

ICICI Prudential Life Insurance

Estimate change	↓
TP change	↓
Rating change	↔

CMP: INR534 **TP: INR600 (+12%)** **Buy**

VNB margin hit by adverse product mix

Persistency trend healthy across cohorts

Bloomberg	IPRU IN
Equity Shares (m)	1439
M.Cap.(INRb)/(USD b)	768.3 / 9.2
52-Week Range (INR)	616 / 381
1, 6, 12 Rel. Per (%)	-8/7/-10
12M Avg Val (INR M)	994

- ICICI Prudential Life Insurance (IPRU) reported a 3.2% YoY growth in APE (in line) to INR20.6b in 2QFY24. The protection segment grew 2.6% YoY while the annuity segment declined 6.7% YoY during the quarter.
- VNB declined 7% YoY to INR5.8b (8% miss) due to moderation in margins. VNB margin for the quarter stood at 28.0% (a 200bp QoQ decline) vs. MOSLe of 30.4%. For 1HFY24, APE stood at INR35.2b and VNB was at INR10.1b with a VNB margin of 28.8%.
- Considering IPRU's 1HFY24 performance, we have cut the APE/VNB margin for FY24 and FY25. We expect IPRU to deliver a 16% CAGR in VNB over FY23-25. This will be fueled by a combination of premium growth and a slight improvement in margins, thereby enabling an operating RoEV of ~18% over FY23-25E. **Reiterate BUY with a TP of INR600 (based on 1.7x Mar'25E EV).**

Financials & Valuations (INR b)

Y/E MARCH	FY23	FY24E	FY25E
Net Premiums	385.6	425.4	492.0
Surplus / Deficit	23.0	27.9	28.9
Sh. holder's PAT	8.1	10.4	12.0
NBP growth unwt'd (%)	12.3	10.0	15.0
APE growth - (%)	11.7	12.0	17.6
Tot. Premium gr. (%)	6.6	9.0	15.8
VNB margin (%)	32.0	30.0	32.7
RoEV (%)	12.7	17.9	18.4
Total AUMs (INRt)	2.5	3.0	3.4
VNB (INRb)	27.6	29.0	37.2
EV per share	248	292	346

Valuations

P/EV (x)	2.2	1.8	1.5
P/EVOP (x)	14.0	12.5	10.4

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	73.3	73.4	73.4
DII	6.3	6.1	5.1
FII	15.4	15.2	16.1
Others	4.9	5.3	5.4

FII Includes depository receipts

Share of ULIPs rises to 45%

- IPRU's gross premium grew 5.4% YoY to INR104.2b (in line) in 2QFY24. Renewal premium grew 4.4% YoY while first-year/single premium increased 5.9%/7% YoY.
- IPRU's PAT grew 22% YoY to INR2.4b in 2QFY24 (in line). On the other hand, its PAT jumped 27% YoY to INR 4.5b in 1HFY24.
- APE grew 3.2% YoY to INR20.6b (in line). In 2QFY24, the protection segment rose 2.6% YoY, while the annuity segment declined 6.7% YoY.
- The share of retail protection in total protection increased 74% YoY. The mix of protection in the overall mix was 18.9% in 2QFY24 vs. 19.0% in 2QFY23 and 23.5% in 1QFY24.
- VNB declined 7% YoY to INR5.8b (8% miss) due to moderation in margins. VNB margin for the quarter stood at 28.0% (a 200bp QoQ decline) vs. MOSLe of 30.4%.
- On the distribution side, the banca channel remained weak due to sustained weakness in the ICICI Bank channel and steady trends in non-ICICI Bank partners. On a sequential basis, the mix of agency and partnership distribution channel improved. ICICI Bank now contributes 13.7% to the overall APE of IPRU.
- Cost-TWRP escalated 500bp YoY to 24.9% during 2QFY24. Savings business cost for 1HFY24 stood at 17.2% vs. 14.4% in 1HFY23.
- On the persistency front, all cohorts witnessed a YoY improvement except the 13th Month. On a premium basis, the 13th month persistency improved 120bp QoQ to 85.6% while the 49th month persistency improved 210bps to 67.9%.

Highlights from the management commentary

- ICICI Bank is more focused on growing its annuity and protection businesses, which do not compete with banking products. Even ISEC is extending its proposition to grow the annuity and protection businesses (currently, they form ~2-3% of the overall business).
- The redesign in commission structure allowed by IRDAI led to an increase in the commission expenses, which ultimately led to a rise in total expenses.
- The increase in Retail protection is led by moderating supply-side issues.
- IPRU recently launched the first-of-its-kind 'ICICI Pru Stack', a set of platform capabilities encompassing digital tools and analytical abilities. The seven-layer stack has enabled IPRU to issue ~20% of the policies on the same day for the savings line of business.

Valuation and view

IPRU's VNB margin is lower than estimated due to an adverse product mix. The growth in the non-ICICI Bank channel and agency channel is likely to pick up in the second half as the base effect kicks in. The share of banca (excluding ICICI Bank) increased to 15% in 1HFY24 from 4% in FY19, thus supporting growth and diversification in the distribution mix. The increase in agent recruitment and the strong pace of new partnership additions will likely aid premium growth. Further, the strategy of approaching customers with a wider product bouquet through all channels will also boost premium growth. Persistency too saw an improvement across cohorts. We estimate IPRU to deliver a 16% CAGR in VNB over FY23-25. This will be fueled by a combination of premium growth and a slight improvement in margins, thereby enabling an operating RoEV of ~18% over FY23-25E. **Reiterate BUY with a TP of INR600 (based on 1.7x Mar'25E EV).**

Quarterly performance**(INR b)**

Policy holder's A/c (INR b)	FY23				FY24E				FY23	FY24E	FY24E 2QE	A v/s E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE				
First year premium	10.4	14.4	13.8	26.3	10.2	15.3	19.3	35.6	64.9	80.4	17.9	-15%
Growth (%)	18.0%	-7.2%	-10.9%	32.9%	-1.5%	5.9%	40.1%	35.3%	8.9%	23.9%	23.9%	
Renewal premium	38.9	56.4	57.5	72.3	41.6	58.9	58.5	84.7	225.2	243.7	58.5	1%
Growth (%)	-5.9%	1.3%	5.7%	6.3%	6.8%	4.4%	1.7%	17.2%	2.6%	8.2%	3.7%	
Single premium	23.3	28.1	26.5	31.3	21.9	30.1	26.7	32.4	109.2	111.1	27.5	9%
Growth (%)	25.9%	16.8%	12.6%	6.9%	-5.9%	7.0%	0.6%	3.7%	14.5%	1.7%	-1.9%	
Gross premium income	72.6	99.0	97.8	129.9	73.7	104.3	104.5	152.8	399.3	435.3	103.9	0%
Growth (%)	5.7%	3.8%	4.7%	10.9%	1.5%	5.4%	6.8%	17.6%	6.6%	9.0%	5.0%	
PAT	1.6	2.0	2.2	2.3	2.1	2.4	2.7	2.9	8.1	10.4	2.4	0%
Growth (%)		-55.1%	-29.0%	27.2%	32.9%	22.4%	22.6%	22.2%	7.5%	28.8%	22.8%	
Key metrics (INRb)												
New Business APE	15.2	20.0	18.2	33.0	14.6	20.6	20.7	35.6	86.4	91.6	20.7	0%
Growth (%)	24.7	1.1	-5.5	26.5	-3.9	3.2	13.7	7.9	11.7	6.0	3.3	
VNB	4.7	6.2	6.2	10.6	4.4	5.8	6.3	11.0	27.6	27.5	6.3	-8%
Growth (%)	31.6	20.6	20.0	36.1	-7.0	-7.1	2.6	4.6	27.7	-0.5	1.1	
AUM	2,301	2,443	2,519	2,512	2,664	2,719	2,828	2,984	2,512	2,984	2,808	-3%
Growth (%)	3.1	3.0	6.0	4.4	15.8	11.3	12.3	18.8	4.4	18.8	15.0	
Key Ratios (%)												
VNB Margins (%)	31.0	31.1	33.9	32.0	30.0	28.0	30.6	31.0	32.0	30.1	30.4	
Solvency ratio (%)	204	201	212	209	203	199	205	200	209	200	202	

Quarterly snapshot

Policyholder A/c (INRb)	FY22			FY23				FY24		Change (%)	
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	YoY	QoQ
Net premium	92.9	90.7	113.6	68.8	95.8	94.6	126.3	70.2	100.2	5	43
First year premium	15.6	15.5	19.8	10.4	14.4	13.8	26.3	10.2	15.3	6	50
Renewal premium	55.7	54.4	68.0	38.9	56.4	57.5	72.3	41.6	58.9	4	42
Single premium	24.1	23.5	29.3	23.3	28.1	26.5	31.3	21.9	30.1	7	37
Investment income	135.5	7.4	14.8	-86.7	128.2	77.2	-19.1	160.3	69.4	-46	-57
Total income	231.3	98.7	138.5	-14.6	229.0	175.4	115.0	235.4	175.3	-23	-26
Total commission & opex	11.9	12.6	18.6	12.2	14.7	14.4	23.2	14.9	19.2	31	29
Benefits paid	80.2	76.6	80.0	55.1	80.2	87.1	87.6	79.5	94.6	18	19
Total expenses	226.2	94.1	126.1	-19.0	223.4	169.6	105.9	233.3	172.0	-23	-26
PBT	5.1	4.6	12.4	4.4	5.7	5.8	9.1	2.1	3.3	-42	57
Surplus/(Deficit)	4.8	4.1	11.4	3.9	5.2	5.2	8.6	2.0	3.0	-42	51
Shareholder A/c											
Trf from policyholder a/c	4.4	3.6	10.7	3.0	4.9	4.1	8.2	3.8	3.6	-25	-4
Investment Income	3.3	1.2	1.7	1.7	2.0	2.4	2.6	3.3	4.3	110	28
Total income	7.7	4.8	12.3	4.7	6.9	6.5	10.8	7.1	7.9	15	11
PAT	4.4	3.1	1.8	1.6	2.0	2.2	2.3	2.1	2.4	22	18
APE data											
Savings APE	17.0	16.2	21.5	11.9	16.2	14.8	28.5	11.2	16.7	3	50
ULIP	10.1	10.2	11.7	6.2	8.2	7.8	8.9	5.7	9.3	13	64
Other Savings	6.9	6.0	9.8	5.8	8.0	7.0	19.6	5.5	7.5	-7	36
- Non-Participating	5.9	5.6	9.1	5.2	7.1	6.3	18.7	5.0	6.6	-7	33
- Group	1.0	0.4	0.7	0.6	0.9	0.7	0.9	0.6	0.9	1	60
Protection	2.8	3.1	4.6	3.3	3.8	3.4	4.5	3.4	3.9	3	13
Total APE	19.8	19.3	26.1	15.2	20.0	18.2	33.0	14.6	20.6	3	41
APE (% of total)											
Savings APE (%)	85.8	84.1	82.5	78.4	80.9	81.3	86.2	76.5	81.1	15	463
ULIP	50.9	53.0	45.0	40.5	41.0	42.7	26.9	38.7	45.0	394	622
Other Savings	34.9	31.1	37.5	37.8	39.9	38.6	59.3	37.6	36.2	-374	-147
- Non-Participating	30.0	28.9	35.0	34.1	35.6	34.7	56.5	33.9	31.9	-366	-197
- Group	4.9	2.1	2.5	3.7	4.4	3.9	2.8	3.8	4.3	-8	50
Protection	14.2	15.9	17.5	21.7	19.0	18.7	13.8	23.5	18.9	-10	-463
Distribution mix (%)											
Banca	39.9	39.5	38.0	34.7	29.8	27.5	27.6	28.9	28.1	-176	-87
Agency	24.3	25.8	22.0	22.4	26.0	28.4	27.4	24.4	26.3	25	184
Direct	12.9	13.2	12.5	10.8	12.5	14.4	11.8	14.5	14.4	196	-8
Corporate Agents	8.7	8.5	10.7	11.1	11.8	11.7	19.9	12.4	14.3	247	189
Group	14.2	13.0	16.8	20.9	19.9	18.0	13.4	19.8	17.0	-292	-278
Key Ratios (%)											
Operating ratios											
Commission (unwtd)	5.8	5.8	6.1	5.9	5.6	5.3	7.4	7.1	10.0	438	288
Opex (unwtd)	10.4	11.6	14.3	17.9	14.3	14.1	15.4	20.6	14.9	62	-568
Total Cost (unwtd)	16.2	17.4	20.4	23.8	19.9	19.4	22.8	27.7	24.9	500	-279
Solvency Ratio	199.9	202.2	204.5	203.6	200.7	212.2	208.9	203.4	199.4	-130	-400
Profitability ratios											
VNB margins	26.0	26.7	29.7	31.0	31.1	33.9	32.0	30.0	28.0	-308	-200
Persistency ratios											
13th Month	85.0	84.8	85.7	82.7	85.9	86.1	81.7	84.4	85.6	-30	120
25th Month	75.0	75.7	77.2	73.9	77.2	77.1	75.5	77.7	78.6	140	90
37th Month	66.3	66.6	67.1	70.1	68.7	70.0	69.4	71.2	68.9	20	-230
49th Month	62.9	63.0	63.7	62.0	65.4	66.0	63.1	65.8	67.9	250	210
61st Month	51.8	52.7	54.4	61.5	61.2	64.2	62.9	63.0	61.9	70	-110
Key Metrics (INRb)											
VNB	5.2	5.2	7.8	4.7	6.2	6.2	10.6	4.4	5.8	-7	32
EV	302	NA	316	NA	326	NA	356	NA	385	NA	NA
AUM	2371	2376	2405	2301	2443	2519	2512	2664	2719	11	2

Note: (a) Persistency ratios are excluding single premium and cumulative for 1H, 9M, and 12M



Highlights from the management commentary

Business

- The regulator has asked insurers to prepare for a risk-based capital solvency approach. Further, the global accounting standard (IFRS phased implementation) is expected from 1st Apr'24. The ultra-long-term bond introduction by the government is positive for the insurance industry.
- ROP accounts for ~15-20% of the total retail protection business. The product proposition does not change in ROP and is not margin dilutive when compared with pure-term business.
- IPRU witnessed robust growth from regular business annuity and this shall continue to grow in the coming quarters.
- Credit life has seen strong growth, while the group-term business has witnessed some pressure.
- Group Protection GTI Challenges: the number of deals has gone up by 50% but the deal size has declined due to lower pricing. This comes on the back of better experience post-Covid.
- The growth in the annuity segment fell 6.9% YoY to INR 2.17b on account of customers' preference shifting towards FDs in a high-interest rate environment.
- Claim settlement of 97%+ is the best in class.
- Economic variance has been positive in 1HFY24 given the strong equity markets.
- ICICI Bank has seen 45%+ growth in the protection business during 1HFY24. The company expects base effect to play out in 3QFY24 leading to better growth.

Financials

- IPRU has registered a 27% growth in its PAT to INR4.5b for 1HFY24.
- VNB stood at INR10.15b with a VNB margin of 28.8% for 1HFY24. The decline in VNB margin is due to a change in product mix, wherein the share of non-par declined while that of ULIPs and Par products increased more in the INR0.5m+ ticket size.
- The APE for the company stood at INR 35.2b, with minimal concentration risk from any single distribution channel.
- The company's robust risk management framework has enabled it to have a record of zero NPAs since inception. The AUM grew 11.3% YoY to INR 2.7t as of Sep'23.
- About 96.4% of fixed income is from sovereign or AAA-rated products, and 0.1% of fixed income is from below-AA rated products.
- Around 73.8% of liabilities largely pass on the market performance to customers. Derivative products continued to hedge interest rate risks for non-par guaranteed savings & annuities.
- The redesign in commission structure allowed by IRDAI led to an increase in the commission expenses, which ultimately led to a rise in total expenses.
- Overall protection APE grew 3.4% YoY to INR7.34b in 1HFY24; however, retail protection surged 74% YoY in 1HFY24. Retail protection's increase was driven by moderating supply-side issues.
- High yield on investment book on shareholder account: IPRU used the relative strength of the markets to book some profits.

Distribution

- Earlier agency channels were skewed towards ULIPs, but over the past 1.0-1.5 years, IPRU has been building capacity to increase the mix for other products. Management expects the share of agency channel to improve going ahead.
- IPRU has recruited 18,409 advisors in 1HFY24. These advisors are fairly spread across geographies. The mix in the agency channel was: 42% linked; 31% non-linked savings; and protection & annuity mix at 27%.
- With respect to lower-tier city penetration, the company has a strong presence through its distributor partners. The agency count is equally divided between tier 1, tier 2 and tier 3 cities.
- IPRU has focused on utilizing the capacity generated from new partnerships and agency channels. This takes 18-24 months for the channel to mature and improve productivity.
- ICICI Bank is more focused on growing its annuity and protection businesses, which do not compete with banking products. Even ISEC is extending its proposition to grow the annuity and protection businesses (currently, they form ~2-3% of the overall business).

Persistency

- To further improve persistency, IPRU has deployed advanced machine learning models that act as early warning system, enabling IPRU to introduce timely interventions and resolve customer challenges.
- Persistency ratios for the 13th and 49th month in Sep'23 improved sequentially by 100bp to 86.9% and by 220bp to 65.8%, respectively.

4D Framework

- Implementing the 4D strategy along with the erstwhile 4P strategy – Data Analytics, Digitization, Depth in partnerships, and in diversified propositions.
- Data analytics – investing in AI/ML helps in cluster-based targeting of customers and extending the same to partners as well. This will help in streamlining claims, better underwriting, and targeted marketing.
- Diversified products – launched new products to meet customer demands.
- Digitalization - IPRU is investing in a digital transformation journey wherein the endeavor is to create a hassle-free experience for customers. Integration with central agencies for simplified digital customer onboarding, with ~78% of policies issued by implementing digital KYC in Sep'23. About 20% of the policies are issued on the same day in the savings segment.
- Depth in partnerships – A well-diversified distribution network is enabling IPRU to reach a wider section of customers to drive growth. The focus has been to onboard additional partners and to strengthen the proprietary channel. It has built a capability to onboard any partner within two weeks. During 1HFY24, the company has added 100+ non-bank partners and one bank partner.

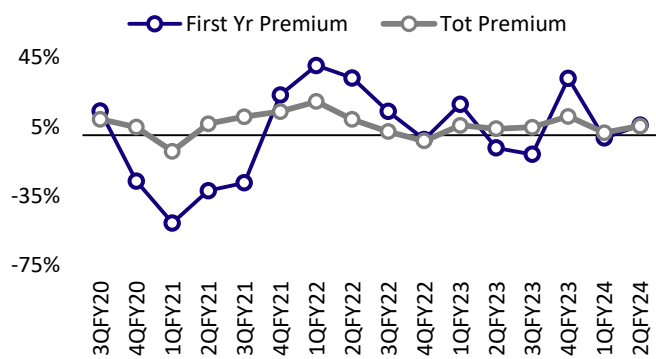
Key initiatives 1HFY24: Innovation

- IPRU's Constant Maturity Fund is the industry's first ULIP debt fund with 'constant maturity' as the theme was launched at a time of peak interest rates and it offers wealth preservation and tax-efficient returns.
- IPRU Gift Pro – the choice of MoneyBack amount with low cover multiple for the affluent segment.

- I-shield is a combination of life and health insurance with multiple payout options to receive life cover.
- IPRU Protect Gain – High life cover with market-linked returns and having option for systematic withdrawals
- IPRU recently launched the first-of-its-kind ‘ICICI Pru Stack’, a set of platform capabilities encompassing digital tools and analytical abilities. The seven-layer stack has enabled IPRU to issue ~20% of the policies on the same day for the savings line of business.

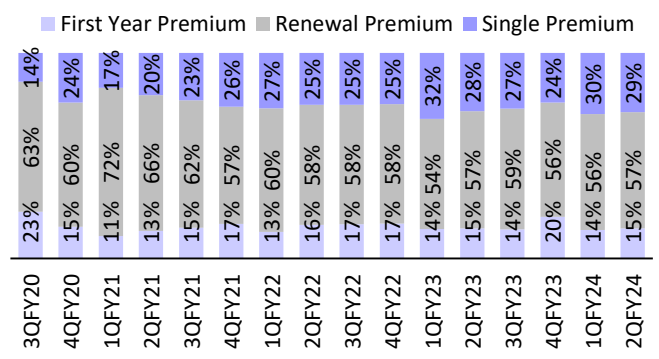
Story in charts

Exhibit 1: First-year premium grew 5.9% YoY while total premium grew 5.4% YoY



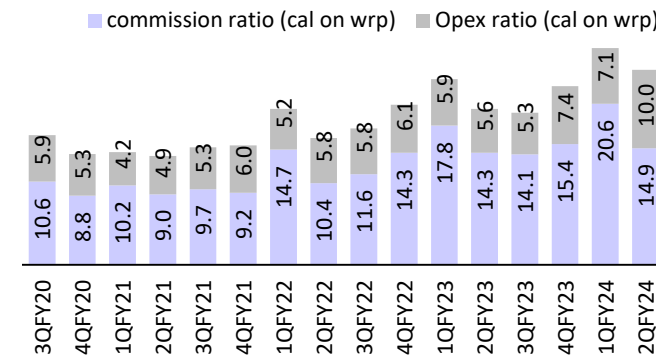
Source: MOFSL, Company

Exhibit 2: Share of renewal premium increased to 57% in 2QFY24



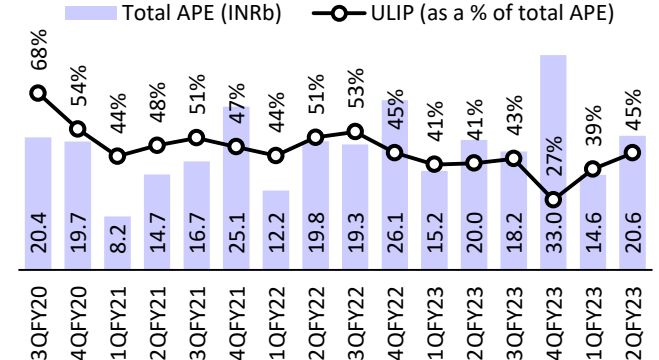
Source: MOFSL, Company

Exhibit 3: Total expense ratio up YoY to 24.9% in 2QFY24



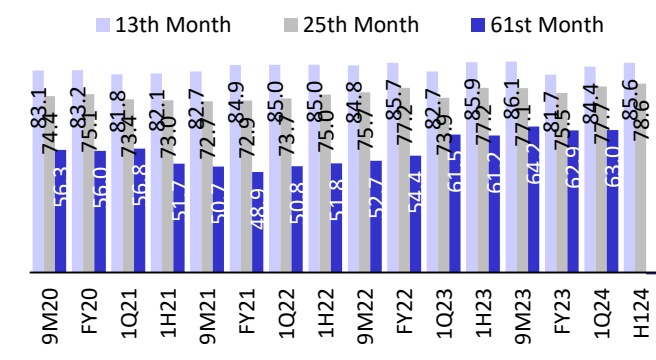
Source: MOFSL, Company

Exhibit 4: Share of ULIP in total APE increased to 45%



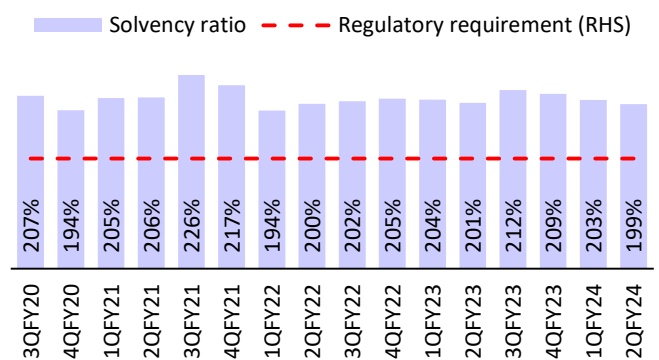
Source: MOFSL, Company

Exhibit 5: Trend in 13th/25th/61st month persistency



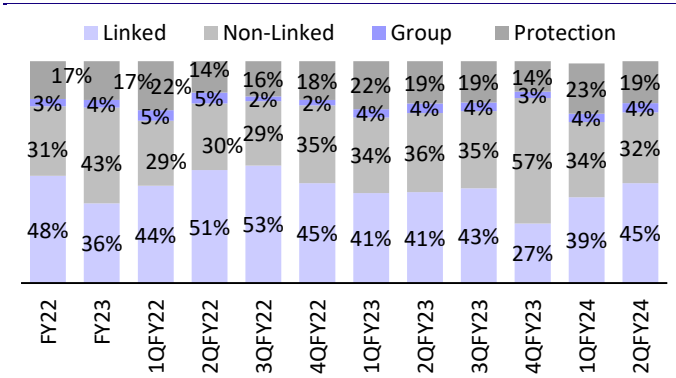
Source: MOFSL, Company

Exhibit 6: Solvency ratio healthy at 199%, well above the regulatory requirement of 150%



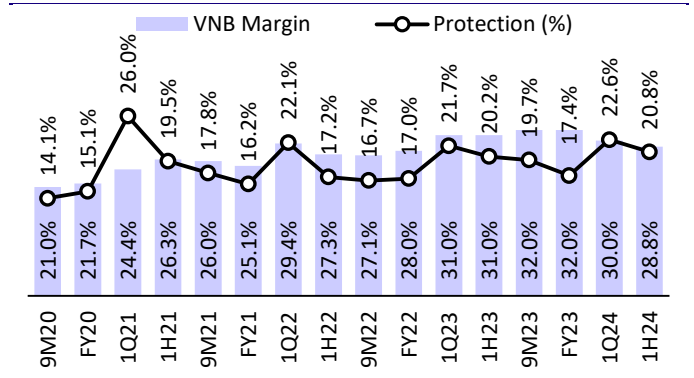
Source: MOFSL, Company

Exhibit 7: Share of protection stood at 19% of total APE, while share of ULIP was at 45%



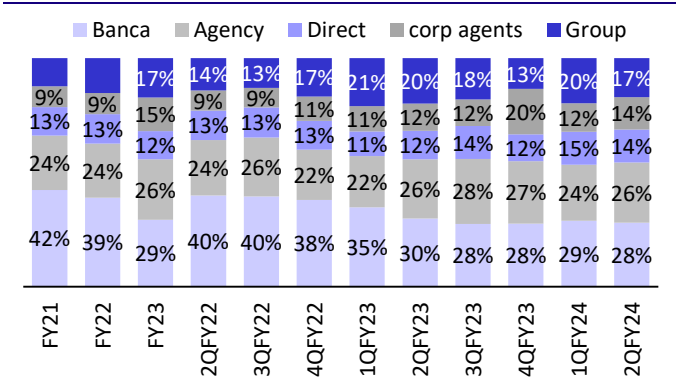
Source: MOFSL, Company

Exhibit 8: VNB margin was healthy at 28.8% in 1HFY24 driven by an optimum business mix



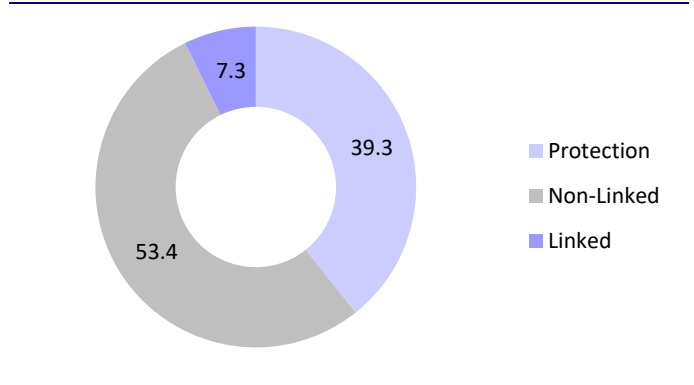
Source: MOFSL, Company

Exhibit 9: Broad-based distribution machinery with share of banca gradually coming down



Source: MOFSL, Company

Exhibit 10: VNB contribution mix for FY23 – ~39% of total VNB originated from the Protection segment



Source: MOFSL, Company

Valuation and view

- The rising share of financial savings and higher disposable incomes, along with favorable demographics, would enable healthy growth for insurers. Thus, India’s life insurance sector is well-positioned to deliver healthy, long-term structural growth. Therefore, we expect Indian insurers to trade at a premium to their global peers. Private sector life insurance companies form a 58% market share in total APE, and IPRU is among the leading players to post market share gains across segments.
- IPRU continues to focus on a change in the product mix, with high emphasis on the Non-Linked and Annuity segments, while Protection is also witnessing a healthy recovery. On the other hand, the ULIP segment has been hit by market volatility but is likely to pick up gradually.
- The new channel partners are likely to support business growth further. The share of the banca channel (ex-ICICIBC) has increased to ~15.5% (from 4% in FY19). Thus, we believe strengthened distribution would enable further diversification and drive an increase in the Non-Linked segment mix, which would aid margins.
- The company achieved its stated guidance of doubling its FY19 VNB by FY23 and expects the healthy growth in VNB to continue, aided by: a) an opportunities in the long-term Savings/ Protection businesses, and b) improving persistency and cost ratios. The Protection business contributed ~39% to the total VNB and the Non-Linked business contributed 53% in FY23.

- **BUY with a TP of INR600:** IPRU's VNB margin is lower than estimated due to an adverse product mix. The growth in the non-ICICI Bank channel and agency channel is likely to pick up in the second half as the base effect kicks in. The share of banca (excluding ICICI Bank) increased to 15% in 1HFY24 from 4% in FY19, thus supporting growth and diversification in the distribution mix. The increase in agent recruitment and the strong pace of new partnership additions will likely aid premium growth. Further, the strategy of approaching customers with a wider product bouquet through all channels will also boost premium growth. Persistency too saw an improvement across cohorts. We estimate IPRU to deliver a 16% CAGR in VNB over FY23-25. This will be fueled by a combination of premium growth and a slight improvement in margins, thereby enabling an operating RoEV of ~18% over FY23-25E. **Reiterate BUY with a TP of INR600 (based on 1.7x Mar'25E EV).**

Financials and valuation

Technical account (INR b)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Gross Premiums	309.3	334.3	357.3	374.6	399.3	435.3	504.0
Reinsurance Ceded	(3.5)	(5.5)	(7.6)	(11.4)	(13.7)	(9.9)	(12.0)
Net Premiums	305.8	328.8	349.7	363.2	385.6	425.4	492.0
Income from Investments	102.1	(125.2)	474.4	249.7	99.6	192.9	220.9
Other Income	5.5	15.3	16.2	21.8	19.0	21.9	25.1
Total income (A)	414.0	219.4	840.8	635.6	504.8	640.1	738.0
Commission	15.5	15.9	15.0	16.7	18.6	25.0	28.8
Operating expenses	26.1	28.5	26.9	36.7	45.8	55.3	63.2
Total commission and opex	41.6	44.3	41.9	53.5	64.5	80.3	92.0
Benefits Paid (Net)	142.6	193.8	226.4	291.5	307.9	201.2	237.6
Chg in reserves	210.0	(50.6)	543.2	260.0	100.3	319.2	366.5
Provisions for doubtful debts	6.4	8.7	6.8	7.2	7.2	6.6	7.5
Total expenses (B)	400.5	196.2	818.3	612.1	479.9	607.3	703.7
(A) - (B)	13.4	23.2	22.5	23.6	24.9	32.9	34.3
Prov for Tax	1.1	1.3	1.4	1.7	1.8	5.0	5.4
Surplus / Deficit	12.3	21.9	21.1	21.9	23.0	27.9	28.9
Shareholder's a/c (INR b)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Transfer from technical a/c	10.8	19.9	19.8	21.6	20.2	21.2	22.5
Income From Investments	6.4	6.6	7.7	10.1	8.8	8.6	8.7
Total Income	17.3	26.5	27.5	31.7	28.9	29.8	31.2
Other expenses	0.4	0.4	0.6	1.0	1.0	1.1	1.3
Contribution to technical a/c	5.3	15.0	15.7	21.6	18.0	17.5	17.0
Total Expenses	5.6	15.8	16.7	23.8	20.0	18.6	18.3
PBT	11.6	10.7	10.8	7.9	9.0	11.2	12.9
Prov for Tax	0.2	-	1.2	0.4	0.9	0.8	0.9
PAT	11.4	10.7	9.6	7.5	8.1	10.4	12.0
Growth	-30%	-6%	-10%	-21%	7%	29%	15%
Premium (INR b) & growth (%)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
NBP - unweighted	103.6	124.9	132.3	155.0	174.1	191.5	220.3
NBP - wrp	78.0	73.8	64.6	77.3	86.4	96.7	113.7
Renewal premium	205.7	209.4	225.1	219.6	225.2	243.7	283.7
Total premium - unweighted	309.3	334.3	357.3	374.6	399.3	435.3	504.0
NBP growth - unweighted	12.5%	20.5%	5.9%	17.2%	12.3%	10.0%	15.0%
NBP growth - wrp	0.1%	-5.4%	-12.5%	19.7%	11.7%	12%	17.6%
Renewal premium growth	15.2%	1.8%	7.5%	-2.4%	2.6%	8.2%	16.4%
Tot. premium growth - unweighted	14.3%	8.1%	6.9%	4.8%	6.6%	9.0%	15.8%
Premium mix (%)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
New business - un-wtd							
- Individual mix	78.5%	63.1%	61.1%	60.0%	0.0%	67.0%	70.0%
- Group mix	21.5%	36.9%	40.7%	40.0%	0.0%	33.0%	30.0%
New business mix - APE							
- Participating	9.0%	12.5%	14.9%	9.6%	12.5%	17.0%	16.8%
- Non-participating	9.1%	18.6%	32.6%	36.8%	48.2%	35.8%	36.3%
- ULIPs	82.0%	69.0%	52.5%	53.6%	39.3%	47.1%	46.8%
Total premium mix - un-wtd							
- Participating	11.3%	12.0%	12.9%	12.7%	11.9%	13.7%	12.0%
- Non-participating	15.3%	18.1%	23.7%	33.3%	41.5%	32.3%	34.4%
- ULIPs	73.5%	69.8%	63.4%	54.0%	46.7%	54.0%	53.6%
Indi. Premium sourcing mix (%)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Individual agents	21.8%	21.9%	24.0%	27.6%	28.6%	29.6%	30.6%
Corporate agents-Banks	55.2%	49.7%	45.5%	45.2%	45.0%	44.8%	44.6%
Direct business	16.7%	20.1%	19.5%	16.3%	18.7%	18.5%	18.3%
Others	6.3%	8.3%	11.0%	10.9%	7.7%	7.1%	6.5%

Financials and valuation

Balance sheet (INR b)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Sources of Fund							
Share Capital	14.4	14.4	14.4	14.4	14.4	14.4	14.4
Reserves And Surplus	54.4	61.1	70.7	75.9	83.7	90.8	99.1
Shareholders' Fund	70.4	72.2	91.2	91.6	100.9	108.3	116.9
Policy Liabilities	385.5	473.6	602.2	736.8	903.1	1,102.0	1,334.0
Prov. for Linked Liab.	1,037.0	880.4	1,277.7	1,405.4	1,352.3	1,570.2	1,711.6
Funds For Future App.	10.3	12.3	13.5	13.8	16.7	19.2	22.1
Current liabilities & prov.	36.6	33.3	37.3	52.5	56.9	68.2	81.9
Total	1,630.9	1,560.4	2,172.3	2,444.4	2,558.5	2,897.7	3,297.6
Application of Funds							
Shareholders' inv	79.9	74.2	100.9	98.5	98.5	105.4	112.8
Policyholders' inv	400.7	467.5	635.7	773.9	943.1	1,139.8	1,384.5
Assets to cover linked liab.	1,109.5	970.8	1,385.5	1,508.7	1,440.6	1,570.2	1,711.6
Loans	2.7	4.6	6.6	9.4	13.1	14.8	16.8
Fixed Assets	4.8	4.8	4.6	4.9	6.0	6.8	7.7
Current assets	33.4	38.4	39.0	49.1	57.2	60.6	64.2
Total	1,630.9	1,560.4	2,172.3	2,444.4	2,558.5	2,897.7	3,297.6
Operating ratios (%)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Investment yield (%)	6.8%	-8.7%	23.5%	10.9%	4.2%	7.1%	7.1%
Commissions / GWP	5.0%	4.7%	4.2%	4.5%	4.7%	5.7%	5.7%
- first year premiums	16.0%	16.5%	17.9%	17.3%	18.0%	22.6%	23.5%
- renewal premiums	1.9%	1.8%	1.8%	1.9%	1.9%	1.8%	1.8%
- single premiums	1.4%	1.1%	1.3%	1.5%	1.4%	1.1%	1.1%
Operating expenses / GWP	8.4%	8.5%	7.5%	9.8%	11.5%	12.7%	12.5%
Total expense ratio	13.4%	13.3%	11.7%	14.3%	16.1%	18.4%	18.3%
Claims / NWP	46.6%	58.9%	64.7%	80.2%	79.8%	47.3%	48.3%
Solvency margin	215%	194%	217%	205%	209%	200%	195%
Persistency ratios (%)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
13th Month	86.2%	83.2%	84.9%	85.7%	81.7%	80.9%	80.5%
25th Month	77.4%	75.1%	72.9%	77.2%	75.5%	74.7%	74.2%
37th Month	71.0%	66.7%	65.8%	67.1%	69.4%	71.8%	74.2%
49th Month	65.0%	64.6%	63.5%	63.7%	63.1%	63.0%	63.3%
61st Month	58.1%	56.0%	48.9%	54.4%	62.9%	63.8%	63.8%
Profitability ratios	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
VNB margin (%)	17.0%	21.7%	25.1%	28.0%	32.0%	30.0%	32.7%
RoE (%)	16.4%	15.0%	11.8%	8.2%	8.4%	10.0%	10.7%
RoIC (%)	23.5%	22.0%	19.8%	15.5%	16.7%	21.5%	24.7%
Operating ROEV (%)	20.2%	15.2%	15.2%	11.0%	17.4%	17.2%	17.5%
RoEV (%)	15.1%	6.5%	26.5%	8.7%	12.7%	17.9%	18.4%
Valuation ratios	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Total AUMs (INRb)	1,604.1	1,529.7	2,142.2	2,404.9	2,511.9	2,984.4	3,433.5
- Of which equity AUMs (%)	48%	40%	45%	47%	45%	47%	47%
Dividend (%)	49%	23%	0%	6%	6%	24%	26%
Dividend payout ratio (%)	74%	38%	0%	38%	10%	32%	31%
EPS (INR)	8.0	7.4	6.7	5.3	5.6	7.3	8.3
VNB (INRb)	13.3	16.0	16.2	21.7	27.6	29.0	37.2
EV (INRb)	216.1	230.2	291.1	316.2	356.3	420.2	497.6
EV/Per share	150.2	160.0	202.3	219.8	247.7	292.1	345.9
VIF as % of EV	66%	66%	67%	74%	75%	77%	79%
P/VIF	5.4	5.1	3.9	3.3	2.9	2.4	2.0
P/AUM (%)	48%	50%	36%	32%	31%	26%	22%
P/EV (x)	3.6	3.3	2.6	2.4	2.2	1.8	1.5
P/EPS (x)	67.2	71.8	79.8	101.7	94.7	73.5	64.0
P/EVOP (x)	20.2	23.4	21.9	24.1	14.0	12.5	10.4

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

Explanation of Investment Rating	
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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. MOFSL is a listed public company, the details in respect of which are available on www.motilaloswal.com. MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg. No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co. Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore. As per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

Specific Disclosures

- 1 MOFSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
- 2 MOFSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
- 3 MOFSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
- 4 MOFSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
- 5 Research Analyst has not served as director/officer/employee in the subject company
- 6 MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 7 MOFSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
- 8 MOFSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
- 9 MOFSL has not received any compensation or other benefits from third party in connection with the research report
- 10 MOFSL has not engaged in market making activity for the subject company

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report or date of the public appearance.
- received compensation/other benefits from the subject company in the past 12 months
- any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.
- Served subject company as its clients during twelve months preceding the date of distribution of the research report.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is meant for the clients of Motilal Oswal only.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 - 71934200 / 71934263;

www.motilaloswal.com. Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000.

Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

Registration details of group entities.: Motilal Oswal Financial Services Ltd. (MOFSL): INZ000158836 (BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412 . AMFI: ARN .: 146822. IRDA Corporate Agent – CA0579. Motilal Oswal Financial Services Ltd. is a distributor of Mutual Funds, PMS, Fixed Deposit, Insurance, Bond, NCDs and IPO products.

Customer having any query/feedback/ clarification may write to query@motilaloswal.com. In case of grievances for any of the services rendered by Motilal Oswal Financial Services Limited (MOFSL) write to grievances@motilaloswal.com, for DP to dpgrievances@motilaloswal.com.