual recovery in margin and diversification in the business mix. **We reiterate our Buy rating with a revised TP of INR830 (0.8x Sep'24E EV).**

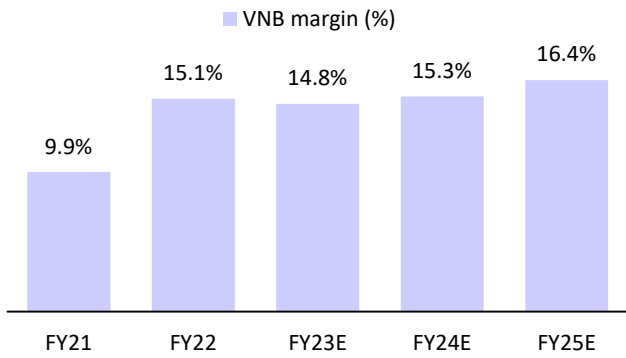
### Exhibit 7: We cut our VNB estimates by 9-10% for FY23/24

INR b	Old Est.			Revised Est.			Change (%/bp)		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Gross Premiums	4,945	5,451	6,044	4,865	5,349	5,917	-1.6	-1.9	-2.1
<b>PAT</b>	<b>215.0</b>	<b>143.0</b>	<b>187.3</b>	<b>246.6</b>	<b>220.4</b>	<b>243.0</b>	<b>14.7</b>	<b>54.2</b>	<b>29.8</b>
<b>Key Metrics</b>									
VNB	105.3	125.7	150.4	95.6	113.4	139.9	-9.3	-9.8	-7.0
EV	5,870	6,562	7,293	5,633	6,300	6,991	-4.0	-4.0	-4.1
<b>Ratios</b>									
VNB margin (%)	15.7	16.4	17.1	14.8	15.3	16.4	-99	-112	-68
Op. ROEV	12.5	10.8	10.9	12.0	10.4	10.4	-48	-39	-44
RoEV (%)	8.4	11.8	11.2	4.0	11.8	11.0	-437	5	-18

Source: MOFSL, Company

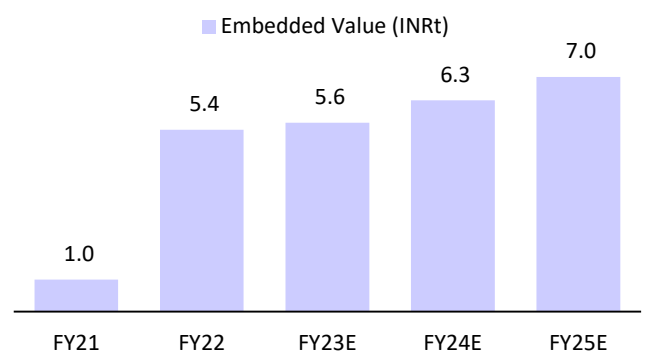
Story in charts

Exhibit 8: VNB margin is expected improve to 16.4% by FY25



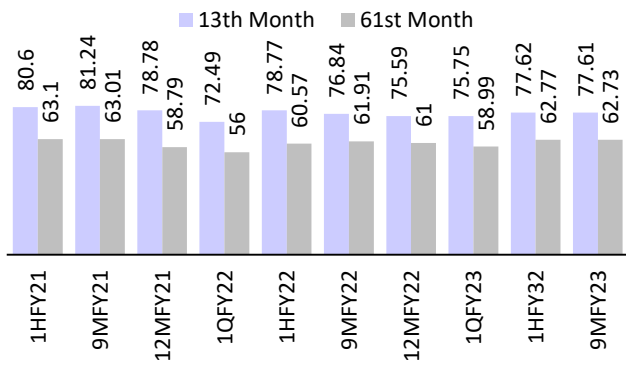
Source: MOFSL, Company

Exhibit 9: We expect EV to grow at 11% CAGR over FY23-25



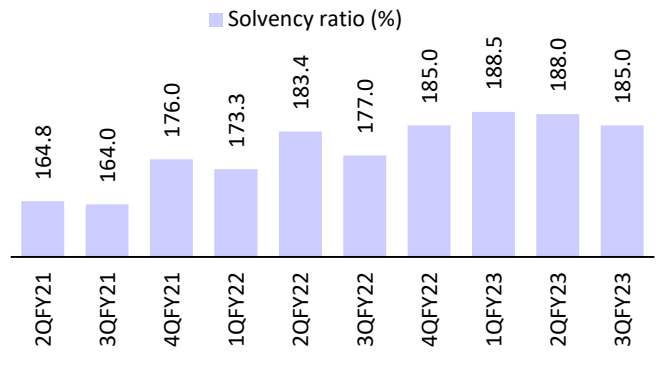
Source: MOFSL, Company

Exhibit 10: Persistency ratio remain healthy across cohorts



Source: MOFSL, Company

Exhibit 11: Solvency ratio moderates slightly to 185%



Source: MOFSL, Company

## Financials and valuations

Technical account (INR b)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Gross Premiums	3,182.2	3,402.9	3,828.1	4,058.5	4,301.2	4,865.1	5,348.6	5,916.5
Reinsurance Ceded	(3.7)	(3.2)	(3.4)	(4.5)	(6.2)	(5.9)	(6.5)	(7.2)
Net Premiums	3,178.5	3,399.7	3,824.8	4,054.0	4,295.0	4,859.2	5,342.1	5,909.3
Income from Investments	2,049.6	2,250.4	2,428.4	2,855.2	2,941.1	3,501.9	4,043.8	4,607.0
Other Income	8.0	57.9	202.9	127.9	8.2	8.0	9.2	10.6
<b>Total income (A)</b>	<b>5,236.1</b>	<b>5,708.1</b>	<b>6,456.1</b>	<b>7,037.1</b>	<b>7,244.3</b>	<b>8,369.1</b>	<b>9,395.1</b>	<b>10,526.9</b>
Commission	182.3	204.8	215.5	223.6	233.1	269.7	298.7	332.1
Operating expenses	301.4	283.3	344.3	351.6	390.2	395.1	426.6	466.3
<b>Total commission and opex</b>	<b>483.7</b>	<b>488.1</b>	<b>559.7</b>	<b>575.2</b>	<b>623.3</b>	<b>664.7</b>	<b>725.3</b>	<b>798.3</b>
Benefits Paid (Net)	1,981.2	2,540.3	2,571.5	2,907.2	3,595.1	3,704.5	4,042.2	4,552.5
Change in reserves	2,606.9	2,442.8	2,875.2	3,215.8	2,981.7	3,530.0	4,101.8	4,549.6
Prov. for doubtful debts	64.0	204.3	441.8	207.7	(93.7)	67.6	78.8	91.9
<b>Total expenses (B)</b>	<b>5,135.7</b>	<b>5,675.6</b>	<b>6,448.3</b>	<b>6,905.8</b>	<b>7,106.4</b>	<b>7,966.8</b>	<b>8,948.1</b>	<b>9,992.4</b>
<b>(A) - (B)</b>	<b>100.4</b>	<b>32.5</b>	<b>7.7</b>	<b>131.3</b>	<b>137.9</b>	<b>402.3</b>	<b>447.0</b>	<b>534.5</b>
Tax	76.2	56.7	109.2	92.6	80.6	155.1	224.8	288.7
<b>Surplus / Deficit</b>	<b>24.2</b>	<b>(24.2)</b>	<b>(101.5)</b>	<b>38.6</b>	<b>57.2</b>	<b>247.2</b>	<b>222.2</b>	<b>245.8</b>

Shareholder's a/c (INR b)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Transfer from technical a/c	24.2	26.0	27.0	29.6	38.8	244.2	218.0	240.4
Income From Investments	0.4	0.5	0.4	0.2	2.1	2.3	2.5	2.7
<b>Total Income</b>	<b>24.6</b>	<b>26.4</b>	<b>27.3</b>	<b>29.9</b>	<b>42.0</b>	<b>246.5</b>	<b>220.4</b>	<b>243.0</b>
<b>PBT</b>	<b>24.6</b>	<b>26.4</b>	<b>27.2</b>	<b>29.8</b>	<b>41.6</b>	<b>246.1</b>	<b>220.0</b>	<b>242.6</b>
Tax	0.1	0.1	0.1	0.1	0.4	0.5	0.4	0.5
<b>PAT</b>	<b>24.5</b>	<b>26.3</b>	<b>27.1</b>	<b>29.7</b>	<b>41.2</b>	<b>246.6</b>	<b>220.4</b>	<b>243.0</b>
<b>Growth</b>	<b>10%</b>	<b>7%</b>	<b>3%</b>	<b>10%</b>	<b>39%</b>	<b>498%</b>	<b>-11%</b>	<b>10%</b>

Premium (INR b) and growth (%)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
NBP - unweighted	1,346.7	1,423.4	1,782.8	1,844.3	1,989.3	2,446.9	2,740.5	3,069.3
NBP - wrp	388.0	424.3	699.9	489.8	528.8	647.7	742.7	851.1
Renewal premium	1,835.5	1,951.7	2,011.1	2,188.6	2,290.9	2,418.3	2,608.1	2,847.2
Total premium - unweighted	3,182.2	3,375.1	3,793.9	4,032.9	4,280.2	4,865.1	5,348.6	5,916.5
NBP growth - unweighted	8.1%	5.7%	25.3%	3.5%	7.9%	23.0%	12.0%	12.0%
NBP growth - wrp	7.4%	9.4%	65.0%	-30.0%	8.0%	22.5%	14.7%	14.6%
Renewal premium growth	4.3%	6.3%	3.0%	8.8%	4.7%	5.6%	7.9%	9.2%
Premium growth - unweighted	5.9%	6.1%	12.4%	6.3%	6.1%	13.7%	9.9%	10.6%

Premium mix (%)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
<b>New business - un weighted</b>								
- Individual mix	38.5%	35.9%	28.9%	30.6%	27.6%	31.5%	32.0%	32.5%
- Group mix	61.5%	64.1%	71.1%	69.4%	72.4%	68.5%	68.0%	67.5%
<b>New business mix - WRP</b>								
- Participating	67.5%	65.2%	42.6%	57.3%	56.1%	55.1%	54.3%	53.5%
- Non-participating	32.3%	34.7%	57.3%	42.3%	43.4%	44.4%	45.2%	46.0%
- ULIPs	0.2%	0.1%	0.1%	0.4%	0.5%	0.5%	0.5%	0.5%
<b>Total premium mix - un weighted</b>								
- Participating	67.0%	66.8%	60.1%	60.7%	59.7%	56.3%	55.5%	54.8%
- Non-participating	32.7%	32.9%	39.7%	39.0%	39.8%	43.0%	44.0%	44.7%
- ULIPs	0.3%	0.2%	0.2%	0.3%	0.5%	0.7%	0.5%	0.5%

Indi premium sourcing mix (%)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Individual agents	95.6%	95.8%	94.7%	93.8%	96.2%	95.7%	93.8%	92.1%
Corporate agents-Banks	2.6%	2.5%	2.8%	3.1%	2.6%	3.6%	4.0%	4.4%
Direct business	1.6%	1.5%	1.9%	2.2%	0.3%	2.8%	3.1%	3.4%
Others	0.2%	0.2%	0.6%	0.9%	0.8%	-2.1%	-0.9%	0.1%



## Financials and valuations

Balance Sheet	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
<b>Sources of Fund</b>								
Share Capital	1.0	1.0	1.0	1.0	63.2	63.2	63.2	63.2
Reserves And Surplus	5.3	8.0	8.9	67.1	49.2	281.9	484.9	707.1
<b>Shareholders' Fund</b>	<b>6.5</b>	<b>9.0</b>	<b>11.0</b>	<b>69.8</b>	<b>114.6</b>	<b>347.6</b>	<b>551.0</b>	<b>773.4</b>
Policy Liabilities	25,335.6	28,056.9	31,028.2	34,207.3	37,278.9	39,435.7	44,485.3	51,167.0
Prov. for Linked Liab.	509.2	416.5	325.4	329.6	239.1	409.8	422.1	434.8
Funds For Future App.	0.5	0.7	0.8	0.5	19.2	24.8	32.1	41.6
Current liabilities & prov.	533.7	609.1	856.6	831.2	715.2	786.7	865.4	952.0
<b>Total</b>	<b>28,449.9</b>	<b>34,272.5</b>	<b>34,998.3</b>	<b>38,295.2</b>	<b>42,540.6</b>	<b>45,763.9</b>	<b>51,596.2</b>	<b>58,989.9</b>
<b>Application of Funds</b>								
Shareholders' inv	5.9	3.7	4.0	4.3	52.3	62.7	75.3	90.4
Policyholders' inv	25,155.5	28,776.9	29,579.1	34,984.4	39,114.2	42,308.7	47,847.5	54,920.1
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	1,285.4
Current assets	1,352.2	2,511.8	2,573.5	1,854.4	1,988.4	2,187.3	2,406.0	2,646.6
<b>Total</b>	<b>28,449.9</b>	<b>34,272.5</b>	<b>34,998.3</b>	<b>38,295.2</b>	<b>42,540.6</b>	<b>45,763.9</b>	<b>51,596.2</b>	<b>58,989.9</b>
<b>Operating ratios (%)</b>								
Investment yield	7.9%	7.7%	8.1%	8.1%	7.5%	8.3%	8.4%	8.4%
<b>Commissions / GWP</b>	<b>5.7%</b>	<b>6.0%</b>	<b>5.6%</b>	<b>5.5%</b>	<b>5.4%</b>	<b>5.5%</b>	<b>5.6%</b>	<b>5.6%</b>
- first year premiums	29.3%	28.1%	16.8%	26.4%	26.5%	26.0%	25.5%	25.0%
- renewal premiums	5.2%	5.2%	5.1%	5.2%	5.2%	5.3%	5.3%	5.3%
- single premiums	0.5%	0.5%	0.4%	0.4%	0.3%	0.6%	0.6%	0.6%
Operating expenses / GWP	9.5%	8.3%	9.0%	8.7%	9.1%	8.1%	8.0%	7.9%
<b>Total expense ratio</b>	<b>15.2%</b>	<b>14.3%</b>	<b>14.6%</b>	<b>14.2%</b>	<b>14.5%</b>	<b>13.7%</b>	<b>13.6%</b>	<b>13.5%</b>
Claims / NWP	61.8%	74.2%	66.8%	71.2%	83.7%	75.5%	74.9%	76.2%
Solvency ratio	158%	160%	155%	176%	185%	203%	234%	234%
<b>Persistency ratios (%)</b>								
13th Month	76.0%	77.0%	72.0%	78.8%	75.6%	77.0%	79.0%	79.0%
25th Month	68.0%	71.0%	67.0%	70.0%	73.5%	74.3%	74.8%	74.8%
37th Month	63.0%	65.0%	63.0%	66.9%	66.6%	67.3%	68.1%	68.1%
49th Month	66.0%	60.0%	58.0%	63.1%	63.9%	64.7%	65.2%	65.2%
61st Month	59.0%	63.0%	54.0%	58.8%	61.0%	61.4%	61.8%	61.8%
<b>Profitability ratios (%)</b>								
VNB margin (%)	0.0%	0.0%	0.0%	9.9%	15.1%	14.8%	15.3%	16.4%
RoE (%)	NM	NM	NM	73.6%	44.7%	106.7%	49.1%	36.7%
Operating ROEV	NM	NM	NM	36.9%	NM	12.0%	10.4%	10.4%
RoEV (%)	NM	NM	NM	NM	NM	4.0%	11.8%	11.0%
<b>Valuation &amp; key data</b>								
Total AUMs (INRb)	27,236	29,879	30,744	36,762	39,406	45,337	49,840	55,010
- of which equity AUMs (%)	0%	0%	0%	21%	21%	20%	21%	22%
Dividend %	-2422%	-2725%	-2700%	-15%	15%	20%	25%	30%
Dividend payout ratio (%)	99%	104%	100%	1%	25%	6%	8%	9%
EPS, INR	244.6	4.2	4.3	4.7	6.5	39.0	34.9	38.4
VNB (INRb)	-	-	-	41.67	76.2	95.6	113.4	139.9
Embedded Value (INRb)	-	-	-	956.1	5,414.9	5,633.0	6,300.2	6,991.4
EV per share (INR)	-	-	-	151.2	856.1	890.6	996.1	1,105.4
VIF as % of EV	NM	NM	NM	93%	98%	94%	91%	89%
P/VIF (%)	NM	NM	NM	4.4	0.7	0.7	0.7	0.6
P/AUM (%)	14%	13%	13%	11%	10%	9%	8%	7%
P/EV (x)	NM	NM	NM	4.1	0.7	0.7	0.6	0.6
P/EPS (x)	2.5	149.3	144.7	131.9	95.1	15.9	17.8	16.1
P/EVOP (x)	NM	NM	NM	22.9	7.0	6.0	6.7	6.0

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BUY	>=15%
SELL	< - 10%
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