

# ICICI Prudential Life Insurance

Estimate change	↓
TP change	↓
Rating change	↔

**CMP: INR485**      **TP: INR580 (+20%)**      **Buy**

## VNB margin hit due to adverse product mix

### Guides for a double-digit growth in 4QFY24

Bloomberg	IPRU IN
Equity Shares (m)	1439
M.Cap.(INRb)/(USDb)	700.2 / 8.4
52-Week Range (INR)	616 / 381
1, 6, 12 Rel. Per (%)	-7/-24/-18
12M Avg Val (INR M)	1058

- ICICI Prudential Life Insurance (IPRU) reported a 4.7% YoY growth in APE (9.5% higher than estimated) to INR19.1b in 3QFY24. In 3QFY24, protection/ULIP segments rose 5.3%/8.9% YoY but the group segment declined 15.5% YoY.
- VNB declined 29% YoY to INR5.4b (15% miss), due to a moderation in margins. VNB margin for the quarter stood at 22.9% (-510bp QoQ) vs. our estimate of 29.5%. For 9MFY24, APE stood at INR54.3b and VNB was at INR14.5b, with a VNB margin of 26.7%.
- Considering the 3QFY24 performance, we have cut our APE/VNB margin for FY24E and FY25E. We expect IPRU to deliver a 6% CAGR in VNB over FY23-26. Going forward, premium growth and expansion of VNB margin will be the key drivers for the re-rating of the stock. We note that the 1-year forward P/EV for IPRU has declined to 1.5x currently from 1.8x in Jun'23. **We reiterate our BUY rating with a TP of INR580 (based on 1.5x Sep'25E EV).**

### Financials & Valuations (INR b)

Y/E MARCH	FY24E	FY25E	FY26E
Net Premiums	402.0	461.6	528.6
Surplus / Deficit	16.0	17.1	19.6
Sh. holder's PAT	3.5	4.7	6.9
NBP growth unwt'd (%)	-1.0	15.0	15.0
APE growth - (%)	4.3	19.8	17.0
Tot. Premium gr. (%)	4.2	14.8	14.5
VNB margin (%)	26.1	26.7	27.5
RoEV (%)	16.4	16.6	16.8
Total AUMs (INRt)	3.1	3.6	4.0
VNB (INRb)	23.5	28.8	34.8
EV per share	288	336	393

Valuations			
P/EV (x)	1.7	1.4	1.2
P/EVOP (x)	12.5	10.8	9.3

### Shift in product mix towards ULIPs and par products

- IPRU's gross premium grew 5.4% YoY to INR103b (in line with our estimate) in 3QFY24, with renewal/first-year premium rising 6%/11% YoY and single premium being flat YoY.
- PAT grew 3% YoY to INR2.3b in 3QFY24. For 9MFY24, the company's PAT rose 18% YoY to INR6.8b.
- APE grew 4.7% YoY to INR19.1b (9.5% higher than estimate). In 3QFY24, protection/ULIP segments rose 5.3%/8.9% YoY but the group segment declined 15.5% YoY.
- VNB declined 29% YoY to INR5.4b (15% miss), due to a moderation in margins. VNB margin for the quarter stood at 22.9% (-510bp QoQ) vs. our estimate of 29.5%.
- On the distribution side, the share of banca/corp. agents/group channels fell sequentially to 26.8%/11%/16.4%. ICICI Bank channel dipped 4.8% YoY.
- Business from the ICICI Bank channel has settled at INR0.8-1.0b per month. On YoY basis, the banca channel has grown in double digits (ex- ICICI Bank).
- Cost-TWRP increased 450bp YoY to 23.9% led by a rise in opex.
- On a premium basis, the 61<sup>st</sup> month persistency improved 120bp QoQ to 63.1%, whereas the 49<sup>th</sup> month persistency declined 220bp QoQ to 65.7%.
- AUM rose 13.8% YoY to INR2.87t, while solvency ratio moderated to 196.5%.

### Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	73.3	73.3	73.3
DII	6.4	6.3	5.0
FII	15.5	15.4	16.6
Others	4.9	4.9	5.0

FII Includes depository receipts

**Highlights from the management commentary**

- VNB margin during the quarter compressed due to: 1) product mix shifting from non-par to ULIP and par (share of non-par is down to less than 50% in 9MFY24 from two-thirds last year), 2) increased competition in non-par savings that led to a fall in absolute margin in the product, 3) price correction in group term, and 4) higher unit costs as IPRU has invested in creating a capacity for higher growth.
- On the base of 4QFY23 (INR33b APE with 26% YoY growth), IPRU expects double-digit growth in 4QFY24. Management is aiming for mid-teen growth in APE for FY25.
- On the product front, ICICI Pru Guaranteed Pension Plan Flexi with Benefit Enhancer was introduced. This is the industry's first annuity product, which provides customers the option to receive a 100% refund of premiums paid.

**Valuation and view**

IPRU delivered a weaker-than-expected performance in 3QFY24. High commission costs and lower product-level margins would continue to be the concerns over the medium term. However, growth delivery would be the key driver for valuation re-rating. Growth would result from improved efficiency of investments made in various channels over the past two years, such as direct and agency. While the business from ICICI Bank channel has settled at INR0.8-1.0b per month, the banca channel (ex-ICICI Bank) has grown in double digits on a YoY basis. Considering the 3QFY24 performance, we have cut our APE/VNB margin for FY24E and FY25E. We expect IPRU to deliver a 6% CAGR in VNB over FY23-26. Going forward, premium growth and expansion of VNB margin will be the key drivers for the re-rating of the stock. We note that the 1-year forward P/EV for IPRU has declined to 1.5x currently from 1.8x in Jun'23. **We reiterate our BUY rating with a TP of INR580 (based on 1.5x Sep'25E EV).**

**Quarterly performance**

Policy holder's A/c (INR b)	FY23				FY24E				FY23	FY24E	FY24E 3QE	A v/s E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
First year premium	10.4	14.4	13.8	26.3	10.2	15.3	15.3	40.2	64.9	81.0	14.6	5%
Growth (%)	18.0%	-7.2%	-10.9%	32.9%	-1.5%	5.9%	11.3%	52.6%	8.9%	24.8%	6.0%	
Renewal premium	38.9	56.4	57.5	72.3	41.6	58.9	60.8	82.4	225.2	243.7	58.5	4%
Growth (%)	-5.9%	1.3%	5.7%	6.3%	6.8%	4.4%	5.7%	14.0%	2.6%	8.2%	1.7%	
Single premium	23.3	28.1	26.5	31.3	21.9	30.1	26.7	12.6	109.2	91.4	28.1	-5%
Growth (%)	25.9%	16.8%	12.6%	6.9%	-5.9%	7.0%	0.9%	-59.6%	14.5%	-16.3%	6.0%	
<b>Gross premium income</b>	<b>72.6</b>	<b>99.0</b>	<b>97.8</b>	<b>129.9</b>	<b>73.7</b>	<b>104.3</b>	<b>102.8</b>	<b>135.2</b>	<b>399.3</b>	<b>416.1</b>	<b>101.2</b>	<b>2%</b>
Growth (%)	5.7%	3.8%	4.7%	10.9%	1.5%	5.4%	5.2%	4.1%	6.6%	4.2%	3.5%	
<b>PAT</b>	<b>1.6</b>	<b>2.0</b>	<b>2.2</b>	<b>2.3</b>	<b>2.1</b>	<b>2.4</b>	<b>2.3</b>	<b>-3.6</b>	<b>8.1</b>	<b>3.5</b>	<b>2.8</b>	<b>-18%</b>
Growth (%)		-55.1%	-29.0%	27.2%	32.9%	22.4%	3.1%	-255.2%	7.5%	-56.8%	25.7%	
<b>Key metrics (INRb)</b>												
New Business APE	15.2	20.0	18.2	33.0	14.6	20.6	19.1	35.9	86.4	90.2	17.4	9%
Growth (%)	24.7	1.1	-5.5	26.5	-3.9	3.2	4.7	8.7	11.7	4.3	-4.4	
VNB	4.7	6.2	6.2	10.6	4.4	5.8	4.4	9.0	27.6	23.5	5.1	-15%
Growth (%)	31.6	20.6	20.0	36.1	-7.0	-7.1	-29.4	-14.9	27.7	-15.0	-16.9	
AUM	2,301	2,443	2,519	2,512	2,664	2,719	2,867	3,134	2,512	3,134	2,828	1%
Growth (%)	3.1	3.0	6.0	4.4	15.8	11.3	13.8	24.7	4.4	24.7	12.3	
<b>Key Ratios (%)</b>												
VNB Margins (%)	31.0	31.1	33.9	32.0	30.0	28.0	22.9	25.1	32.0	26.1	29.5	
Solvency ratio (%)	204	201	212	209	203	199	197	200	209	200	205	

## Quarterly snapshot

Policyholder A/c (INRb)	FY22		FY23				FY24			Change (%)	
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY	QoQ
<b>Net premium</b>	<b>90.7</b>	<b>113.6</b>	<b>68.8</b>	<b>95.8</b>	<b>94.6</b>	<b>126.3</b>	<b>70.2</b>	<b>100.2</b>	<b>99.3</b>	<b>5</b>	<b>-1</b>
First year premium	15.5	19.8	10.4	14.4	13.8	26.3	10.2	15.3	15.3	11	0
Renewal premium	54.4	68.0	38.9	56.4	57.5	72.3	41.6	58.9	60.8	6	3
Single premium	23.5	29.3	23.3	28.1	26.5	31.3	21.9	30.1	26.7	1	-11
Investment income	7.4	14.8	-86.7	128.2	77.2	-19.1	160.3	69.4	163.2	111	135
<b>Total income</b>	<b>98.7</b>	<b>138.5</b>	<b>-14.6</b>	<b>229.0</b>	<b>175.4</b>	<b>115.0</b>	<b>235.4</b>	<b>175.3</b>	<b>266.5</b>	<b>52</b>	<b>52</b>
<b>Total commission &amp; opex</b>	<b>12.6</b>	<b>18.6</b>	<b>12.2</b>	<b>14.7</b>	<b>14.4</b>	<b>23.2</b>	<b>14.9</b>	<b>19.2</b>	<b>18.8</b>	<b>31</b>	<b>-2</b>
Benefits paid	76.6	80.0	55.1	80.2	87.1	87.6	79.5	94.6	100.8	16	7
<b>Total expenses</b>	<b>94.1</b>	<b>126.1</b>	<b>-19.0</b>	<b>223.4</b>	<b>169.6</b>	<b>105.9</b>	<b>233.3</b>	<b>172.0</b>	<b>262.3</b>	<b>55</b>	<b>53</b>
<b>PBT</b>	<b>4.6</b>	<b>12.4</b>	<b>4.4</b>	<b>5.7</b>	<b>5.8</b>	<b>9.1</b>	<b>2.1</b>	<b>3.3</b>	<b>4.2</b>	<b>-28</b>	<b>26</b>
<b>Surplus/(Deficit)</b>	<b>4.1</b>	<b>11.4</b>	<b>3.9</b>	<b>5.2</b>	<b>5.2</b>	<b>8.6</b>	<b>2.0</b>	<b>3.0</b>	<b>3.8</b>	<b>-27</b>	<b>27</b>
<b>Shareholder A/c</b>											
<b>Trf from policyholder a/c</b>	<b>3.6</b>	<b>10.7</b>	<b>3.0</b>	<b>4.9</b>	<b>4.1</b>	<b>8.2</b>	<b>3.8</b>	<b>3.6</b>	<b>4.1</b>	<b>0</b>	<b>12</b>
Investment Income	1.2	1.7	1.7	2.0	2.4	2.6	3.3	4.3	1.8	-23	-57
<b>Total income</b>	<b>4.8</b>	<b>12.3</b>	<b>4.7</b>	<b>6.9</b>	<b>6.5</b>	<b>10.8</b>	<b>7.1</b>	<b>7.9</b>	<b>6.1</b>	<b>-7</b>	<b>-23</b>
<b>PAT</b>	<b>3.1</b>	<b>1.8</b>	<b>1.6</b>	<b>2.0</b>	<b>2.2</b>	<b>2.3</b>	<b>2.1</b>	<b>2.4</b>	<b>2.3</b>	<b>3</b>	<b>-7</b>
<b>APE data</b>											
<b>Savings APE</b>	<b>16.2</b>	<b>21.5</b>	<b>11.9</b>	<b>16.2</b>	<b>14.8</b>	<b>28.5</b>	<b>11.2</b>	<b>16.7</b>	<b>15.5</b>	<b>5</b>	<b>-7</b>
<b>ULIP</b>	<b>10.2</b>	<b>11.7</b>	<b>6.2</b>	<b>8.2</b>	<b>7.8</b>	<b>8.9</b>	<b>5.7</b>	<b>9.3</b>	<b>8.5</b>	<b>9</b>	<b>-9</b>
<b>Other Savings</b>	<b>6.0</b>	<b>9.8</b>	<b>5.8</b>	<b>8.0</b>	<b>7.0</b>	<b>19.6</b>	<b>5.5</b>	<b>7.5</b>	<b>7.0</b>	<b>0</b>	<b>-6</b>
- Non-Participating	5.6	9.1	5.2	7.1	6.3	18.7	5.0	6.6	6.4	2	-2
- Group	0.4	0.7	0.6	0.9	0.7	0.9	0.6	0.9	0.6	-15	-32
<b>Protection</b>	<b>3.1</b>	<b>4.6</b>	<b>3.3</b>	<b>3.8</b>	<b>3.4</b>	<b>4.5</b>	<b>3.4</b>	<b>3.9</b>	<b>3.6</b>	<b>5</b>	<b>-8</b>
<b>Total APE</b>	<b>19.3</b>	<b>26.1</b>	<b>15.2</b>	<b>20.0</b>	<b>18.2</b>	<b>33.0</b>	<b>14.6</b>	<b>20.6</b>	<b>19.1</b>	<b>5</b>	<b>-8</b>
<b>APE (% of total)</b>										<b>Change (bp)</b>	
<b>Savings APE (%)</b>	<b>84.1</b>	<b>82.5</b>	<b>78.4</b>	<b>80.9</b>	<b>81.3</b>	<b>86.2</b>	<b>76.5</b>	<b>81.1</b>	<b>81.3</b>	<b>-1</b>	<b>25</b>
<b>ULIP</b>	<b>53.0</b>	<b>45.0</b>	<b>40.5</b>	<b>41.0</b>	<b>42.7</b>	<b>26.9</b>	<b>38.7</b>	<b>45.0</b>	<b>44.4</b>	<b>171</b>	<b>-54</b>
<b>Other Savings</b>	<b>31.1</b>	<b>37.5</b>	<b>37.8</b>	<b>39.9</b>	<b>38.6</b>	<b>59.3</b>	<b>37.6</b>	<b>36.2</b>	<b>36.9</b>	<b>-172</b>	<b>74</b>
- Non-Participating	28.9	35.0	34.1	35.6	34.7	56.5	33.9	31.9	33.8	-97	186
- Group	2.1	2.5	3.7	4.4	3.9	2.8	3.8	4.3	3.1	-75	-112
<b>Protection</b>	<b>15.9</b>	<b>17.5</b>	<b>21.7</b>	<b>19.0</b>	<b>18.7</b>	<b>13.8</b>	<b>23.5</b>	<b>18.9</b>	<b>18.8</b>	<b>11</b>	<b>-14</b>
<b>Distribution mix (%)</b>											
Banca	39.5	38.0	34.7	29.8	27.5	27.6	28.9	28.1	26.8	-68	-122
Agency	25.8	22.0	22.4	26.0	28.4	27.4	24.4	26.3	30.3	190	403
Direct	13.2	12.5	10.8	12.5	14.4	11.8	14.5	14.4	15.5	107	104
Corporate Agents	8.5	10.7	11.1	11.8	11.7	19.9	12.4	14.3	11.0	-69	-327
Group	13.0	16.8	20.9	19.9	18.0	13.4	19.8	17.0	16.4	-161	-59
<b>Key Ratios (%)</b>											
<b>Operating ratios</b>											
Commission (unwtd)	5.8	6.1	5.9	5.6	5.3	7.4	7.1	10.0	12.7	742	273
Opex (unwtd)	11.6	14.3	17.9	14.3	14.1	15.4	20.6	14.9	11.1	-297	-377
Total Cost (unwtd)	17.4	20.4	23.8	19.9	19.4	22.8	27.7	24.9	23.9	445	-104
Solvency Ratio	202.2	204.5	203.6	200.7	212.2	208.9	203.4	199.4	196.5	-1,570	-290
<b>Profitability ratios</b>											
VNB margins	26.7	29.7	31.0	31.1	33.9	32.0	30.0	28.0	22.9	-1,106	-512
<b>Persistency ratios</b>											
13th Month	84.8	85.7	82.7	85.9	82.3	81.7	84.4	85.6	85.5	320	-10
25th Month	75.7	77.2	73.9	77.2	74.0	75.5	77.7	78.6	77.6	360	-100
37th Month	66.6	67.1	70.1	68.7	69.5	69.4	71.2	68.9	69.0	-50	10
49th Month	63.0	63.7	62.0	65.4	61.6	63.1	65.8	67.9	65.7	410	-220
61st Month	52.7	54.4	61.5	61.2	63.9	62.9	63.0	61.9	63.1	-80	120
<b>Key Metrics (INRb)</b>											
VNB	5.2	7.8	4.7	6.2	6.2	10.6	4.4	5.8	4.4	-29	-24
AUM	2376	2405	2301	2443	2519	2512	2664	2719	2867	14	5

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



## Highlights from the management commentary

### VNB and APE

- VNB margin during the quarter compressed due to: 1) product mix shifting from non-par to ULIP and par (share of non-par is down to less than 50% in 9MFY24 from two-thirds last year), 2) increased competition in non-par savings that led to a fall in absolute margin in the product, 3) price correction in group term, and 4) higher unit costs as IPRU has invested in creating a capacity for higher growth.
- The increase in commission was on account of the changes in the norms.
- On the base of 4QFY23 (INR33b APE with 26% YoY growth), IPRU expects double-digit growth in 4QFY24. Management is aiming for mid-teen growth in APE for FY25.
- The ultimate objective is absolute VNB growth, while the VNB margin would purely be a function of product mix.
- Further, the compression in IRR led to a lower demand in group products. The gains on retail protection side are being offset by losses in group term business.

### Business

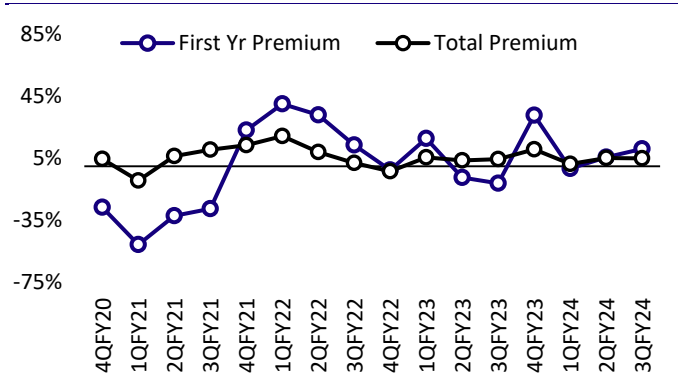
- IRDAI issued a draft circular proposing an increase in the surrender value on non-par insurance products. IPRU would have a lower impact of the same as the share of products that entice surrenders is much lower than the industry.
- On the product front, ICICI Pru Guaranteed Pension Plan Flexi with Benefit Enhancer was introduced. This is the industry's first annuity product, which provides customers the option to receive a 100% refund of premiums paid. Here, the margins are similar to the other products in the category.
- Premium growth: IPRU continues to build capacity and enhance efficiency in proprietary channels. It focuses on new partnership additions and to grow the annuity line of business. On account of the base effect, management expects normalized growth in retail protection business.
- The approach of delivering the right product to the right customer has yielded the desired results, which is reflected in 13<sup>th</sup> and 49<sup>th</sup> month persistency of 87.4% and 67.1%, respectively, in Dec'23. It is also visible in the claim settlement ratio of 98.1% in 2QFY24, with an average turnaround time of 1.27 days. This puts IPRU at the top position among the private sector life insurers.
- The digital infrastructure has enabled the company to pay out commissions to select advisors on the same day of the policy issuance.
- The 9MFY24 retail protection APE came in at INR3.43b (surpassed the FY23 retail protection APE of INR3.26b). The Retail New Business Sum Assured (NBSA) grew 43.7% YoY to INR1.6t in 9MFY24.
- About 80% of the policies were issued by using digital KYC in 3QFY24. IPRU issued ~40% of the policies on the same day to customers who purchased long-term savings products.
- With simplified partner integration, new distribution partner can be on-boarded in less than two weeks.
- Data analytics-driven risk management: ~70% reduction in cases with higher propensity for fraud & early claims.

**Distribution**

- The ICICI Bank channel declined 4.8% YoY. Business from the ICICI Bank channel has settled at INR0.8-1.0b per month. On YoY basis, the banca channel has grown in double digits (ex- ICICI Bank).
- On a YoY basis, ICICI Bank's share in credit life business is in double digits.
- No single distributor channel contributed more than 5% APE (excluding ICICI Bank). The share of ICICI Bank in total APE was stable at ~13%.
- IPRU took longer time to eliminate agents from its network than the industry and thus the agent productivity does not provide a correct picture.
- A multi-channel distribution network is crucial, it provides the last mile connectivity to customers.

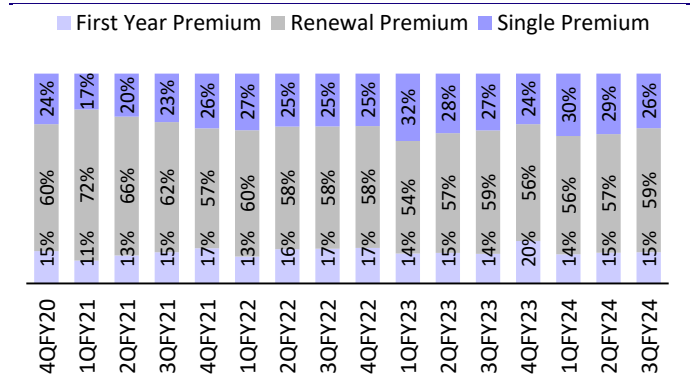
## Story in charts

**Exhibit 1: First-year premium grew 11.3% YoY, while total premium grew 5.2% YoY**



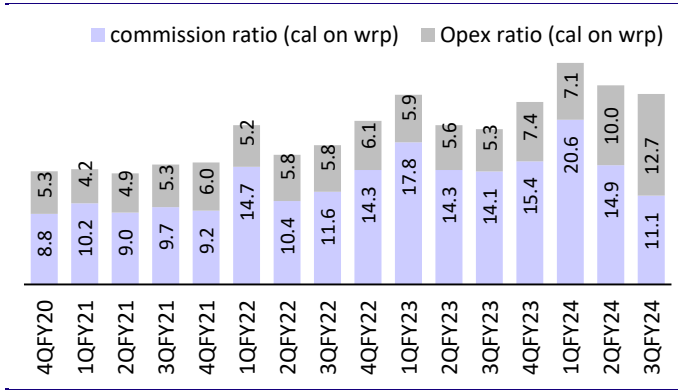
Source: MOFSL, Company

**Exhibit 2: Share of renewal premium increased to 59% in 3QFY24**



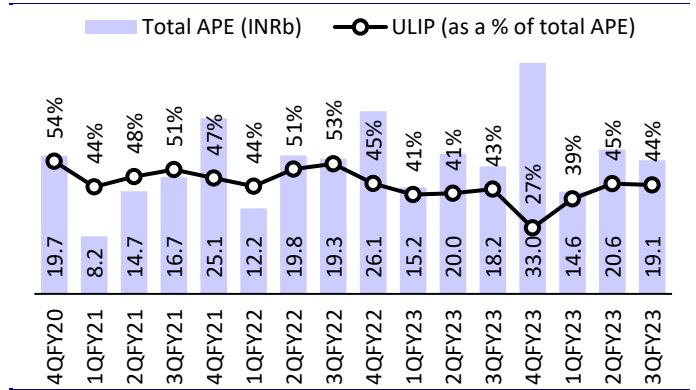
Source: MOFSL, Company

**Exhibit 3: Total expense ratio increased YoY to 23.8%**



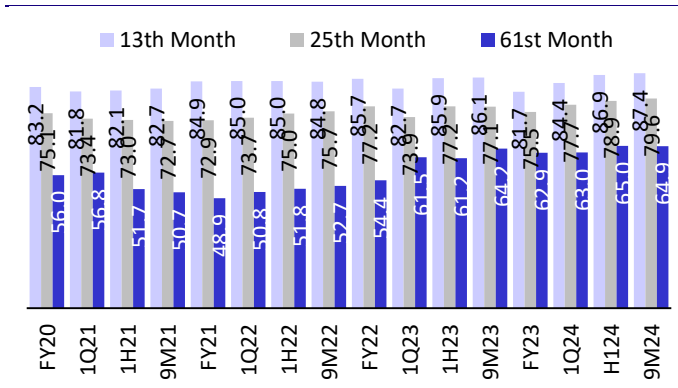
Source: MOFSL, Company

**Exhibit 4: Share of ULIP in total APE stood at 44% in 3QFY24**



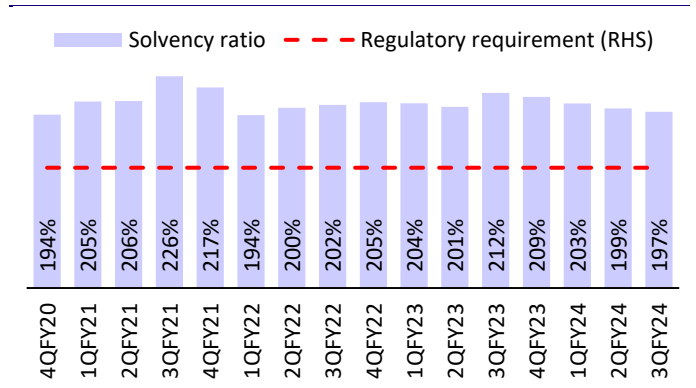
Source: MOFSL, Company

**Exhibit 5: Trends in 13<sup>th</sup>/25<sup>th</sup>/61<sup>st</sup> month persistency**



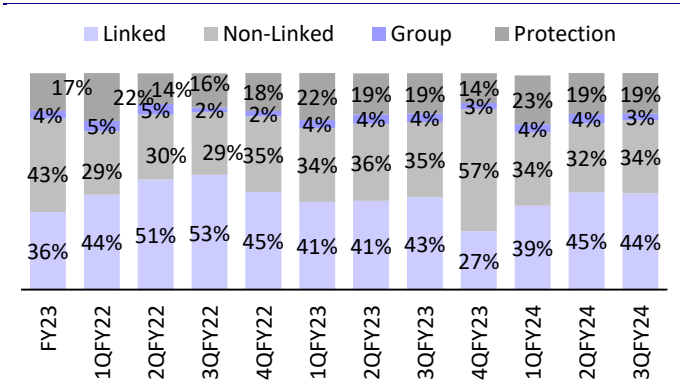
Source: MOFSL, Company

**Exhibit 6: Solvency ratio healthy at 197%, well above the regulatory requirement of 150%**



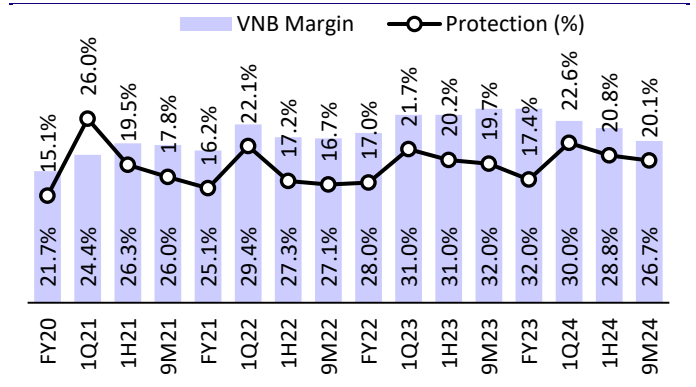
Source: MOFSL, Company

**Exhibit 7: Share of protection stood at 19% of total APE, while share of ULIP was at 44%**



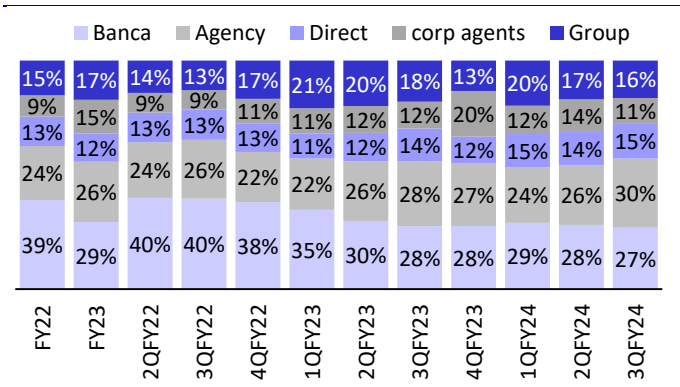
Source: MOFSL, Company

**Exhibit 8: VNB margin declined to 26.7% in 9MFY24 driven by a shift in product mix**



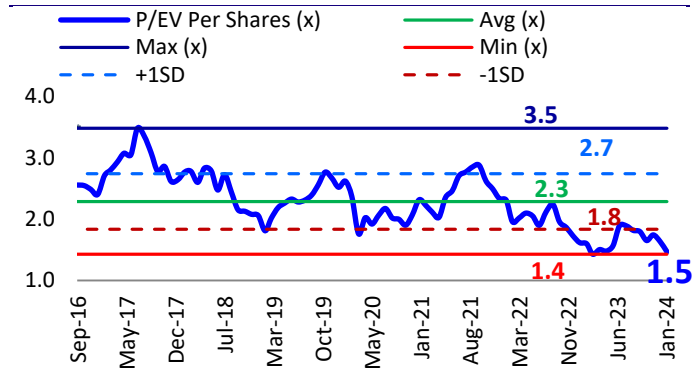
Source: MOFSL, Company

**Exhibit 9: Distribution mix**



Source: MOFSL, Company

**Exhibit 10: 1-Yr. forward P/EV**



Source: MOFSL, Company



## Financials and valuation

Technical account (INR m)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Gross Premiums	3,57,328	3,74,580	3,99,328	4,16,102	4,77,517	5,46,579
Reinsurance Ceded	(7,595)	(11,367)	(13,732)	(14,097)	(15,955)	(18,022)
Net Premiums	3,49,734	3,63,213	3,85,595	4,02,005	4,61,562	5,28,557
Income from Investments	4,74,376	2,49,695	99,646	4,77,166	2,66,179	2,95,458
Other Income	16,238	21,793	19,018	16,315	17,959	19,769
<b>Total income (A)</b>	<b>8,40,790</b>	<b>6,35,645</b>	<b>5,04,781</b>	<b>8,95,486</b>	<b>7,45,701</b>	<b>8,43,784</b>
Commission	15,002	16,729	18,639	38,921	44,866	51,604
Operating expenses	26,883	36,730	45,832	45,087	50,679	57,867
<b>Total commission and opex</b>	<b>41,885</b>	<b>53,459</b>	<b>64,471</b>	<b>84,007</b>	<b>95,545</b>	<b>1,09,471</b>
Benefits Paid (Net)	2,26,409	2,91,453	3,07,887	3,31,715	2,86,886	3,27,462
Chg in reserves	5,43,241	2,59,973	1,00,324	4,56,420	3,37,503	3,76,890
Provisions for doubtful debts	6,784	7,195	7,235	5,738	6,516	7,377
<b>Total expenses (B)</b>	<b>8,18,319</b>	<b>6,12,080</b>	<b>4,79,918</b>	<b>8,77,880</b>	<b>7,26,450</b>	<b>8,21,201</b>
<b>(A) - (B)</b>	<b>22,471</b>	<b>23,565</b>	<b>24,864</b>	<b>17,605</b>	<b>19,250</b>	<b>22,582</b>
Prov for Tax	1,418	1,661	1,842	1,634	2,131	2,969
<b>Surplus / Deficit (Calculated)</b>	<b>21,052</b>	<b>21,903</b>	<b>23,021</b>	<b>15,971</b>	<b>17,119</b>	<b>19,614</b>

Shareholder's a/c (INR m)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Transfer from technical a/c	19,849	21,602	20,162	13,764	14,561	16,051
Income From Investments	7,687	10,114	8,761	8,565	8,728	9,339
<b>Total Income</b>	<b>27,538</b>	<b>31,738</b>	<b>28,936</b>	<b>22,343</b>	<b>23,305</b>	<b>25,408</b>
Other expenses	612	1,024	1,022	1,093	1,312	1,574
Contribution to technical a/c	15,748	21,611	18,024	17,484	16,959	16,450
<b>Total Expenses</b>	<b>16,724</b>	<b>23,833</b>	<b>19,967</b>	<b>18,577</b>	<b>18,271</b>	<b>18,025</b>
<b>PBT</b>	<b>10,814</b>	<b>7,906</b>	<b>8,969</b>	<b>3,767</b>	<b>5,034</b>	<b>7,383</b>
Prov for Tax	1,213	364	862	267	357	524
<b>PAT</b>	<b>9,601</b>	<b>7,541</b>	<b>8,107</b>	<b>3,499</b>	<b>4,677</b>	<b>6,859</b>
<b>Growth</b>	<b>-10%</b>	<b>-21%</b>	<b>7%</b>	<b>-57%</b>	<b>34%</b>	<b>47%</b>

Premium (INR m) & growth (%)	FY21	FY22	FY23	FY24E	FY25E	FY26E
New business prem - unwtd	1,32,261	1,55,022	1,74,125	1,72,384	1,98,242	2,27,978
New business prem - wrp	64,620	77,330	86,400	90,157	1,08,010	1,26,386
Renewal premium	2,25,068	2,19,557	2,25,203	2,43,718	2,79,275	3,18,601
Total premium - unwtd	3,57,328	3,74,580	3,99,328	4,16,102	4,77,517	5,46,579
New bus. growth - unwtd	5.9%	17.2%	12.3%	-1.0%	15.0%	15.0%
New business growth - wrp	-12.5%	19.7%	11.7%	4.3%	19.8%	17.0%
Renewal premium growth	7.5%	-2.4%	2.6%	8.2%	14.6%	14.1%
Total prem growth - unwtd	6.9%	4.8%	6.6%	4.2%	14.8%	14.5%

Premium mix (%)	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>New business - unwtd</b>						
- Individual mix	61.1%	60.0%	0.0%	67.0%	70.0%	70.0%
- Group mix	40.7%	40.0%	0.0%	33.0%	30.0%	30.0%
<b>New business mix - APE</b>						
- Participating	14.9%	9.6%	12.5%	19.1%	21.4%	22.9%
- Non-participating	32.6%	36.8%	48.2%	36.9%	35.8%	35.2%
- ULIPs	52.5%	53.6%	39.3%	44.0%	42.8%	41.9%
<b>Total premium mix - unwtd</b>						
- Participating	12.9%	12.7%	11.9%	12.9%	13.9%	14.9%
- Non-participating	23.7%	33.3%	41.5%	38.7%	38.1%	37.6%
- ULIPs	63.4%	54.0%	46.7%	48.4%	48.0%	47.5%

Indi. Premium sourcing mix (%)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Individual agents	24.0%	27.6%	28.6%	29.6%	30.6%	31.6%
Corporate agents-Banks	45.5%	45.2%	45.0%	44.8%	44.6%	44.4%
Direct business	19.5%	16.3%	18.7%	18.5%	18.3%	18.1%
Others	11.0%	10.9%	7.7%	7.1%	6.5%	5.9%



## Financials and valuation

Balance sheet (INR m)	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Sources of Fund</b>						
Share Capital	14,360	14,373	14,386	14,386	14,386	14,386
Reserves And Surplus	70,671	75,915	83,730	83,848	84,856	88,047
<b>Shareholders' Fund</b>	<b>91,194</b>	<b>91,631</b>	<b>1,00,918</b>	<b>1,01,314</b>	<b>1,02,631</b>	<b>1,06,160</b>
Policy Liabilities	6,02,156	7,36,821	9,03,074	12,49,731	14,60,881	16,94,515
Prov. for Linked Liab.	12,77,704	14,05,414	13,52,324	15,70,233	17,11,554	18,65,594
Funds For Future App.	13,532	13,833	16,693	19,197	22,076	25,388
Current liabilities & prov.	37,286	52,499	56,881	68,244	81,878	98,236
<b>Total</b>	<b>21,72,281</b>	<b>24,44,402</b>	<b>25,58,472</b>	<b>30,38,440</b>	<b>34,10,207</b>	<b>38,22,618</b>
<b>Application of Funds</b>						
Shareholders' inv	1,00,902	98,535	98,514	1,05,410	1,12,789	1,20,684
Policyholders' inv	6,35,726	7,73,880	9,43,110	12,80,589	14,97,142	17,40,466
Assets to cover linked liab.	13,85,491	15,08,663	14,40,581	15,70,233	17,11,554	18,65,594
Loans	6,628	9,401	13,141	14,850	16,780	18,961
Fixed Assets	4,572	4,872	5,956	6,789	7,740	8,823
Current assets	38,962	49,051	57,171	60,569	64,202	68,089
<b>Total</b>	<b>21,72,281</b>	<b>24,44,402</b>	<b>25,58,472</b>	<b>30,38,440</b>	<b>34,10,207</b>	<b>38,22,618</b>
<b>Operating ratios (%)</b>						
Investment yield (%)	23.5%	10.9%	4.2%	16.7%	8.3%	8.2%
<b>Commissions / GWP</b>	<b>4.2%</b>	<b>4.5%</b>	<b>4.7%</b>	<b>9.4%</b>	<b>9.4%</b>	<b>9.4%</b>
- first year premiums	17.9%	17.3%	18.0%	41.4%	42.4%	41.6%
- renewal premiums	1.8%	1.9%	1.9%	1.8%	1.8%	1.8%
- single premiums	1.3%	1.5%	1.4%	1.1%	1.1%	1.1%
Operating expenses / GWP	7.5%	9.8%	11.5%	10.8%	10.6%	10.6%
<b>Total expense ratio</b>	<b>11.7%</b>	<b>14.3%</b>	<b>16.1%</b>	<b>20.2%</b>	<b>20.0%</b>	<b>20.0%</b>
Claims / NWP	64.7%	80.2%	79.8%	82.5%	62.2%	62.0%
Solvency margin	217%	205%	209%	200%	195%	190%
<b>Persistence ratios (%)</b>						
13th Month	84.9%	85.7%	81.7%	80.9%	80.5%	80.3%
25th Month	72.9%	77.2%	75.5%	74.7%	74.2%	74.0%
37th Month	65.8%	67.1%	69.4%	71.8%	74.2%	76.7%
49th Month	63.5%	63.7%	63.1%	63.0%	63.3%	63.8%
61st Month	48.9%	54.4%	62.9%	63.8%	63.8%	63.8%
<b>Profitability ratios</b>						
VNB margin (%)	25.1%	28.0%	32.0%	26.1%	26.7%	27.5%
RoE (%)	11.8%	8.2%	8.4%	3.5%	4.6%	13.4%
RoIC (%)	19.8%	15.5%	16.7%	7.2%	9.6%	28.2%
Operating ROEV (%)	15.2%	11.0%	17.4%	15.7%	15.6%	15.6%
RoEV (%)	26.5%	8.7%	12.7%	16.4%	16.6%	16.8%
<b>Valuation ratios</b>						
Total AUMs (INR b)	2,142	2,405	2,512	3,134	3,554	3,988
- Of which equity AUMs (%)	45%	47%	45%	47%	47%	47%
Dividend (%)	0%	6%	6%	24%	26%	26%
Dividend payout ratio (%)	0%	38%	10%	97%	78%	53%
EPS (INR)	6.7	5.3	5.6	2.4	3.3	4.8
VNB (INR b)	16.2	21.7	27.6	23.5	28.8	34.8
EV (INR b)	291.1	316.2	356.3	414.7	483.3	564.7
EV/Per share	202.3	219.8	247.7	288.3	336.0	392.5
VIF as % of EV	67%	74%	75%	79%	81%	84%
P/VIF	3.6	3.0	2.6	2.1	1.8	1.5
P/AUM (%)	33%	29%	28%	22%	20%	17%
P/EV (x)	2.4	2.2	2.0	1.7	1.4	1.2
P/EPS (x)	72.7	92.5	86.1	199.4	149.2	101.7
P/EVOP (x)	19.9	21.9	12.7	12.5	10.8	9.3

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