

16 October 2023

India | Equity Research | Q2FY24 Results Review

## HDFC Life Insurance Company

Life Insurance

### Business reorientation towards higher volume growth is a longer-term positive

We like HDFC Life (HDLI) from a volume execution perspective, considering stable margins and market share. There is a tailwind of higher growth in bancassurance (600bps increase in parent bank channel QoQ), while business reorientation of agency/partnership channels towards beyond-tier-1 locations is a strategic priority (underlined by the Exide Life acquisition, addition of 37k agents in H1, tie-ups with Bandhan Bank/SFBs). As such, despite the 50% reduction in mix of large-ticket-size business in H1FY24 versus FY23, 9% YoY APE growth with 26.3% VNB margin in H1FY24 along with flat average-ticket-size are testament to good performance. H2 can surprise positively, in our view, considering unchanged volume/margin guidance for FY24 further helped by possible improvement in non-bank channel and the high-ticket-size segment. Maintain **BUY**. Risks include overall weakness in volume growth.

### FY24 guidance remains at mid-teen APE growth (ex ~INR10bn spike seen in Mar'23) and flat VNB margin YoY

HDLI will require INR 88.1bn APE in H2FY24 to reach ~15% APE growth in FY24 (ex-INR 10bn spike seen in Q4FY23). This would imply: 1) 4.6% requisite YoY growth in H2FY24; and 2) 18.7% requisite YoY growth in H2FY24, adjusted for Mar'23 one off. Basis the aforesaid APE in FY24, HDLI will require INR 24.9bn VNB in H2FY24 to maintain flat full-year margin of 27.5% in FY24. This would imply 28.3% VNB margin in H2FY24E. The improvement in margin from 26.3% in H1FY24 will likely happen primarily through better fixed-cost absorption.

### Maintain BUY with unchanged target price of INR 753

We factor-in a VNB margin of 27.5% with APE growth of 6.9%/15% in FY24E/FY25E. This results in an EV of INR 541bn with RoEV of 16.1% in FY25E. We value the stock based on 3x (unchanged) FY25E EV per share to arrive at a TP of INR 753.

## Financial Summary

| Y/E March (INR mn)      | FY22A  | FY23A  | FY24E  | FY25E  |
|-------------------------|--------|--------|--------|--------|
| Weighted APE            | 100    | 131    | 140    | 161    |
| Embedded Value (bn)     | 300.5  | 395.3  | 466.1  | 541.3  |
| New value business (bn) | 26.8   | 36.7   | 38.5   | 45.1   |
| VNB margin (%)          | 27.4   | 27.6   | 27.0   | 28.0   |
| PAT (Rs mn)             | 13,269 | 13,683 | 14,512 | 16,047 |
| P/EV (x)                | 4.6    | 3.5    | 3.0    | 2.6    |
| EVOP as % of IEV        | 16.6   | 19.7   | 17.7   | 17.2   |
| RoE (%)                 | 10.9   | 9.6    | 10.8   | 11.3   |
| RoEV (%)                | 12.9   | 19.9   | 17.9   | 16.1   |
| Core RoEV (%)           | 18.7   | 19.1   | 17.7   | 17.2   |

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#### Market Data

|                     |             |
|---------------------|-------------|
| Market Cap (INR)    | 1,344bn     |
| Market Cap (USD)    | 16,147mn    |
| Bloomberg Code      | HDFCLIFE IN |
| Reuters Code        | HDFL BO     |
| 52-week Range (INR) | 691 /458    |
| Free Float (%)      | 46.0        |
| ADTV-3M (mn) (USD)  | 24.5        |

| Price Performance (%) | 3m    | 6m   | 12m  |
|-----------------------|-------|------|------|
| Absolute              | (8.1) | 17.9 | 20.5 |
| Relative to Sensex    | (9.6) | 7.2  | 3.1  |

| ESG Disclosure | 2021 | 2022 | Change |
|----------------|------|------|--------|
| ESG score      | 37.7 | 38.6 | 1.0    |
| Environment    | 3.3  | 3.6  | 0.3    |
| Social         | 26.0 | 28.5 | 2.6    |
| Governance     | 83.6 | 83.6 | -      |

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: Bloomberg, I-sec research

#### Previous Reports

24-07-2023: [Q1FY24 results review](#)

27-04-2023: [Q4FY23 results review](#)

### **Bancassurance strength will be a key growth lever; gain in HDFC Bank channel is strong**

This is suggested by the 24% YoY growth in bancassurance retail APE in H1FY24, and expansion in HDLI market share within the HDFC Bank channel from 56.5% in Q1FY24 to 62.2% market share in Q2FY24 (exit market share being 70%).

### **Product mix likely to largely remain neutral for margins driven by increasing protection as well as ULIPs**

This is evident from the 16.3% YoY growth in protection APE in H1FY24. Within protection, retail term has grown 63.4% YoY while credit life has grown by 3.4% YoY in H1FY24. Total protection growth in terms of new business premium was 28% YoY while retail protection growth was 46% YoY in H1FY24. Unit linked individual APE increased 45.2% YoY in H1FY24 to INR 12.4bn. Unit linked individual mix increased to 28% in H1FY24 compared to 19% in FY23. Individual Par APE mix also increased to 30% in H1FY24, from 27% in FY23. Non-par savings mix declined to 28% in H1FY24, from 45% in FY23.

### **Business surplus has a longer span in new business versus past**

This is due to shift in product profile to longer-term savings over last three–four years wherein 75% of profits emerge after five years (although total profit is higher). This is evident from the perspective that business surplus as a percentage of VIF has decreased from 25% in FY19 to 19% in FY23. Despite longer tail, the positive operating variance track-record underlines the high likelihood of ultimate profit realisation.

### **Channel performance**

In terms of individual APE, banca mix improved from 56% in FY23 to 65% in H1FY24. Agency/broker mix have declined from 20/11% in FY23 to 18/7% in H1FY24. Direct mix decreased from 13% in FY23 to 11% in H1FY24.

### **Market share is largely stable but small dip in H1FY24 vs FY23**

- HDLI's individual WRP market share dipped from 16.5% in FY23 to 15.7% in H1FY24. HDLI's total WRP market share declined from 16.0% in FY23 to 15.0% in H1FY24. HDLI's overall NBP market share dipped from 21.1% in FY23 to 20.0% in H1FY24.
- HDLI's retail/overall sum assured increased by 61%/45%, as against industry growth of 21%/36%, resulting in market share expansion of 320bps/90bps YoY to 12.9%/15.6% when compared between FY23 and H1FY24.
- HDLI saw an increase of 9.1% YoY in NOP to 476,192 in H1FY24 from 434,741 in H1FY23. On a QoQ-basis, NOP increased 10.3% from 244,153 in Q1FY24 to 269,337 in Q2FY24.

### **Key details**

- Persistency for 25/49/61 months increased 2.1/3.6/0.9 bps on a YoY basis to 79.4/67.6/53.1% in H1FY24 compared to 78.7/64.0/52.3% in FY23. 13/37-month persistency ratio saw a decline of 0.9/0.6bps in H1FY24 to 86.5/71.8% from 87.5/72.4% in FY23.
- Solvency ratio declined from 210 in H1FY23 to 200 in Q1FY24 to 194 in H1FY24.
- AUM increased 18% YoY to INR 2.7trn in H1FY24, while the equity AUM mix declined from 37% in H1FY23 to 32% in H1FY24.
- Renewal premium share of total premium declined 32bps in H1FY24 to 51.9% from 52.2% in H1FY23. On an absolute-basis, renewal premium has increased 13.6% YoY to INR 136bn in H1FY24.

- Embedded value stood at INR 429.1bn in H1FY24. EVOP for this period was INR 31.1bn while economic variances were INR 6.5bn.
- Sensitivity percentages have risen.
  - Overall sensitivity of EV to +/-1% change in interest rates increased from (2.4%)/2.1% in FY23 to (2.8%)/2.7% in H1FY24.
  - For non-Par products sensitivity of EV to +/-1% change in interest rates increased from (2.2)/1.4% in FY23 to (2.8%)/2.4% in H1FY24.
  - Sensitivity of EV to decrease of 10% in equity markets changed from (1.3%) in FY23 to (1.4%) in H1FY24
- Ratio of new business strain to back-book surplus stood at 77.4/87.4/86.7% in FY 21/22/23. Ratio for H1FY24 stood at 85.4% compared to 77.7% in H1FY23.
- Average customer age (excluding annuity) increased to 36.1 years in H1FY24 from 35.4 years in H1FY23. Average policy term (excluding annuity) also increased to 23.4 years in H1FY24 compared to 23.1 years in H1FY23.

### Exhibit 1: APE and VNB projections

| INR bn                  | FY22  | FY23  | FY24E | FY25E |
|-------------------------|-------|-------|-------|-------|
| Weighted Standalone APE | 100   | 131   | 140.0 | 161.0 |
| VNB                     | 26.8  | 36.7  | 38.5  | 45.1  |
| VNB margins- calculated | 26.7% | 28.0% | 27.5% | 28.0% |

Source: I-Sec research, Company data

### Exhibit 2: EV projections

| EV change - INR bn               | FY22E        | FY23         | FY24E        | FY25E        |
|----------------------------------|--------------|--------------|--------------|--------------|
| Opening EV                       | <b>266.2</b> | <b>329.6</b> | <b>395.3</b> | <b>466.1</b> |
| Assumption changes               | -            | -            | -            | -            |
| New business profits             | 26.8         | 36.7         | 38.5         | 45.1         |
| Expense overrun                  |              |              |              |              |
| Expected return on inforce       | 23.0         | 26.2         | 31.6         | 35.0         |
| - Unwind rate (%)                | 8.6%         | 7.9%         | 8.0%         | 7.5%         |
| Operating variance / Tax changes | (5.7)        | 1.9          | -            | -            |
| <b>EVOP</b>                      | <b>44.1</b>  | <b>64.8</b>  | <b>70.1</b>  | <b>80.0</b>  |
| Changes in economic assumptions  |              |              |              |              |
| Economic variance                | (0.5)        | (15.8)       | 5.0          |              |
| Dividend Payout                  | (9.2)        | 16.7         | (4.4)        | (4.8)        |
| <b>Closing MCEV</b>              | <b>300.5</b> | <b>395.3</b> | <b>466.1</b> | <b>541.3</b> |
| - Closing VIF                    | 211.9        | 333.0        | 395.9        | 461.6        |
| - Closing Network                | 88.6         | 62.3         | 70.2         | 79.8         |

Source: I-Sec research, Company data

**Exhibit 3: Individual APE, protection APE and VNB/VNB margin trend**

|                                | Q1FY23 | Q2FY23 | H1FY23 | Q3FY23 | Q4FY23 | Q1FY24 | Q2FY24 | H1FY24 | YoY Growth (%) |
|--------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|----------------|
| <b>Individual APE (INR bn)</b> |        |        |        |        |        |        |        |        |                |
| UL                             | 3.88   | 4.76   | 8.6    | 5.94   | 7.09   | 4.70   | 7.84   | 12.54  | 65%            |
| Par                            | 5.56   | 7.18   | 12.7   | 7.33   | 10.71  | 4.89   | 8.55   | 13.43  | 19%            |
| Non par savings                | 5.73   | 9.48   | 15.2   | 11.74  | 24.36  | 6.20   | 6.33   | 12.54  | -33%           |
| Term                           | 0.84   | 0.80   | 1.6    | 1.31   | 1.60   | 1.13   | 1.56   | 2.69   | 94%            |
| Annuity                        | 1.01   | 1.46   | 2.5    | 1.66   | 1.58   | 1.69   | 1.89   | 3.58   | 30%            |
| Total                          | 16.9   | 24.3   | 41.1   | 27.6   | 45.3   | 18.8   | 26.0   | 44.8   | 7%             |
| <b>INR bn</b>                  |        |        |        |        |        |        |        |        |                |
| Total Protection               | 3.5    | 4.2    | 7.7    | 4.4    | 5.7    | 4.3    | 4.7    | 8.9    | 12%            |
| Individual                     | 0.8    | 0.8    | 1.6    | 1.3    | 1.6    | 1.1    | 1.6    | 2.7    | 94%            |
| Group                          | 2.7    | 3.3    | 6.0    | 3.1    | 4.1    | 3.1    | 3.1    | 6.2    | -7%            |
| <b>INR bn</b>                  |        |        |        |        |        |        |        |        |                |
| VNB                            | 5.2    | 7.7    | 12.88  | 8.8    | 15.1   | 6.1    | 8.0    | 14.1   | 4%             |
| VNB Margin                     | 25.1   | 27.0   | 26.2   | 26.8   | 29.3   | 26.2   | 26.3   | 26.3   | -3%            |
| EV                             | 325    | 330    | 330    | 377    | 395    | 418    | 429    | 429    | 30%            |

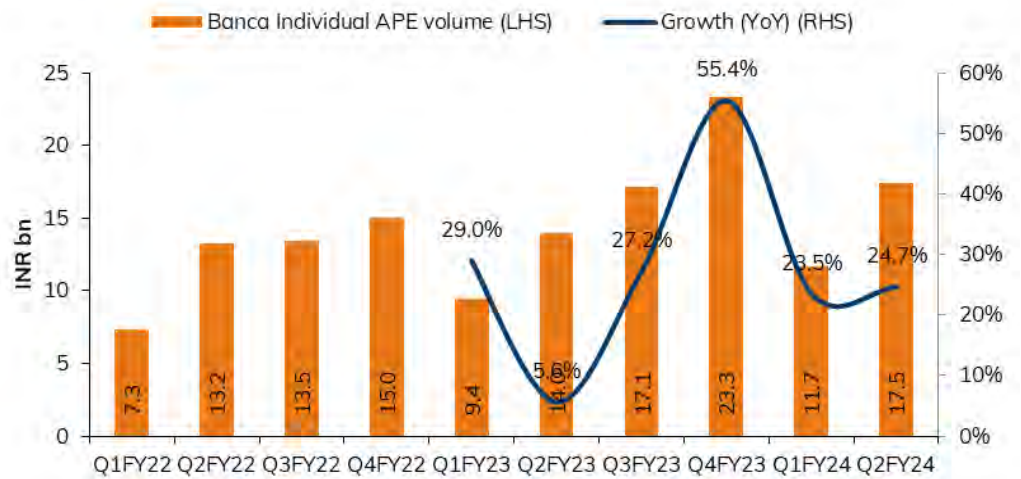
Source: I-Sec research, Company data

**Exhibit 4: Q2FY24 result review**

|  | FY23            |                 |                 |                 | FY24            |                 | Change         |                |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------|----------------|
|  | Q1FY23          | Q1FY23          | Q3FY23          | Q4FY23          | Q1FY24          | Q2FY24          | YoY (%)        | QoQ (%)        |
| <b>Policyholder's account (INR mn)</b> |                 |                 |                 |                 |                 |                 |                |                |
| <b>Net premium income</b>              | 98,701          | 1,31,379        | 1,44,022        | 1,94,686        | 1,15,079        | 1,47,972        | 12.6           | 28.6           |
| First year premium                     | 17,087          | 24,231          | 27,249          | 44,673          | 18,514          | 25,656          | 5.9            | 38.6           |
| Renewal premium                        | 51,005          | 69,066          | 71,870          | 92,542          | 58,041          | 78,389          | 13.5           | 35.1           |
| Single premium                         | 32,405          | 39,528          | 46,632          | 59,047          | 40,173          | 45,358          | 14.7           | 12.9           |
| Reinsurance ceded                      | (1,796)         | (1,447)         | (1,728)         | (1,575)         | (1,649)         | (1,431)         | (1.1)          | (13.2)         |
| <b>Income from investments</b>         | <b>(33,011)</b> | <b>97,842</b>   | <b>49,298</b>   | <b>11,915</b>   | <b>1,16,307</b> | <b>81,065</b>   | <b>(17.1)</b>  | <b>(30.3)</b>  |
| Other income                           | 596             | 652             | 725             | 2,678           | 864             | 1,008           |                |                |
| Transfer from S/H A/C                  | 83              | 149             | 3,137           | 5,426           | 179             | 132             | <b>(11.3)</b>  | <b>(26.0)</b>  |
| <b>Total income</b>                    | <b>66,368</b>   | <b>2,30,022</b> | <b>1,97,182</b> | <b>2,14,705</b> | <b>2,32,429</b> | <b>2,30,178</b> | <b>0.1</b>     | <b>(1.0)</b>   |
| Commission paid                        | 3,911           | 6,713           | 6,763           | 10,893          | 6,511           | 11,815          | 76.0           | 81.5           |
| Operating expense                      | 15,699          | 18,539          | 21,405          | 29,477          | 16,424          | 17,516          | (5.5)          | 6.7            |
| <b>Total commission &amp; Opex</b>     | <b>19,611</b>   | <b>25,252</b>   | <b>28,168</b>   | <b>40,370</b>   | <b>22,935</b>   | <b>29,331</b>   | <b>16.2</b>    | <b>27.9</b>    |
| Benefits paid                          | 72,968          | 1,17,568        | 86,918          | 1,12,261        | 80,950          | 93,567          | (20.4)         | 15.6           |
| Change in actuarial liability          | (29,565)        | 83,484          | 79,123          | 52,860          | 1,25,652        | 1,10,328        | 32.2           | (12.2)         |
| <b>Total Expenses</b>                  | <b>63,014</b>   | <b>2,26,303</b> | <b>1,94,209</b> | <b>2,05,491</b> | <b>2,29,537</b> | <b>2,33,226</b> | <b>3.1</b>     | <b>1.6</b>     |
| Provisions                             | 234             | 71              | (9)             | (6)             | (361)           | (231)           | (427.3)        | (36.0)         |
| Service Tax on linked products         | 873             | 920             | 998             | 966             | 907             | 995             | 8.1            | 9.7            |
| <b>PBT</b>                             | <b>2,246</b>    | <b>2,728</b>    | <b>1,984</b>    | <b>8,254</b>    | <b>2,346</b>    | <b>(3,811)</b>  | <b>(239.7)</b> | <b>(262.4)</b> |
| Tax                                    | 148             | 244             | (1,313)         | 2,512           | 218             | (6,115)         | (2,609.1)      | (2,907.4)      |
| <b>Surplus/(Deficit)</b>               | <b>2,098</b>    | <b>2,485</b>    | <b>3,297</b>    | <b>5,742</b>    | <b>2,128</b>    | <b>2,304</b>    | <b>(7.3)</b>   | <b>8.2</b>     |
| Check                                  | -               | -               | -               | -               | -               | -               |                |                |
| <b>Shareholders' Account</b>           |                 |                 |                 |                 |                 |                 |                |                |
| Transfer from P/H A/C                  | 2,506           | 2,196           | 4,158           | 5,862           | 2,327           | 1,366           | (37.8)         | (41.3)         |
| <b>Investment income</b>               | <b>1,272</b>    | <b>1,679</b>    | <b>2,448</b>    | <b>1,971</b>    | <b>2,328</b>    | <b>2,379</b>    | <b>41.7</b>    | <b>2.2</b>     |
| Other income                           | -               | -               | 78              | 719             | 95              | 209             |                |                |
| <b>Total income</b>                    | <b>3,778</b>    | <b>3,875</b>    | <b>6,684</b>    | <b>8,552</b>    | <b>4,751</b>    | <b>3,953</b>    | <b>2.0</b>     | <b>(16.8)</b>  |
| Other expenses                         | 293             | 432             | 393             | 400             | 457             | 364             | (15.8)         | (20.4)         |
| Amounts trf to P/H account             | 83              | 149             | 3,137           | 5,426           | 179             | 132             | (11.3)         | (26.0)         |
| Provisions                             | (227)           | (12)            | -               | (8)             | (65)            | 135             | (1,247.5)      | (307.0)        |
| <b>PBT</b>                             | <b>3,630</b>    | <b>3,306</b>    | <b>3,153</b>    | <b>2,734</b>    | <b>4,181</b>    | <b>3,322</b>    | <b>0.5</b>     | <b>(20.5)</b>  |
| Tax                                    | 16              | 15              | (6)             | (886)           | 14              | (460)           |                |                |
| <b>PAT</b>                             | <b>3,614</b>    | <b>3,291</b>    | <b>3,159</b>    | <b>3,620</b>    | <b>4,167</b>    | <b>3,782</b>    | <b>14.9</b>    | <b>(9.2)</b>   |
| <b>Ratios</b>                          |                 |                 |                 |                 |                 |                 |                |                |
|  | Q1FY23          | H1FY23          | 9MFY23          | FY23            | Q1FY24          | H1FY24          | YoY (%)        | QoQ (%)        |
| Commission expense- weighted premium   | 5.5             | 6.3             | 6.4             | 6.8             | 8.1             | 9.7             | 338.7          |                |
| Opex ratio -weighted premium           | 22.0            | 20.3            | 20.4            | 20.5            | 20.4            | 17.9            | (236.6)        |                |
| <b>Reported APE Data</b>               |                 |                 |                 |                 |                 |                 |                |                |
|  | Q1FY23          | H1FY23          | 9MFY23          | FY23            | Q1FY24          | H1FY24          | YoY (%)        | QoQ (%)        |
| Individual APE                         | 15,480          | 37,880          | 68,740          | 1,14,000        | 18,800          | 44,780          | 18.2           |                |
| Group APE                              | 3,560           | 7,610           | 13,000          | 19,000          | 4,480           | 8,930           | 25.8           |                |
| New Business APE                       | 19,040          | 45,490          | 81,740          | 1,33,000        | 23,280          | 53,710          | 22.3           |                |
| <b>Other ratios (%)</b>                |                 |                 |                 |                 |                 |                 |                |                |
|  | Q1FY23          | H1FY23          | 9MFY23          | FY23            | Q1FY24          | H1FY24          | YoY (bps)      | QoQ (bps)      |
| Solvency ratio                         | 178.0           | 210.0           | 209.0           | 203.0           | 200.0           | 194.0           | -7.6           |                |
| Op. ROEV                               | 16.5            | 16.9            | 17.5            | 19.7            | 16.0            | 16.4            | -3.0           |                |
| ROE                                    | 9.5             | 12.4            | 11.9            | 11.9            | 12.6            | 12.0            | -3.2           |                |
| VNB margins                            | 27.2            | 28.3            | 26.5            | 27.6            | 26.2            | 26.3            | -3.7           |                |
| <b>Persistency ratios (%)</b>          |                 |                 |                 |                 |                 |                 |                |                |
|  | Q1FY23          | H1FY23          | 9MFY23          | FY23            | Q1FY24          | H1FY24          | YoY (bps)      | QoQ (bps)      |
| 13th Month                             | 93.0            | 87.1            | 87.2            | 87.00           | 83.30           | 86.50           | -0.7           |                |
| 25th Month                             | 86.0            | 77.4            | 78.0            | 79.00           | 78.00           | 79.40           | 2.6            |                |
| 37th Month                             | 80.0            | 70.3            | 70.9            | 72.00           | 69.80           | 71.80           | 2.1            |                |
| 49th Month                             | 72.0            | 62.9            | 63.6            | 64.00           | 66.30           | 67.60           | 7.5            |                |
| 61st Month                             | 58.0            | 52.2            | 52.2            | 52.00           | 52.70           | 53.10           | 1.7            |                |
| <b>Key Metrics (INR bn)</b>            |                 |                 |                 |                 |                 |                 |                |                |
|  | Q1FY23          | H1FY23          | 9MFY23          | FY23            | Q1FY24          | H1FY24          | YoY (%)        | QoQ (%)        |
| VNB                                    | 5.18            | 12.88           | 21.63           | 36.74           | 6.10            | 14.11           | 9.5            |                |
| EV                                     | 297             | 330             | 377             | 395             | 418             | 429             | 30.0           |                |
| AUM                                    | 2,001           | 2,044           | 2,338           | 2,388           | 2,533           | 2,649           | 29.6           |                |
| equity portion(%)                      | 35              | 37              | 32              | 30              | 32              | 32              | -8.6           |                |

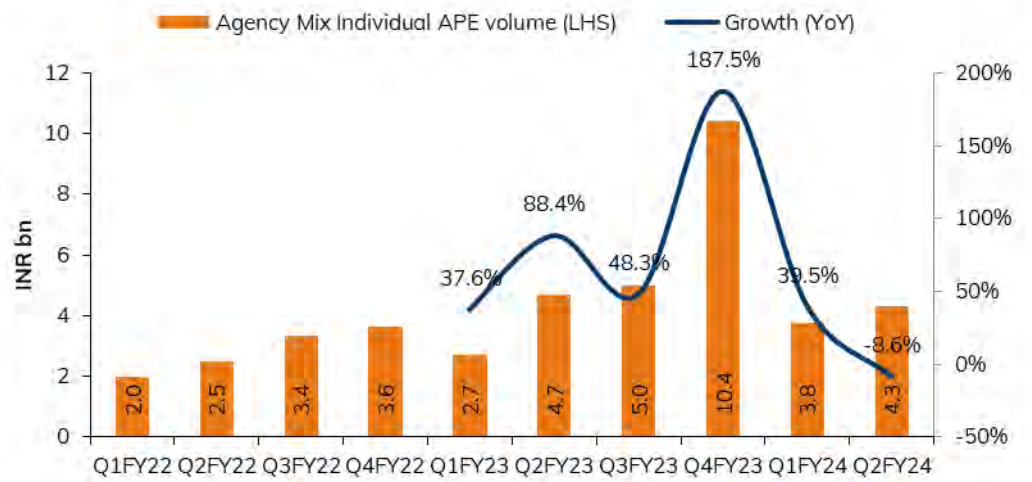
Source: I-Sec research, Company data

**Exhibit 5: Individual APE banca mix trend**



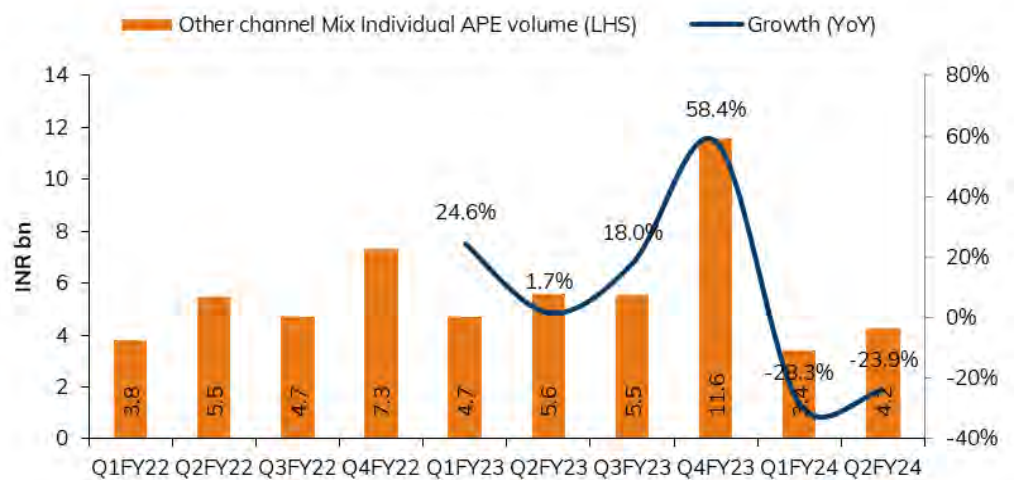
Source: I-Sec research, Company data

**Exhibit 6: Individual APE agency mix trend**



Source: I-Sec research, Company data

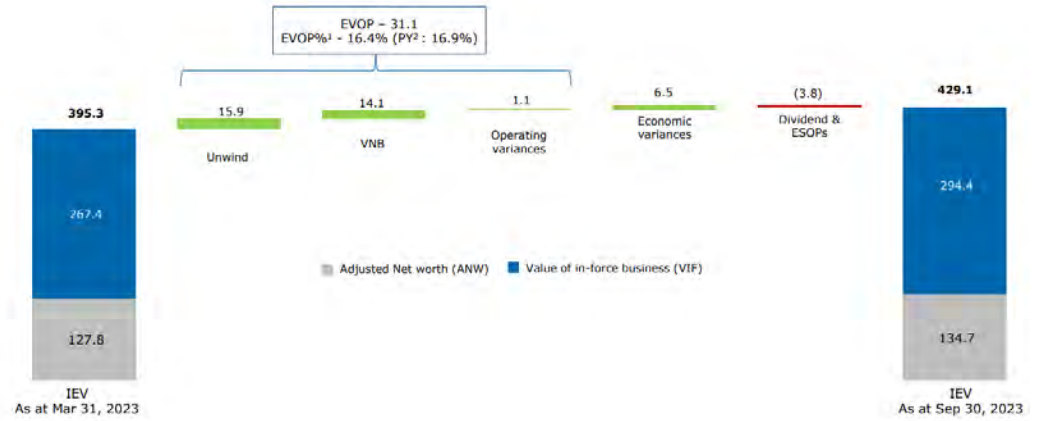
**Exhibit 7: Individual APE other channel mix trend**



Source: I-Sec research, Company data



### Exhibit 8: EV movement in H1FY24



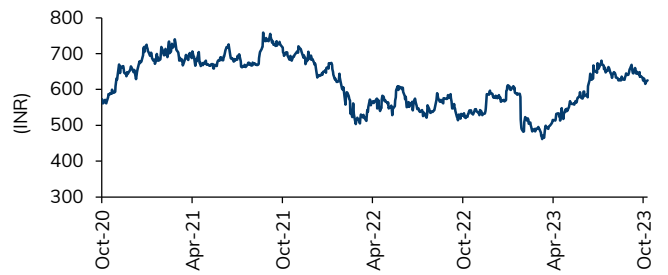
Source: I-Sec research, Company data

### Exhibit 9: Shareholding pattern

| %                       | Dec'22 | Mar'23 | Jun'23 |
|-------------------------|--------|--------|--------|
| Promoters               | 50.3   | 50.3   | 50.3   |
| Institutional investors | 36.4   | 36.5   | 37.1   |
| MFs and other           | 4.1    | 4.1    | 4.0    |
| Banks/ FIs              | 0.1    | 0.1    | 0.1    |
| Insurance Cos.          | 1.4    | 1.8    | 1.6    |
| FIIIs                   | 30.9   | 30.5   | 31.4   |
| Others                  | 13.3   | 13.2   | 12.6   |

Source: Bloomberg, I-Sec research

### Exhibit 10: Price chart



Source: Bloomberg, I-Sec research

## Financial Summary

### Exhibit 11: Technical Account

(INR mn, year ending March)

|                                  | FY22A             | FY23A             | FY24E             | FY25E              |
|----------------------------------|-------------------|-------------------|-------------------|--------------------|
| Gross Premiums                   | 4,72,899          | 5,75,334          | 6,54,190          | 7,76,355           |
| Reinsurance Ceded                | (4,890)           | (6,547)           | (5,840)           | (5,840)            |
| Net Premiums                     | 4,68,010          | 5,68,788          | 6,48,350          | 7,70,515           |
| Income from Investments          | 1,95,118          | 1,26,044          | 2,22,344          | 2,65,698           |
| Other Income                     | 7,467             | 13,445            | 9,333             | 9,886              |
| <b>Total income</b>              | <b>6,70,595</b>   | <b>7,08,277</b>   | <b>8,80,027</b>   | <b>10,46,099</b>   |
| Commission                       | (20,078)          | 28,281            | (28,608)          | (34,100)           |
| Operating expenses               | (58,530)          | (84,495)          | (83,334)          | (98,829)           |
| <b>Total commission and opex</b> | <b>(78,607)</b>   | <b>(56,214)</b>   | <b>(1,11,941)</b> | <b>(1,32,928)</b>  |
| Benefits Paid (Net)+ bonus       | (3,26,163)        | (3,89,715)        | (2,97,761)        | (3,56,702)         |
| Chg in reserves                  | (2,52,370)        | (1,85,902)        | (4,43,991)        | (5,24,918)         |
| <b>Total expenses</b>            | <b>(6,57,141)</b> | <b>(6,31,831)</b> | <b>(8,53,693)</b> | <b>(10,14,548)</b> |
| Prov for doubtful debts          | 2,534             | (290)             | (1,300)           | (1,300)            |
| <b>PBT</b>                       | <b>15,988</b>     | <b>76,156</b>     | <b>25,034</b>     | <b>30,251</b>      |
| Surplus / Deficit before tax     | 13,454            | 76,446            | 26,334            | 31,551             |
| Tax (incl. Service Tax & GST)    | (5,555)           | (5,349)           | (10,427)          | (11,802)           |
| Prov for Tax                     | (1,845)           | (1,591)           | (6,353)           | (7,524)            |
| <b>Surplus / Deficit</b>         | <b>10,434</b>     | <b>70,807</b>     | <b>14,606</b>     | <b>18,449</b>      |

Source Company data, I-Sec research

### Exhibit 12: Shareholder's Account

(INR mn, year ending March)

|                             | FY22A         | FY23A         | FY24E         | FY25E         |
|-----------------------------|---------------|---------------|---------------|---------------|
| Transfer from technical a/c | 11,057        | 14,722        | 12,475        | 15,846        |
| Income From Investments     | 8,131         | 7,239         | 9,011         | 7,829         |
| <b>Total Income</b>         | <b>19,378</b> | <b>22,889</b> | <b>22,413</b> | <b>24,602</b> |
| Other expenses              | (1,322)       | (1,518)       | (1,746)       | (2,008)       |
| Contribution to P/H A/C     | (5,362)       | (8,795)       | (6,105)       | (6,467)       |
| Total Expenses              | (6,351)       | (10,067)      | (7,605)       | (8,228)       |
| <b>PBT</b>                  | <b>13,027</b> | <b>12,822</b> | <b>14,809</b> | <b>16,374</b> |
| Prov for Tax                | 242           | 861           | (296)         | (327)         |
| <b>PAT</b>                  | <b>13,269</b> | <b>13,683</b> | <b>14,512</b> | <b>16,047</b> |

Source Company data, I-Sec research

### Exhibit 13: Balance Sheet

(INR mn, year ending March)

|                              | FY22A            | FY23A            | FY24E            | FY25E            |
|------------------------------|------------------|------------------|------------------|------------------|
| Share Capital                | 21,159           | 21,492           | 21,492           | 21,492           |
| Reserves And Surplus         | 1,34,126         | 1,08,243         | 1,16,308         | 1,25,907         |
| <b>Shareholders' Fund</b>    | <b>1,56,133</b>  | <b>1,29,932</b>  | <b>1,37,749</b>  | <b>1,47,349</b>  |
| Policy Liabilities           | 20,20,062        | 22,07,043        | 26,58,249        | 31,83,167        |
| Prov. for Linked Liab.       | 7,87,119         | 7,53,836         | 9,53,322         | 10,48,654        |
| Funds For Future App.        | 55,672           | 50,533           | 46,825           | 49,790           |
| Current liabilities & prov.  | -                | -                | -                | -                |
| Borrowings                   | 6,000            | 9,500            | 9,500            | 9,500            |
| <b>Total</b>                 | <b>22,37,867</b> | <b>23,97,008</b> | <b>28,52,324</b> | <b>33,89,806</b> |
| Shareholders' investment     | 97,646           | 1,31,928         | 1,08,354         | 1,00,411         |
| Policyholders' investment    | 12,44,934        | 14,64,485        | 17,30,177        | 21,73,194        |
| Assets to cover linked liab. | 8,29,336         | 7,92,015         | 10,03,496        | 11,03,846        |
| Loans                        | 12,719           | 15,853           | 19,024           | 22,828           |
| Fixed Assets                 | 3,700            | 3,824            | 4,589            | 5,506            |
| Current assets               | 49,532           | (11,097)         | (13,316)         | (15,979)         |
| <b>Total</b>                 | <b>22,37,867</b> | <b>23,97,008</b> | <b>28,52,324</b> | <b>33,89,806</b> |

Source Company data, I-Sec research

### Exhibit 14: Premium Details

(INR mn, year ending March)

|                            | FY22A    | FY23A    | FY24E    | FY25E    |
|----------------------------|----------|----------|----------|----------|
| New business premium       | 2,44,243 | 2,75,994 | 3,17,394 | 3,65,003 |
| Total weighted APE         | 99,711   | 1,31,001 | 1,39,975 | 1,60,972 |
| Renewal premium            | 2,15,386 | 2,69,643 | 3,36,797 | 4,11,353 |
| Total premium              | 4,59,628 | 5,45,637 | 6,54,190 | 7,76,355 |
| APE growth (%)             | 21.8     | 31.4     | 6.9      | 15.0     |
| Renewal premium growth (%) | 16.6     | 25.2     | 24.9     | 22.1     |
| Total premium growth (%)   | 19.1     | 18.7     | 19.9     | 18.7     |

Source Company data, I-Sec research

### Exhibit 15: Key ratios

(Year ending March)

|  | FY22A   | FY23A   | FY24E   | FY25E   |
|--|---------|---------|---------|---------|
| <b>Operating Ratios (%)</b>              |         |         |         |         |
| Investment yield (%)                     | 10.4    | 5.8     | 8.8     | 8.8     |
| Commissions / GWP                        | 4.2     | 5.0     | 4.4     | 4.4     |
| Operating expenses / GWP                 | 12.4    | 14.7    | 12.7    | 12.7    |
| Total expense / GWP                      | 16.6    | 19.7    | 17.1    | 17.1    |
| Total expense ratio                      | (16.3)  | (17.8)  | (11.3)  | (11.3)  |
| Benefits Paid / Total Liability          | 15.4    | 17.8    | 10.7    | 10.7    |
| Solvency ratio (%)                       | -       | -       | -       | -       |
| Total AUMs (Rs bn)                       | 2,171.9 | 2,388.4 | 2,842.0 | 3,377.5 |
| (Equity (%))                             | 0.4     | 0.4     | -       | -       |
| <b>Persistency ratios (%)</b>            |         |         |         |         |
| 13th Month                               | 0.9     | 0.9     | 0.9     | 0.9     |
| 25th Month                               | 0.8     | 0.8     | 0.8     | 0.8     |
| 37th Month                               | 0.7     | 0.7     | 0.7     | 0.7     |
| 49th Month                               | 0.7     | 0.6     | 0.6     | 0.6     |
| 61st Month                               | 0.5     | 0.5     | 0.5     | 0.5     |
| <b>Profitability ratios (%)</b>          |         |         |         |         |
| VNB margin, basis effective tax rate (%) | 27.4    | 27.6    | 27.0    | 28.0    |
| RoE (%)                                  | 10.9    | 9.6     | 10.8    | 11.3    |
| Core EVOP (unwind + VNB)                 | 18.7    | 19.1    | 17.7    | -       |
| EVOP as % of IEV                         | 16.6    | 19.7    | 17.7    | 17.2    |
| RoEV (%)                                 | 19.0    | 18.7    | 19.1    | 17.7    |
| <b>Valuation ratios</b>                  |         |         |         |         |
| Dividend per share (Rs)                  | 2.5     | 1.9     | 3.0     | 3.0     |
| Dividend payout ratio (%)                | -       | -       | -       | -       |
| EPS (Rs)                                 | 6.2     | 6.4     | 6.8     | 7.5     |
| VNB (Rs bn)                              | 26.8    | 36.7    | 38.5    | -       |
| EV (Rs bn)                               | 300.5   | 395.3   | 466.1   | 541.3   |
| VIF (Rs bn)                              | 211.9   | 333.0   | 395.9   | 461.6   |
| ANW (Rs bn)                              | 88.6    | 62.3    | 70.2    | 79.8    |
| VIF as % of EV                           | 70.5    | 84.2    | 84.9    | 85.3    |
| EV per share (Rs)                        | 139.8   | 184.0   | 216.9   | 251.9   |
| P/EV (x)                                 | 4.6     | 3.5     | 3.0     | 2.6     |
| P/EPS (x)                                | 101.3   | 98.2    | 92.6    | 83.7    |

Source Company data, I-Sec research



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