

# ICICI Prudential Life Insurance

Estimate change



TP change



Rating change



Bloomberg	IPRU IN
Equity Shares (m)	1,435
M.Cap.(INRb)/(USD\$b)	702.1 / 9.9
52-Week Range (INR)	538 / 278
1, 6, 12 Rel. Per (%)	-1/14/26
12M Avg Val (INR M)	1067

## Financials & Valuations (INR b)

Y/E MARCH	FY19	FY20E	FY21E	FY22E
Net Premiums	305.8	335.5	378.2	430.9
Surplus / Deficit	12.3	14.3	15.2	17.2
Sh. holder's PAT	11.4	11.8	13.5	16.2
NBP growth Unwtd (%)	12.5	15.0	17.0	17.0
APE growth - (%)	-3.0	6.0	12.7	17.0
Tot. Premium Growth (%)	14.3	9.8	12.8	13.9
Total AUMs (INRb)	1.6	1.8	2.2	2.6
VNB (INRb)	13.3	16.4	19.4	23.2
EV per share	151	176	206	240

## Ratios

VNB margin (%)	17.0	21.2	22.2	22.7
RoE (%)	16.4	16.1	16.7	18.0
RoEV (%)	15.1	16.8	17.0	16.9

## Valuations

P/EV (x)	3.2	2.8	2.4	2.0
P/EPS (x)	61.6	59.4	52.0	43.3

## Shareholding pattern (%)

As On	Dec-19	Sep-19	Dec-18
Promoter	75.0	75.0	78.7
DII	5.5	6.7	4.6
FII	13.3	12.1	8.6
Others	6.2	6.2	8.1

FII Includes depository receipts

**CMP: INR489**
**TP: INR565 (+16%)**
**Buy**

## Premium growth moderates; VNB grows at steady pace

### Pressure on persistency remains

- IPRU reported moderation in premium growth as renewal premium growth was muted due to weak persistency. 13<sup>th</sup>/25<sup>th</sup> month persistency declined by ~100bp/230bp YoY. Although the opex ratio stood elevated, VNB growth remained strong at 33% with margins stable at 21%. We expect VNB to increase on the back of the continued focus on protection APE.
- We cut our EPS estimate for FY20/21, primarily as we factor in softer business growth and pressure on opex. Maintain **Buy**.

### VNB margins stable; ULIP mix declines to 68%

- PAT increased 2% YoY to INR3b (7% miss) in 3QFY20. Gross premium was up 9% YoY, mainly led by robust growth in first year premium (+14% YoY) and single premium business (+27% YoY). Renewal premium growth was muted at ~4% YoY (3QFY19: +10% YoY) as the persistency ratio dropped further with 13<sup>th</sup>/25<sup>th</sup> month persistency declining by 100bp/230bp YoY.
- Total APE was up ~4% YoY led by 37% YoY growth in protection APE, while savings APE growth was flat. The share of protection business declined to 13.1% (2QFY20: 14.7%). Within savings APE, ULIP APE was down ~11% YoY, resulting in a decline in the share of ULIPs from ~79% in 3QFY19 to ~68%.
- VNB margin stood stable at ~21% due to the higher share of protection business, which resulted in 33% YoY growth in VNB to INR4.3b. VNB growth was mainly led by retail and group protection business.
- Total expenses (commission + opex) were up 26% YoY (higher than premium growth) as operating expenses increased 32% YoY, mainly driven by investment in protection business. Cost to weighted received premium increased 120bp YoY to 16.6% in 9MFY20, while the cost ratio in savings LOB (as reported by the company) declined 90bp YoY to 11.1%.

### Highlights from management commentary

- Growth in VNB is predominantly achieved via protection business. IPRU maintained its stated guidance of doubling VNB in 3-4 years.
- ICICI Bank is not keen to cross-sell traditional products, and thus IPRU has tied up with various distributors. ICICI Bank focuses on selling protection/annuity products but not keen on selling fixed guaranteed products.
- Cost improvement in saving business is limited, while there is a scope of an improvement in cost metrics on the protection side.

### Valuation and view

- We estimate IPRU to deliver VNB CAGR of ~21% over FY19-22, led by 12% CAGR in new business APE. The company stands committed in doubling its VNB over next 3-4 years, while operating RoEV is expected to sustain at ~19%. We thus estimate VNB margin to recover to ~23% by FY22 led by an improved protection mix, while operating metrics are expected to improve further. **Maintain Buy** with a revised TP of INR565 (2.5x Sep'21E EV).

## Quarterly performance

(INRm)

Policy holder's A/c (INR m)	FY19				FY20E				FY19	FY20E	FY20E 3QE	A v/s E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Net prem. income	54,378	76,012	74,830	100,563	62,081	80,647	81,310	111,422	305,783	335,461	86,562	-6%
Growth (%)	12.8%	16.2%	10.1%	16.2%	14.2%	6.1%	8.7%	10.8%	14.1%	9.7%	15.7%	
Commission paid	2,795	3,951	3,671	5,095	2,648	3,945	4,277	5,943	15,513	16,813	5,021	-15%
Operating expense	5,952	6,585	5,785	7,732	6,458	7,542	7,662	7,425	26,053	29,087	7,820	-2%
<b>Surplus/(Deficit)</b>	<b>3,009</b>	<b>2,003</b>	<b>3,254</b>	<b>4,067</b>	<b>4,221</b>	<b>4,768</b>	<b>3,870</b>	<b>1,465</b>	<b>12,333</b>	<b>14,324</b>	<b>3,481</b>	<b>11%</b>
<b>Shareholder A/c</b>												
Total income	3,864	2,910	4,046	6,459	5,122	6,015	5,482	1,410	17,307	18,029	4,434	24%
PBT	2,840	3,032	2,975	2,782	2,870	3,063	3,038	3,607	11,612	12,578	3,342	-9%
PAT	2,816	3,009	2,968	2,614	2,849	3,019	3,025	2,930	11,389	11,823	3,267	-7%
Growth (%)	-30.6%	-28.6%	-34.4%	-23.3%	1.2%	0.3%	1.9%	12.1%	-29.7%	3.8%	10.1%	
<b>Key metrics</b>												
VNB (INRb)	2.4	3.5	3.2	4.2	3.1	4.0	4.3	5.1	13.3	16.4		
AUM (INRb)	1,427	1,461	1,500	1,604	1,640	1,655	1,720	1,811	1,604	1,811		
EV (INRb)	NA	192	NA	216	NA	227	NA	252	216	252		
<b>Key Ratios (%)</b>												
VNB Margins (%)	17.5	17.5	17.0	17.0	21.0	21.0	21.0	21.7	17.0	21.2		
Solvency ratio (%)	235	234	224	215	217	211	207	200	215	200		

E:MOFSL Estimates

## Quarterly snapshot

Policyholder A/c (INR b)	FY18				FY19				FY20			Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY	QoQ
<b>Net premium income</b>	<b>48.2</b>	<b>65.4</b>	<b>68.0</b>	<b>86.6</b>	<b>54.4</b>	<b>76.0</b>	<b>74.8</b>	<b>100.6</b>	<b>62.1</b>	<b>80.6</b>	<b>81.3</b>	<b>9</b>	<b>1</b>
First year premium	16.1	17.9	19.3	20.2	12.6	18.4	16.4	22.4	12.7	17.2	18.7	14	9
Renewal premium	25.8	43.2	45.4	61.5	37.5	51.0	50.1	67.1	40.4	52.4	52.3	4	0
Single premium	4.2	4.9	3.8	5.6	5.1	7.4	9.2	12.2	10.2	12.3	11.6	27	-6
Investment income	35.2	28.1	65.4	-16.1	23.2	12.3	10.5	56.2	19.9	-1.3	45.6	335	NM
<b>Total income</b>	<b>83.5</b>	<b>93.7</b>	<b>133.6</b>	<b>71.4</b>	<b>78.7</b>	<b>88.3</b>	<b>86.5</b>	<b>160.5</b>	<b>84.3</b>	<b>82.1</b>	<b>129.5</b>	<b>50</b>	<b>58</b>
Commission paid	2.2	3.6	3.8	4.5	2.8	4.0	3.7	5.1	2.6	3.9	4.3	16	8
Operating expenses	4.1	4.9	5.2	6.0	6.0	6.6	5.8	7.7	6.5	7.5	7.7	32	2
<b>Total comm. &amp; opex</b>	<b>6.3</b>	<b>8.6</b>	<b>9.0</b>	<b>10.5</b>	<b>8.7</b>	<b>10.5</b>	<b>9.5</b>	<b>12.8</b>	<b>9.1</b>	<b>11.5</b>	<b>11.9</b>	<b>26</b>	<b>4</b>
<b>Benefits paid</b>	<b>39.7</b>	<b>40.7</b>	<b>46.9</b>	<b>45.6</b>	<b>29.4</b>	<b>35.0</b>	<b>33.2</b>	<b>44.9</b>	<b>36.4</b>	<b>41.4</b>	<b>53.9</b>	<b>62</b>	<b>30</b>
PBT	4.2	3.8	3.6	3.2	3.3	2.3	3.5	4.3	4.5	5.0	4.1	15	-19
Tax	0.3	0.2	0.2	0.5	0.3	0.3	0.3	0.3	0.3	0.3	0.2	-33	-24
<b>Surplus/(Deficit)</b>	<b>4.0</b>	<b>3.6</b>	<b>3.4</b>	<b>2.7</b>	<b>3.0</b>	<b>2.0</b>	<b>3.3</b>	<b>4.1</b>	<b>4.2</b>	<b>4.8</b>	<b>3.9</b>	<b>19</b>	<b>-19</b>
<b>Shareholder A/c</b>													
Transfer from policyholder a/c	3.3	2.9	2.7	2.0	2.5	1.5	2.7	4.2	3.7	4.0	3.6	36	-9
Investment Income	1.0	1.7	2.2	2.5	1.4	1.4	1.4	2.2	1.4	2.0	1.9	34	-9
<b>Total income</b>	<b>4.4</b>	<b>4.6</b>	<b>4.9</b>	<b>4.5</b>	<b>3.9</b>	<b>2.9</b>	<b>4.0</b>	<b>6.5</b>	<b>5.1</b>	<b>6.0</b>	<b>5.5</b>	<b>35</b>	<b>-9</b>
PAT	4.1	4.2	4.5	3.4	2.8	3.0	3.0	2.6	2.8	3.0	3.0	2	0
<b>APE data</b>													
<b>Savings APE</b>	<b>16.3</b>	<b>18.0</b>	<b>19.3</b>	<b>20.0</b>	<b>12.8</b>	<b>18.3</b>	<b>17.7</b>	<b>22.0</b>	<b>12.6</b>	<b>16.2</b>	<b>17.7</b>	<b>0</b>	<b>9</b>
ULIP	14.6	14.6	17.0	17.6	11.1	16.6	15.5	18.9	10.5	12.8	13.8	-11	8
Participating	1.4	3.0	2.1	2.0	1.4	1.4	1.7	2.3	1.4	2.2	2.5	45	14
Other Savings	0.3	0.4	0.2	0.4	0.3	0.3	0.5	0.8	0.7	1.2	1.4	188	13
- Non-Participating	0.1	0.0	0.0	0.2	0.1	0.1	0.2	0.3	0.2	0.3	0.2	53	-18
- Group	0.2	0.0	0.0	0.2	0.2	0.2	0.3	0.5	0.5	0.9	1.2	248	22
Protection	0.8	0.7	0.8	2.2	1.1	1.5	2.0	2.6	2.1	2.8	2.7	37	-6
<b>Total APE</b>	<b>17.1</b>	<b>18.7</b>	<b>20.1</b>	<b>22.1</b>	<b>14.0</b>	<b>19.8</b>	<b>19.6</b>	<b>24.6</b>	<b>14.7</b>	<b>19.0</b>	<b>20.4</b>	<b>4</b>	<b>7</b>

## Quarterly snapshot contd.

Ratios (%)	FY18				FY19				FY20			Change (bps)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY	QoQ
<b>APE (% of total)</b>													
<b>Savings APE (%)</b>	95.5	96.1	96.0	90.2	91.8	92.3	90.1	89.4	85.4	85.1	86.9	-317	179
<b>ULIP</b>	85.7	78.3	84.8	79.4	79.8	83.8	78.9	76.7	71.2	67.2	67.8	-1,101	69
<b>Participating</b>	8.3	15.8	10.2	9.2	9.7	6.8	8.8	9.3	9.7	11.5	12.3	351	75
<b>Other Savings</b>	1.5	2.0	0.9	1.7	2.3	1.7	2.4	3.3	4.6	6.4	6.8	433	35
<b>Protection</b>	4.5	3.9	4.0	9.8	8.2	7.7	9.9	10.6	14.6	14.9	13.1	317	-179
<b>Distribution mix (%)</b>													
Banca	48.6	53.7	53.6	52.8	55.6	56.7	57.0	54.3	52.4	53.2	53.6	-343	42
Agency	30.5	24.0	25.0	23.0	21.8	22.3	20.5	22.0	21.2	19.8	21.9	143	212
Direct	14.2	14.5	14.7	11.1	11.7	11.9	11.2	12.8	12.8	13.0	11.7	51	-129
Corporate Agents	5.2	5.8	5.6	7.3	6.5	5.1	5.6	6.4	6.8	7.3	7.2	160	-16
Group	1.5	2.0	1.0	5.8	4.4	4.1	5.7	4.5	6.8	6.7	5.6	-12	-110
<b>Key Ratios (%)</b>													
<b>Operating ratios</b>													
Commission (unwtd)	4.8	5.4	5.6	5.5	5.5	5.6	5.5	5.6	4.9	5.3	5.5	0	20
Opex (unwtd)	9.4	8.7	8.5	8.2	12.0	10.5	9.9	9.5	12.1	11.3	11.1	120	-20
Total Cost (unwtd)	14.2	14.1	14.0	13.7	17.5	16.1	15.4	15.0	17.0	16.6	16.6	120	0
Solvency Ratio	288.6	275.7	251.5	252.0	234.6	234.3	224.3	214.9	216.7	210.6	207.2	-1,710	-340
VNB margins	10.7	11.7	13.7	16.5	17.5	17.5	17.0	17.0	21.0	21.0	21.0	400	0
<b>Persistency ratios</b>													
13th Month	85.8	85.7	86.7	85.8	85.8	85.2	84.1	84.6	84.4	83.6	83.1	-100	-50
25th Month	73.9	73.6	75.8	77.0	77.8	77.8	76.7	75.6	75.7	75.0	74.4	-230	-60
37th Month	67.0	66.3	67.8	67.6	68.2	68.3	68.7	69.3	69.8	69.1	68.3	-40	-80
49th Month	59.2	59.8	61.8	62.8	63.7	63.7	63.2	63.8	64.2	63.7	64.3	110	60
61st Month	54.3	54.4	55.0	53.7	54.0	54.8	55.6	56.8	57.3	57.2	56.3	70	-90
<b>Key Metrics (INRb)</b>													
VNB	1.8	2.4	3.5	5.2	2.4	3.5	3.2	4.2	3.1	4.0	4.3	33	6
EV	NA	172	NA	188	NA	192	NA	216	NA	227	NA	NA	NA
AUM	1266	1306	1383	1395	1427	1461	1500	1604	1640	1655	1720	15	4

Note: a) Persistency ratios are excluding single premium



## Highlights of management commentary

### Operating metrics

- Growth in VNB is predominantly achieved through protection business. The company maintained its stated guidance of doubling VNB in 3-4 years.
- 4P elements (premium growth, protection growth, persistency improvement and productivity improvement) continue to guiding toward growing VNB.
- No assumption change in margin calculation and is mainly led by the product mix change.
- Margins stand at ~21%, driven by product mix change with the proportion of protection business in total APE improving to 14.1% as on 9MFY20. Further, as this mix continues improving, there is room for margin expansion.
- Cost improvement in the saving business is limited as it has the best cost metrics, while there is a scope of an improvement in cost metrics on the protection side.
- Over the near term, new business strain will remain on P&L as the protection business is growing strongly.

**Business mix**

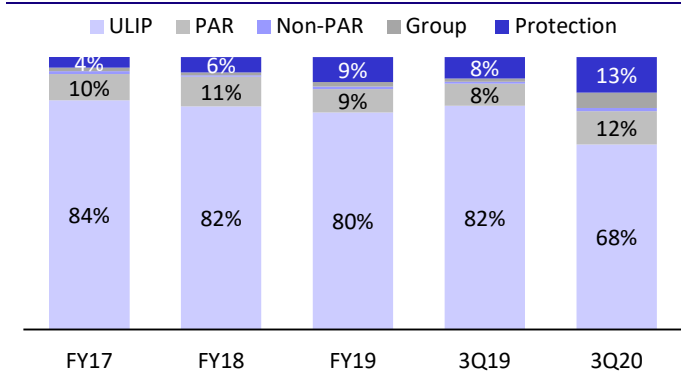
- Non-linked saving products grew strongly during the quarter.
- Within the protection business, retail continues to dominate the mix.
- Retail APE forms ~90% of total APE.
- Decline in persistency is mainly due to weak demand of linked products, but persistency in non-linked products is stable.
- Decline in ULIP sales is across industry participants. However, the company believes that demand for ULIP products will revive at some point. It has launched a few products in the saving business to address the current market conditions.
- Surrenders experience is still better compared to past years.
- Last year, protection mix was 60% retail and 20% credit life. However, in 9MFY20, the share of retail in protection mix has improved further.
- Low ticket size ULIP customers have moved to other non-linked products.
- Non-linked saving products include both group funds business and non-par products. However, the proportion of non-par products is still very low.
- It will continue to focus on the credit life as it gives great customer proposition.
- Protection & annuity business is less seasoned compared to ULIP.
- PAR products are sold through agency channel and the mix has gone up.
- Launched ICICI Prudential precious life product during the quarter.

**Distribution**

- IPRU has partnered with 13-14 banks with ICICI Bank and Standard Chartered Bank as its biggest distributors. However, it has not partnered with any PSU banks for distribution.
- ICICI Bank is not keen to cross-sell traditional products to its customers and therefore IPRU has tied up with various distributors. However, ICICI Bank focuses on selling protection & annuity products but not comfortable selling fixed guaranteed return products.
- It has partnered with Paytm for distribution of products.
- The focus is on adding new agents – it added nearly 18,500 agents to focus on selling protection and non-linked products.
- Distribution is going deeper in the country on the protection side.
- Employee strength is 14,000 currently.

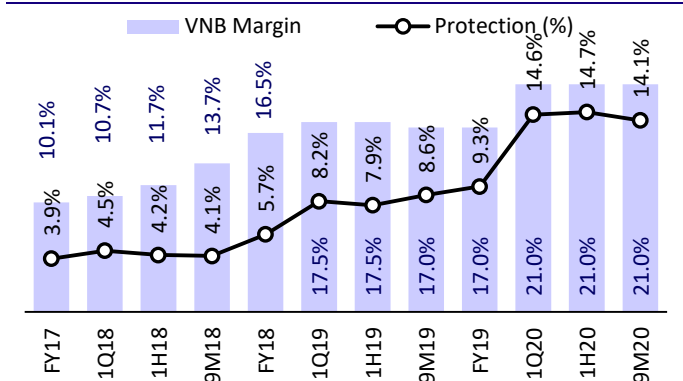
## Key Exhibits

**Exhibit 1: Protection mix improves to ~13% of total APE v/s 8% in 3QFY19**



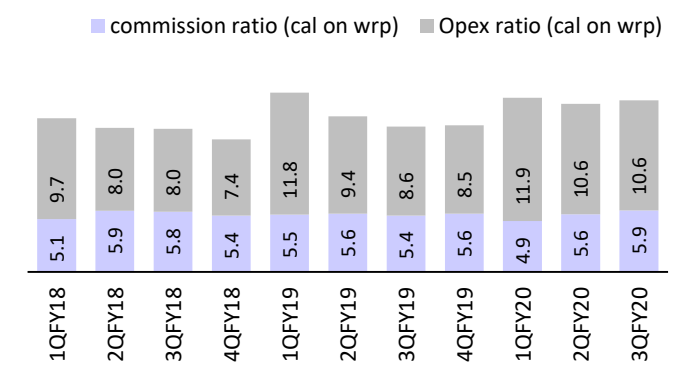
Source: MOFSL, Company

**Exhibit 2: Margins remains stable QoQ; expanded 400bp YoY to 21% on the back of improved protection mix**



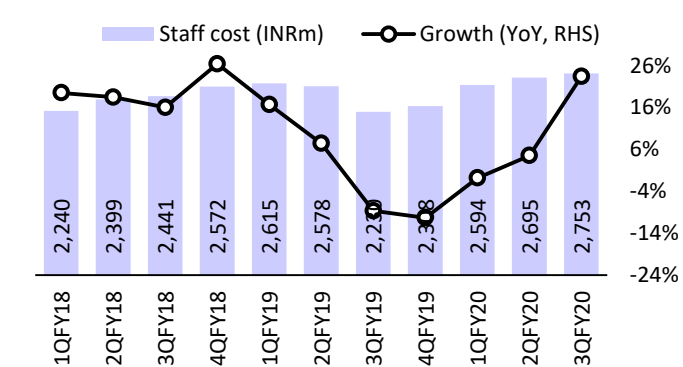
Source: MOFSL, Company

**Exhibit 3: Total expense ratio stood at 16.5% (+250bp YoY)**



Source: MOFSL, Company

**Exhibit 4: Staff cost increased by ~23% YoY to INR2.75b**



Source: MOFSL, Company

## Valuation view

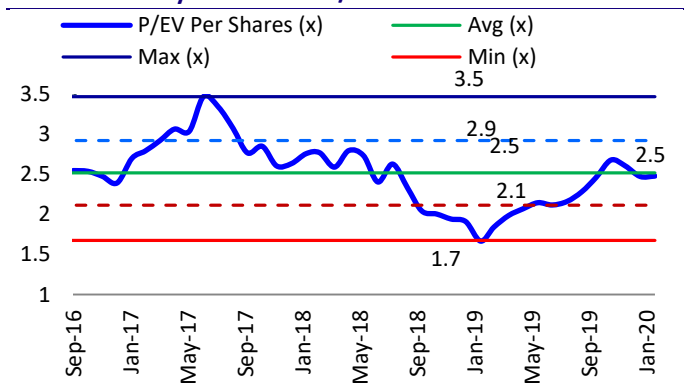
- We believe the life insurance sector in India is in a sweet spot, where strong structural potential is now overlapping with the rising share of financial savings and higher disposable income. We thus expect Indian insurers to trade at a premium to global insurers.
- Private sector life insurance companies have 39% market share in total new business APE, and IPRU is amongst the leading players. Favorable demographics, increasing customer awareness about financial products, strong distribution network and superior brand image should help IPRU sustain WRP CAGR at 12% over FY19-22.
- **Shift toward balanced product segments to reduce volatility:** IPRU Life has taken a strategic call to move toward balanced product categories and mass affluent customer segments, which should help reduce volatility in the business. Also, in our view, IPRU is well positioned to capture a greater pie of the protection business, which should drive incremental profitability as it has access to a mass affluent customer base coupled with a wide presence in the bancassurance channel.
- **Buy with a target price of INR565:** We estimate IPRU to deliver VNB CAGR of ~21% over FY19-22, led by 12% CAGR in new business APE. The company stands committed in doubling its VNB over next 3-4 years, while operating RoEV is

expected to sustain at ~19%. We thus estimate VNB margin to recover to ~23% by FY22 led by an improved protection mix, while operating metrics are expected to improve further. **Maintain Buy** with a revised TP of INR565 (2.5x Sep'21E EV).

**Exhibit 5: We cut our FY20/21 estimates by 3%/0.4% as we factor in softer premium growth**

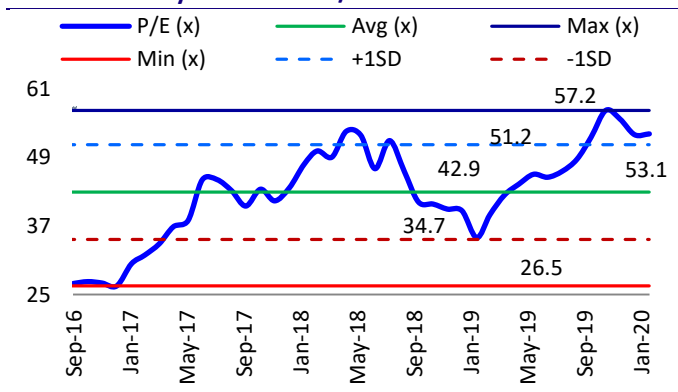
	Old Est.			Revised Est.			Estimates Change (%)		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
<b>Technical Account (INR b)</b>									
Net Premiums	349.1	390.9	444.8	335.5	378.2	430.9	-3.9	-3.2	-3.1
Investment income	185.4	213.5	239.9	185.3	213.3	239.6	0.0	-0.1	-0.1
<b>Total income</b>	<b>536.2</b>	<b>606.4</b>	<b>687.0</b>	<b>522.5</b>	<b>593.5</b>	<b>672.7</b>	<b>-2.6</b>	<b>-2.1</b>	<b>-2.1</b>
Commission	20.9	23.0	26.2	16.8	20.1	23.4	-19.6	-12.8	-10.8
Operating expenses	32.6	36.5	41.6	29.1	32.8	37.0	-10.7	-10.3	-11.1
<b>Surplus / Deficit</b>	<b>14.6</b>	<b>14.5</b>	<b>16.2</b>	<b>14.3</b>	<b>15.2</b>	<b>17.2</b>	<b>-2.1</b>	<b>4.7</b>	<b>6.3</b>
<b>Shareholder's Account</b>									
Total Income	18.5	20.3	22.8	18.0	20.2	23.3	-2.4	-0.3	2.4
Total Expenses	5.5	5.6	5.7	5.5	5.6	5.7	0.0	0.0	0.0
PBT	13.0	14.7	17.1	12.6	14.7	17.6	-3.4	-5.7	55.4
<b>PAT</b>	<b>12.2</b>	<b>13.5</b>	<b>15.7</b>	<b>11.8</b>	<b>13.5</b>	<b>16.2</b>	<b>-3.4</b>	<b>-0.4</b>	<b>3.2</b>
<b>Key Metrics</b>									
VNB (INR b)	15.7	20.3	24.6	16.4	19.4	23.2	4.7	-4.3	-5.4
EV (INR b)	251.7	295.4	346.5	252.5	295.3	345.1	0.3	0.0	-0.4
<b>Key Ratios</b>									
VNB margin (%)	21.6	23.2	24.0	21.2	22.2	22.7	-2.1	-4.3	-5.4
Op. ROEV (%)	19.2	19.3	19.0	19.5	19.0	18.6	1.8	-2.0	-2.4
RoEV (%)	16.5	17.3	17.3	16.8	17.0	16.9	2.1	-2.2	-2.6

**Exhibit 6: One-year forward P/EV**



Source: MOFSL, Company

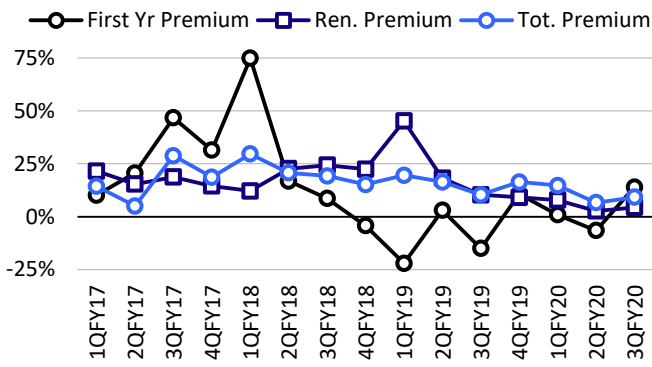
**Exhibit 7: One-year forward P/E**



Source: MOFSL, Company

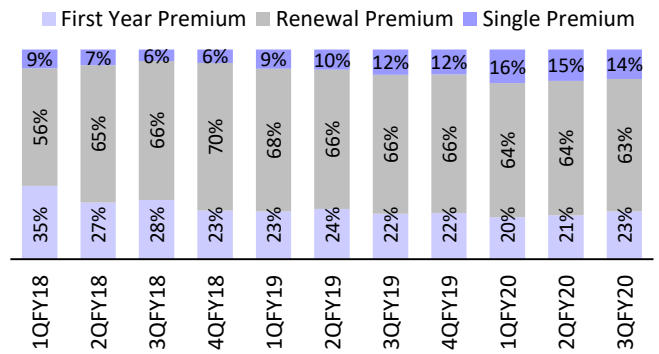
## Story in Charts

**Exhibit 8: First year/total premium grew 14%/9% YoY**



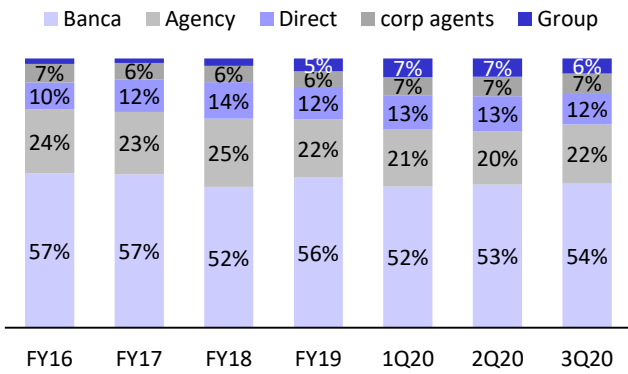
Source: MOFSL, Company

**Exhibit 9: Share of single premium increased to 14%**



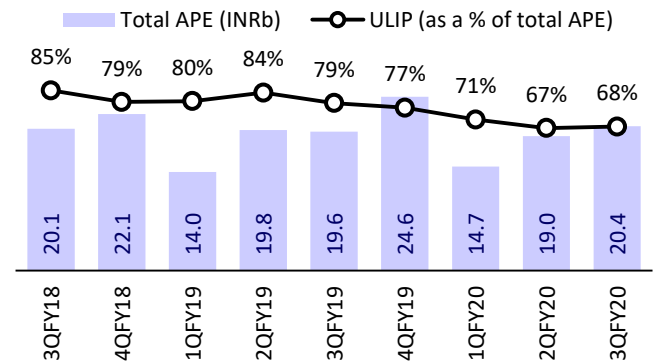
Source: MOFSL, Company

**Exhibit 10: Share of agents increasing; bank-partners stable**



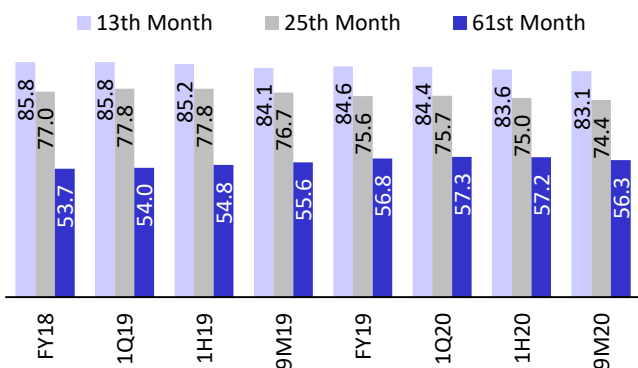
Source: MOFSL, Company

**Exhibit 11: Share of ULIP in total APE stood at 68%**



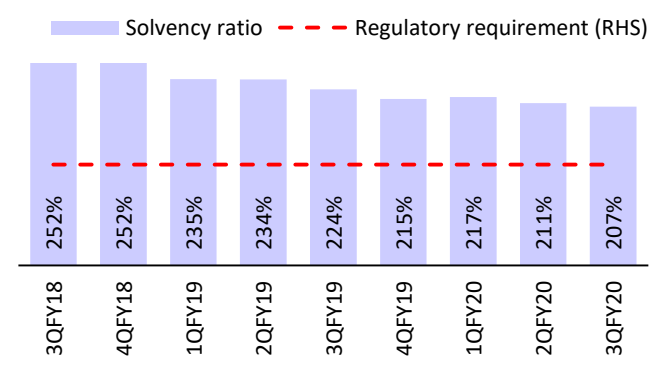
Source: MOFSL, Company

**Exhibit 12: 61<sup>st</sup> month persistency improved 70bp YoY to 56.3%; 13<sup>th</sup> month continues to moderate**



Source: MOFSL, Company

**Exhibit 13: Solvency ratio stood at 207%, much above the regulatory requirement of 150%**



Source: MOFSL, Company

## Financials and Valuations

Technical account (INR b)	FY17	FY18	FY19	FY20E	FY21E	FY22E
Gross Premiums	223.5	270.7	309.3	339.5	382.9	436.2
Reinsurance Ceded	(2.0)	(2.6)	(3.5)	(4.1)	(4.7)	(5.4)
Net Premiums	221.6	268.1	305.8	335.5	378.2	430.9
Income from Investments	149.8	112.6	102.1	185.3	213.3	239.6
Other Income	0.2	0.9	5.6	1.8	2.0	2.2
<b>Total income</b>	<b>371.9</b>	<b>382.2</b>	<b>414.0</b>	<b>522.5</b>	<b>593.5</b>	<b>672.7</b>
Commission	7.6	14.0	15.5	16.8	20.1	23.4
Operating expenses	23.6	20.3	26.1	29.1	32.8	37.0
<b>Total commission and opex</b>	<b>31.2</b>	<b>34.3</b>	<b>41.6</b>	<b>45.9</b>	<b>52.9</b>	<b>60.4</b>
Benefits Paid (Net)	150.0	172.8	142.6	140.0	155.5	176.8
Change in reserves	175.0	154.5	210.0	317.1	364.3	411.7
<b>Total expenses</b>	<b>356.1</b>	<b>361.6</b>	<b>394.2</b>	<b>503.0</b>	<b>572.6</b>	<b>648.9</b>
Provisions for doubtful debts	4.3	5.7	6.4	4.1	4.5	5.1
<b>Surplus / deficit before tax</b>	<b>11.5</b>	<b>14.8</b>	<b>13.5</b>	<b>15.5</b>	<b>16.5</b>	<b>18.7</b>
Prov. for Tax	0.8	1.2	1.1	1.1	1.3	1.4
<b>Surplus / Deficit</b>	<b>10.7</b>	<b>13.6</b>	<b>12.3</b>	<b>14.3</b>	<b>15.2</b>	<b>17.2</b>
Shareholder's a/c (INR b)	FY17	FY18	FY19	FY20E	FY21E	FY22E
Transfer from technical a/c	11.3	10.9	10.8	12.5	12.9	14.5
Income From Investments	6.7	7.4	6.4	5.5	7.2	8.7
<b>Total Income</b>	<b>18.3</b>	<b>18.4</b>	<b>17.3</b>	<b>18.0</b>	<b>20.2</b>	<b>23.3</b>
Other expenses	0.4	0.4	0.4	0.4	0.5	0.5
Contribution to technical a/c	0.0	0.8	5.3	5.0	5.1	5.2
<b>Total Expenses</b>	<b>0.4</b>	<b>1.2</b>	<b>5.7</b>	<b>5.5</b>	<b>5.6</b>	<b>5.7</b>
<b>PBT</b>	<b>17.8</b>	<b>17.2</b>	<b>11.6</b>	<b>12.6</b>	<b>14.7</b>	<b>17.6</b>
Prov. for Tax	1.0	1.0	0.2	0.8	1.2	1.4
<b>PAT</b>	<b>16.8</b>	<b>16.2</b>	<b>11.4</b>	<b>11.8</b>	<b>13.5</b>	<b>16.2</b>
<b>Growth</b>	<b>2%</b>	<b>-4%</b>	<b>-30%</b>	<b>4%</b>	<b>14%</b>	<b>20%</b>
Premium (INR b) & growth (%)	FY17	FY18	FY19	FY20E	FY21E	FY22E
NBP – un weighted	78.6	92.1	103.6	119.2	139.5	163
NBP – wrp	65.0	75.4	73.2	77.6	87.4	102
Renewal premium	144.9	178.6	205.7	220.4	243.4	273
NBP growth – un weighted	16.2%	17.1%	12.5%	15.0%	17.0%	17.0%
NBP growth - wrp	27.2%	16.1%	-3.0%	6.0%	12.7%	17.0%
Renewal premium growth	16.9%	23.2%	15.2%	7.1%	10.5%	12.2%
Premium mix (%)	FY17	FY18	FY19	FY20E	FY21E	FY22E
<b>New business - unwtd</b>						
- Individual mix	88.7%	91.2%	78.5%	83.0%	85.0%	85.0%
- Group mix	11.3%	8.8%	21.5%	17.0%	15.0%	15.0%
<b>New business mix - APE</b>						
- Participating	9.5%	10.6%	9.0%	13.3%	14.4%	14.4%
- Non-participating	4.8%	5.0%	9.0%	24.1%	23.6%	23.6%
- ULIPs	85.7%	84.4%	82.0%	62.6%	62.0%	62.0%
<b>Total premium mix - unwtd</b>						
- Participating	11.7%	12.0%	11.4%	12.3%	12.6%	12.6%
- Non-participating	13.6%	12.8%	15.2%	28.0%	29.0%	29.2%
- ULIPs	74.8%	75.2%	73.4%	59.7%	58.4%	58.3%
Indi. Premium sourcing mix (%)	FY17	FY18	FY19	FY20E	FY21E	FY22E
Individual agents	23.5%	25.6%	21.8%	22.8%	23.8%	24.8%
Corporate agents-Banks	57.1%	52.6%	55.2%	55.0%	54.8%	54.6%
Direct business	12.8%	16.0%	16.7%	17.7%	17.5%	17.3%
Others	6.6%	5.8%	6.3%	4.6%	4.0%	3.4%



## Financials and Valuations

Balance sheet (INR b)	FY17	FY18	FY19	FY20E	FY21E	FY22E
<b>Sources of Fund</b>						
Share Capital	14.4	14.4	14.4	14.4	14.4	14
Reserves And Surplus	47.0	51.4	54.4	60.3	68.2	79
<b>Shareholders' Fund</b>	<b>64.1</b>	<b>68.8</b>	<b>70.4</b>	<b>76.5</b>	<b>84.7</b>	<b>96</b>
Policy Liabilities	251.7	309.9	385.5	695.3	962.3	1,266
Prov. for Linked Liab.	839.4	923.1	1,037.0	1,209.3	1,318.1	1,437
Funds For Future App.	6.0	8.8	10.3	11.9	13.7	16
Current liabilities & prov.	28.4	34.5	36.6	44.0	52.7	63
<b>Total</b>	<b>1,247.4</b>	<b>1,418.2</b>	<b>1,630.9</b>	<b>2,056.4</b>	<b>2,451.9</b>	<b>2,899</b>
<b>Application of Funds</b>						
Shareholders' inv.	66.3	77.5	79.9	87.8	96.6	106
Policyholders' inv.	270.7	332.9	400.7	715.2	989.7	1,304
Assets to cover linked Liab.	878.8	975.0	1,109.5	1,209.3	1,318.1	1,437
Current assets	28.7	27.1	33.4	35.5	37.8	40
<b>Total</b>	<b>1,247.4</b>	<b>1,418.2</b>	<b>1,630.9</b>	<b>2,056.4</b>	<b>2,451.9</b>	<b>2,899</b>
<b>Operating ratios (%)</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20E</b>	<b>FY21E</b>	<b>FY22E</b>
Investment yield (%)	13.0%	8.1%	6.4%	9.6%	9.2%	8.7%
<b>Commissions / GWP</b>	<b>3.4%</b>	<b>5.2%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>5.2%</b>	<b>5.4%</b>
Operating expenses / GWP	10.5%	7.5%	8.4%	8.6%	8.6%	8.5%
<b>Total expense ratio</b>	<b>13.9%</b>	<b>12.7%</b>	<b>13.4%</b>	<b>13.5%</b>	<b>13.8%</b>	<b>13.8%</b>
Claims / NWP	67.7%	64.5%	46.6%	41.7%	41.1%	41.0%
Solvency margin	289%	252%	215%	200%	182%	164%
<b>Persistence ratios (%)</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20E</b>	<b>FY21E</b>	<b>FY22E</b>
13th Month	85.7%	86.8%	86.2%	83.5%	84.0%	84.4%
25th Month	73.9%	78.3%	77.4%	76.2%	75.7%	76.1%
37th Month	66.8%	68.8%	71.0%	69.2%	69.0%	68.6%
49th Month	59.3%	64.2%	65.0%	65.4%	65.0%	64.9%
61st Month	56.2%	54.5%	58.1%	57.2%	57.3%	57.0%
<b>Profitability ratios</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20E</b>	<b>FY21E</b>	<b>FY22E</b>
VNB margin (%)	10.1%	16.5%	17.0%	21.2%	22.2%	22.7%
RoE (%)	28.7%	24.4%	16.4%	16.1%	16.7%	18.0%
RoIC (%)	34.8%	33.3%	23.5%	24.4%	27.8%	33.4%
Operating ROEV (%)	16.4%	22.8%	20.2%	19.5%	19.0%	18.6%
RoEV (%)	16.0%	16.1%	15.1%	16.8%	17.0%	16.9%
<b>Valuation ratios</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20E</b>	<b>FY21E</b>	<b>FY22E</b>
Total AUMs (INRb)	1,229.2	1,395.3	1,604.1	1,811.2	2,164.0	2,563
- Of which equity AUMs (%)	47%	48%	48%	49%	50%	50%
Dividend (%)	74%	68%	49%	34%	32%	32%
Dividend Payout ratio (%)	40%	74%	74%	50%	41%	34%
EPS (INR)	11.7	11.3	8.0	8.2	9.4	11.3
VNB (INRb)	6.6	12.9	13.3	16.4	19.4	23.2
EV (INRb)	161.7	187.8	216.1	252.5	295.3	345.1
EV/Per share	112.7	130.8	150.6	175.9	205.7	240.4
VIF as % of EV	58%	63%	66%	68%	70%	72%
P/VIF	7.4	6.0	4.9	4.1	3.4	2.8
P/AUM (%)	57%	50%	44%	39%	32%	27%
P/EV (x)	4.3	3.7	3.2	2.8	2.4	2.0
P/EPS (x)	41.7	43.4	61.5	59.4	52.0	43.3

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SELL	< - 10%
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UNDER REVIEW	Rating may undergo a change
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