

**HOLD**

TP: Rs 494 | ▲ 8%

ICICI PRUDENTIAL LIFE | Insurance

21 April 2023

## FY23 ends on a high note; cut to HOLD post rally

- Strong Q4 growth lifts overall FY23 numbers; sustainability of growth and ability to arrest NBP market share loss key monitorables
- Absolute VNB has doubled in 4Y as targeted; VNB margin also high at 32% in FY23
- Recent stock rally caps upside potential; downgrade to HOLD with a revised TP of Rs 494 (vs. Rs 487)

Mohit Mangal

research@bobcaps.in

**VNB growth strong; margins high:** IPRU's VNB grew 28% YoY to Rs 27.6bn for full year FY23, achieving the company's goal of doubling business over FY19-FY23. VNB margin for the year has risen to 32% from 28% in FY22 given a focus on higher margin products. We raise our VNB margin estimates by 60-80bps for FY24/FY25 to 28.5% each and increase VNB estimates by 11%/12%. Persistency improved across cohorts with the 13<sup>th</sup> month ratio rising from 85.7% at end-11MFY22 to 86.6% at end-11MFY23 and the 61<sup>st</sup> cohort rising from 54.4% to 65.7% respectively.

**High APE growth:** APE rose 27%/12% YoY to Rs 33bn/Rs 86.4bn in Q4FY23/ FY23. Protection APE grew 14.5% YoY for the year to Rs 15bn and constituted 17% of the total while savings APE grew 11% to Rs 71.4bn. Within these, linked plans (36% of total APE) declined 17% YoY whereas non-linked plans (37%) grew 52%. Annuity soared 69% YoY on a smaller base to Rs 5bn. We raise our APE estimates by 9% each for FY24/FY25 but will be closely monitoring performance in coming quarters for sustainability given that most of the growth in FY23 has come in Q4 – potentially due to investment in big-ticket policies to avail of taxation benefits (withdrawn post FY23).

**Expenses move up; market share declines:** Business growth led to the commission and opex ratios climbing 100bps YoY each in Q4. Per management, these remain within the EOM (Expenses of Management) limit prescribed by IRDA. We raise our total expense ratio assumptions by 50bps each for FY24/FY25. Separately, IPRU's NBP market share loss was arrested in Q4FY23 (12.4% vs. 11.1% in Q3), but shows a decline on a full-year basis to 12.2% in FY23 from 13% in FY22.

**Rally caps upside; downgrade to HOLD:** The stock currently trades at 1.4x FY25E P/EV. Factoring in the positives of high persistency and strong VNB growth alongside negatives of higher expense ratios, market share loss and regulatory headwinds, we continue to value the stock 2SD below its long-term mean at 1.5x FY25E P/EV. We tweak estimates to bake in the Q4 results, yielding a slightly higher TP of Rs 494 (vs. Rs 487), but cut our rating from BUY to HOLD on limited upside post the 13% run-up in the stock since 1 February.

### Key changes

Target	Rating
▲	▼

Ticker/Price	IPRU IN/Rs 456
Market cap	US\$ 8.0bn
Free float	5%
3M ADV	US\$ 10.9mn
52wk high/low	Rs 609/Rs 381
Promoter/FPI/DII	73%/17%/5%

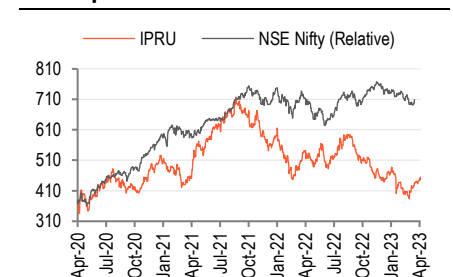
Source: NSE | Price as of 20 Apr 2023

### Key financials

Y/E 31 Mar	FY23P	FY24E	FY25E
NBP (Rs mn)	1,74,125	1,91,538	2,06,861
APE (Rs mn)	86,400	90,112	98,796
VNB (Rs mn)	27,648	25,682	28,157
Embedded Value (Rs mn)	3,56,338	4,11,087	4,72,691
VNB margin (%)	32.0	28.5	28.5
EVPS (Rs)	248.0	286.1	329.1
EPS (Rs)	5.6	6.8	8.5
Consensus EPS (Rs)	5.6	8.7	9.3
P/EV (x)	1.8	1.6	1.4

Source: Company, Bloomberg, BOBCAPS Research | P – Provisional

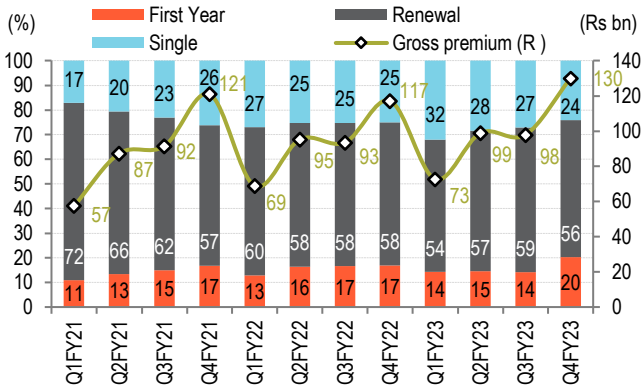
### Stock performance



Source: NSE

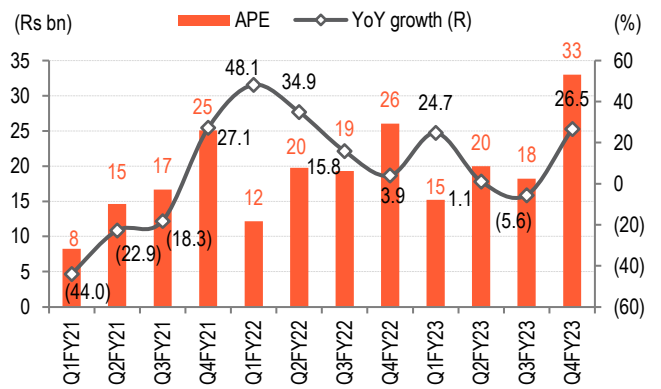


**Fig 1 – Gross premium grew 11% YoY**



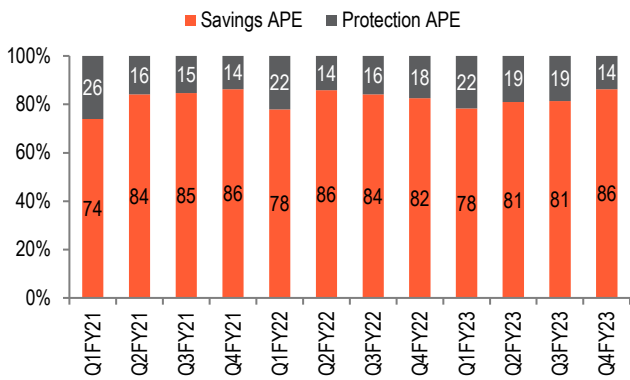
Source: Company, BOBCAPS Research

**Fig 2 – APE grew at a strong 27% YoY**



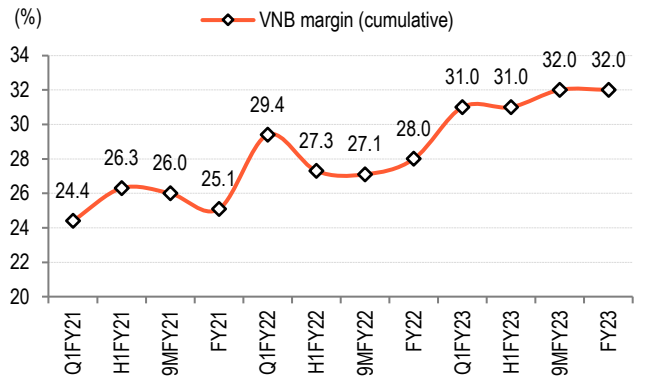
Source: Company, BOBCAPS Research

**Fig 3 – Product mix – Savings inch higher in Q4**



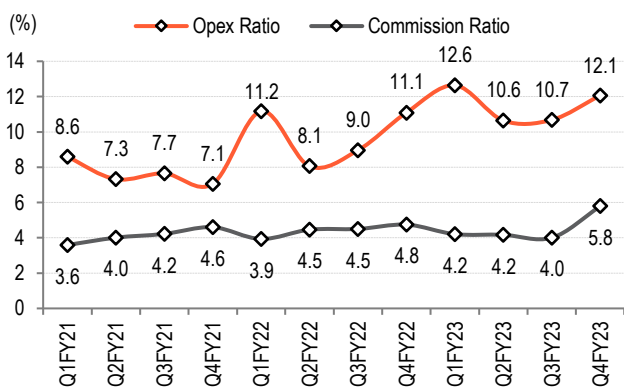
Source: Company, BOBCAPS Research | Note: The data is based on APE

**Fig 4 – VNB margin expanding**



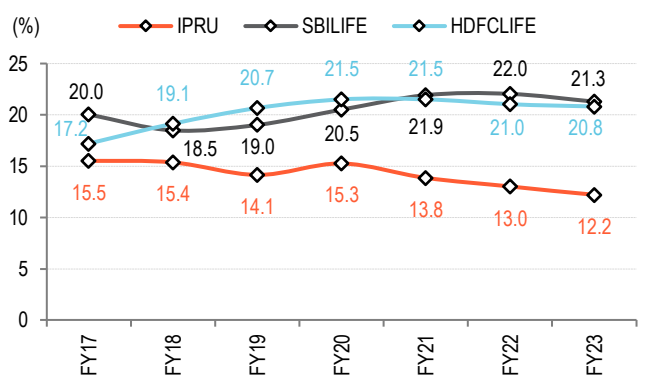
Source: Company, BOBCAPS Research

**Fig 5 – Expense ratios rise**



Source: Company, BOBCAPS Research

**Fig 6 – Market share (NBP basis) declined YoY in FY23 but Q4 fared better than Q3**



Source: Company, BOBCAPS Research

**Fig 7 – Distribution mix APE – Agency and partnership gaining traction YoY**

Channel	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23
<b>Mix (Rs bn)</b>													
Bancassurance	8.8	3.3	6.4	7.0	10.7	4.7	7.9	7.6	9.9	5.3	6.0	5.0	9.1
Agency	4.3	2.0	3.3	4.2	5.9	2.7	4.8	5.0	5.8	3.4	5.2	5.2	9.0
Direct	2.6	1.0	1.8	2.2	3.1	1.6	2.6	2.6	3.3	1.7	2.5	2.6	3.9
Partnership distribution	1.6	0.7	1.3	1.3	2.6	1.0	1.7	1.6	2.8	1.7	2.4	2.1	6.6
Group	2.5	1.2	1.9	2.0	2.8	2.1	2.8	2.5	4.4	3.2	4.0	3.3	4.4
<b>Total</b>	<b>19.7</b>	<b>8.2</b>	<b>14.6</b>	<b>16.7</b>	<b>25.1</b>	<b>12.2</b>	<b>19.8</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>Mix (%)</b>													
Bancassurance	44.3	39.6	43.9	41.9	42.5	38.6	39.9	39.5	38.0	34.7	29.8	27.5	27.6
Agency	21.7	24.6	22.7	25.1	23.3	22.5	24.3	25.8	22.0	22.4	26.0	28.4	27.4
Direct	13.0	12.3	12.2	13.3	12.4	13.1	12.9	13.2	12.5	10.8	12.5	14.4	11.8
Partnership distribution	8.2	8.6	8.6	7.7	10.4	8.4	8.7	8.5	10.7	11.1	11.8	11.7	19.9
Group	12.8	14.9	12.7	12.1	11.3	17.4	14.2	13.0	16.8	20.9	19.9	18.0	13.4

Source: Company, BOBCAPS Research

**Fig 8 – Persistency improving across cohorts**

(%)	11MFY23	11MFY22	Change
13 <sup>th</sup> month	86.6	85.7	90bps
25 <sup>th</sup> month	77.8	77.2	60bps
37 <sup>th</sup> month	71.3	67.1	420bps
49 <sup>th</sup> month	64.2	63.7	50bps
61 <sup>st</sup> month	65.7	54.4	1130bps

Source: Company, BOBCAPS Research | Note: Regular and Limited pay premium

## Earnings call highlights

### Growth

- Per management, contrary to perceptions, IPRU's strong premium growth in Q4FY23 (11% YoY and 32% QoQ) was not entirely due to disproportionate buying of big-ticket products (>Rs 0.5mn premium) to avail of expiring tax benefits.
- IPRU indicated that the insurance benefits were often more important to HNI customers than the tax benefits.
- Management believes the 12% YoY APE growth for FY23 does not look elevated and would not create any adverse base effect.

### VNB and Margin

- IPRU has successfully met its target of doubling VNB in the last four years to Rs 27.6bn in FY23, clocking a CAGR of 20% over FY19-FY23 and rising 28% over FY22.
- VNB margin in FY23 was at 32% vs. 17% in FY19 led by a focus on profitable products.

### Protection products

- Retail protection business has lagged over the last few quarters with IPRU focussing on distribution and retraining, especially after Covid-19. The company is targeting the Rs 5mn-10mn sum assured category.
- The composition of group plans in the protection segment has been higher than retail, though the latter began recovering in Q4FY23.

### Distribution channels

- The company licensed more than 33,500 new advisors and added 13 banks in FY23. It now has 39 bank partnerships, lending access to over 17,500 branches for distribution of its products.
- At end-FY23, 113 new non-bank partnerships were added, totalling to 900+.
- The focus remains on technology and leveraging digital assets such as the website and mobile application.

### Embedded value (EV)

- EV grew 12.7% YoY to Rs 356bn at end-FY23 vs. Rs 316bn in FY22. EVOP contributed positively by Rs 55bn (+72% YoY) but was partially offset by a negative Rs 15bn towards economic assumption changes and investment variance. Consequently, the ROEV for FY23 stands at 17.4%.
- The EVOP breakdown is as follows: unwind contribution at Rs27.1bn (8.6% of opening EV), VNB of Rs 27.7bn, persistency variance of Rs 1.4bn, mortality and morbidity variance of Rs 0.2bn, and other variance of Rs 0.1bn.

- Operating assumption changes were a negative Rs 1.6bn primarily due to (i) higher expenses, (ii) removal of Covid-related loading in group term business, and (iii) below-expected surrender rates in ULIPs beyond five years that were capitalised in the assumptions.
- Economic assumption changes and investment variance was a negative Rs 14.5bn due to the shift in yield curve and overall equity market movement.
- Unwind rate is a function of the yield curve and underlying portfolio composition, and not of higher expectation of investment return compared to the past.

#### **Others**

- AUM grew 4.4% YoY to Rs 2.5tn at end-FY23.
- FY22 ULIP margin was comparatively higher than FY23 when spending was reduced.
- The solvency ratio remained strong at 208.9% as of Mar'23.
- Regulator IRDA puts a cap on management expenses and IPRU is within the limit.
- The proposed composite license for life insurance companies to distribute a variety of products is welcome as it will be customer-friendly.

**Fig 9 – Policyholders’ account**

(Rs mn)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY23	FY22	YoY (%)
<b>Gross premium income</b>	<b>1,29,920</b>	<b>1,17,106</b>	<b>10.9</b>	<b>97,805</b>	<b>32.8</b>	<b>3,99,328</b>	<b>3,74,580</b>	<b>6.6</b>
First Year Premium	26,328	19,805	32.9	13,781	91.0	64,938	59,655	8.9
Renewal Premium	72,303	68,031	6.3	57,533	25.7	2,25,203	2,19,557	2.6
Single Premium	31,289	29,271	6.9	26,491	18.1	1,09,187	95,367	14.5
Reinsurance	3,629	3,517	3.2	3,160	14.9	13,733	11,367	20.8
<b>Net premium income</b>	<b>1,26,291</b>	<b>1,13,589</b>	<b>11.2</b>	<b>94,645</b>	<b>33.4</b>	<b>3,85,595</b>	<b>3,63,213</b>	<b>6.2</b>
<b>Income from investments (Net)</b>	<b>(19,053)</b>	<b>14,765</b>	<b>NA</b>	<b>77,218</b>	<b>NA</b>	<b>99,646</b>	<b>2,49,695</b>	<b>(60.1)</b>
Other income	436	328	33.2	366	19.3	1,516	1,126	34.6
Contribution of funds from Shareholders' A/c	7,324	9,776	(25.1)	3,122	134.6	18,024	21,611	(16.6)
<b>Total</b>	<b>1,14,998</b>	<b>1,38,457</b>	<b>(16.9)</b>	<b>1,75,351</b>	<b>(34.4)</b>	<b>5,04,781</b>	<b>6,35,645</b>	<b>(20.6)</b>
<b>Commission on</b>								
First Year Premium	5,306	3,514	51.0	2,201	141.0	11,665	10,346	12.7
Renewal Premium	1,403	1,313	6.8	1,086	29.2	4,277	4,119	3.8
Single Premium	410	452	(9.2)	411	(0.3)	1,575	1,448	8.8
Rewards	416	285	46.0	215	93.3	1,122	816	37.5
<b>Net Commission</b>	<b>7,535</b>	<b>5,564</b>	<b>35.4</b>	<b>3,914</b>	<b>92.5</b>	<b>18,639</b>	<b>16,729</b>	<b>11.4</b>
Operating Expenses related to insurance business	15,668	12,986	20.7	10,445	50.0	46,459	37,011	25.5
Benefits Paid (Net)	87,607	80,038	9.5	87,091	0.6	3,10,042	2,93,588	5.6
Change in actuarial liability	(6,930)	25,464	(127.2)	66,239	(110.5)	98,170	2,57,837	(61.9)
<b>Surplus/Deficit</b>	<b>8,593</b>	<b>11,441</b>	<b>(24.9)</b>	<b>5,247</b>	<b>63.8</b>	<b>23,021</b>	<b>21,904</b>	<b>5.1</b>

Source: Company, BOBCAPS Research

**Fig 10 – Shareholders’ account**

(Rs mn)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY23	FY22	YoY (%)
Transfer from Policyholders' Account	8,223	10,681	(23.0)	4,119	99.7	20,162	21,602	(6.7)
<b>Total income under Shareholders' Account</b>								
Investment Income	2,590	1,664	55.6	2,389	8.4	8,761	10,114	(13.4)
Other income	4	(1)	(520.0)	3	23.5	13	22	(42.6)
Expenses other than those related to insurance business	284	289	(1.7)	261	9.0	1,022	1,024	(0.3)
Transfer of funds to Policyholders' Account	7,324	9,776	(25.1)	3,122	134.6	18,024	21,611	(16.6)
Provisions for doubtful debts (including write off)	41	69	(40.4)	879	(95.3)	921	1,197	(23.1)
<b>Profit before tax</b>	<b>3,168</b>	<b>2,211</b>	<b>43.3</b>	<b>2,249</b>	<b>40.9</b>	<b>8,969</b>	<b>7,906</b>	<b>13.5</b>
Provisions for tax	819	364	125.0	43	1,810.0	(862)	(364)	136.7
<b>Profit after tax and before extraordinary items</b>	<b>2,349</b>	<b>1,847</b>	<b>27.2</b>	<b>2,206</b>	<b>6.5</b>	<b>8,107</b>	<b>7,541</b>	<b>7.5</b>

Source: Company, BOBCAPS Research

**Fig 11 – Balance sheet**

(Rs mn)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY23	FY22	YoY (%)
<b>Sources of funds</b>								
Share Capital	14,386	14,373	0.1	14,386	0.0	14,386	14,373	0.1
Share application money received pending allotment of shares	2	0	NA	0	NA	2	0	NA
Reserves and Surplus	83,730	75,915	10.3	81,354	2.9	83,730	75,915	10.3
Credit / (Debit) Fair Value Change Account	2,801	1,342	108.7	5,180	(45.9)	2,801	1,342	108.7
<b>Total Equity</b>	<b>1,00,918</b>	<b>91,631</b>	<b>10.1</b>	<b>1,00,919</b>	<b>(0.0)</b>	<b>1,00,918</b>	<b>91,631</b>	<b>10.1</b>
<b>Policyholders' Funds:</b>	<b>22,83,724</b>	<b>21,71,190</b>	<b>5.2</b>	<b>22,89,378</b>	<b>(0.2)</b>	<b>22,83,724</b>	<b>21,71,190</b>	<b>5.2</b>
Borrowing	12,000	12,000	-	12,000	-	12,000	12,000	-
Policy Liabilities	22,55,397	21,42,236	5.3	22,56,532	(0.1)	22,55,397	21,42,236	5.3
- Insurance Reserves	9,03,074	7,36,822	22.6	8,48,181	6.5	9,03,074	7,36,821	22.6
- Provision for Linked Liabilities	13,52,324	14,05,414	(3.8)	14,08,350	(4.0)	13,52,324	14,05,414	(3.8)
Add: Fair value change	28,327	28,954	(2.2)	32,846	(13.8)	28,327	28,954	(2.2)
FFA	16,693	13,833	20.7	16,322	2.3	16,693	13,833	20.7
FFA - provision of lapsed policies	88,257	1,03,249	(14.5)	94,053	(6.2)	88,257	1,03,249	(14.5)
<b>Total Sources of funds</b>	<b>25,01,592</b>	<b>23,91,903</b>	<b>4.6</b>	<b>25,12,672</b>	<b>(0.4)</b>	<b>25,01,592</b>	<b>23,91,903</b>	<b>4.6</b>
<b>Application Of Funds</b>								
<b>Investments</b>	<b>10,41,624</b>	<b>8,72,415</b>	<b>19.4</b>	<b>9,87,482</b>	<b>5.5</b>	<b>10,41,624</b>	<b>8,72,415</b>	<b>19.4</b>
- Shareholders'	98,514	98,535	(0.0)	1,03,138	(4.5)	98,514	98,535	(0.0)
- Policyholders'	9,43,110	7,73,880	21.9	8,84,344	6.6	9,43,110	7,73,880	21.9
Assets held to cover Linked Liabilities	14,40,581	15,08,663	(4.5)	15,02,403	(4.1)	14,40,581	15,08,663	(4.5)
Loans	13,141	9,401	39.8	11,930	10.2	13,141	9,401	39.8
Fixed Assets	5,956	4,872	22.2	5,363	11.0	5,956	4,872	22.2
<b>Net Current Assets</b>	<b>291</b>	<b>(3,449)</b>	<b>(108.4)</b>	<b>5,494</b>	<b>(94.7)</b>	<b>291</b>	<b>(3,449)</b>	<b>(108.4)</b>
<b>Total application of funds</b>	<b>25,01,592</b>	<b>23,91,903</b>	<b>4.6</b>	<b>25,12,672</b>	<b>(0.4)</b>	<b>25,01,592</b>	<b>23,91,903</b>	<b>4.6</b>

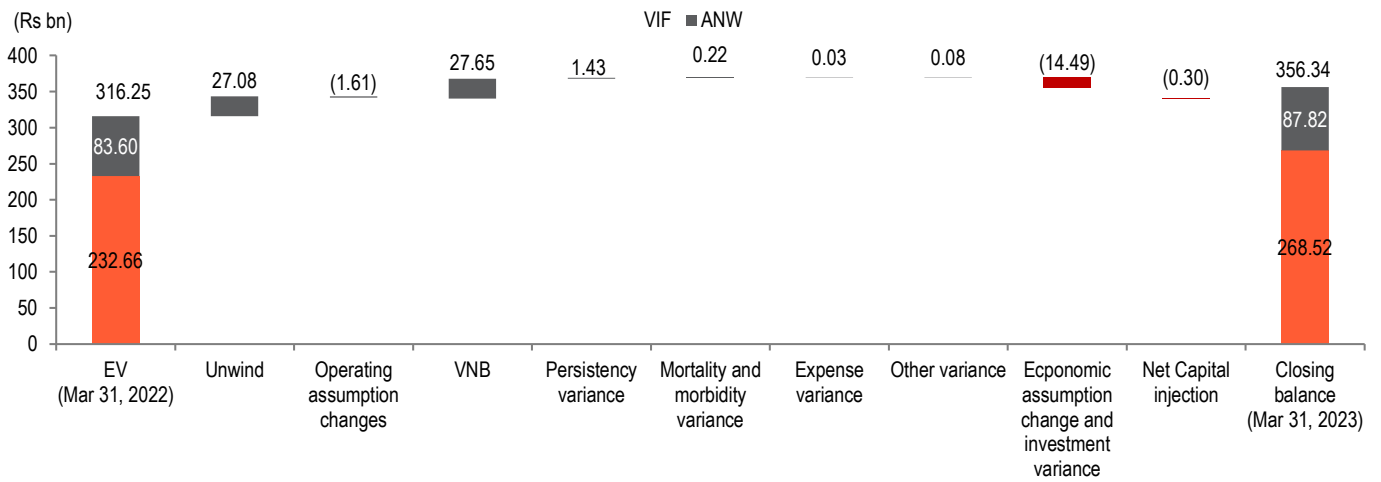
Source: Company, BOBCAPS Research

**Fig 12 – Key ratios and growth metrics**

(Rs mn)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY23	FY22	YoY (%)
NBP	57,618	49,076	17.4	40,272	43.1	1,74,125	1,55,022	12.3
APE	33,000	26,080	26.5	18,210	81.2	86,400	77,330	11.7
VNB	10,550	7,750	36.1	6,180	70.7	27,648	21,652	27.7
Opex ratio (%)	12.1	11.1	97bps	10.7	138bps	11.5	9.8	167bps
Commission ratio (%)	5.8	4.8	105bps	4.0	180bps	4.7	4.5	20bps
Expense ratio (%)	17.9	15.8	202bps	14.7	318bps	16.1	14.3	187bps
VNB margin (%) – Cumulative	32.0	28.0	400bps	32.0	0bps	32.0	28.0	400bps
Solvency ratio (%)	208.9	204.5	440bps	212.2	(330bps)	209	204	440bps
<b>Persistency ratio (Regular Premium / Limited Premium Payment under Individual category)</b>								
13th month (%) – Cumulative	86.6	85.7	90bps	86.1	50bps	86.6	85.7	90bps
61st month (%) - Cumulative	65.7	54.4	1130bps	64.2	150bps	65.7	54.4	1130bps

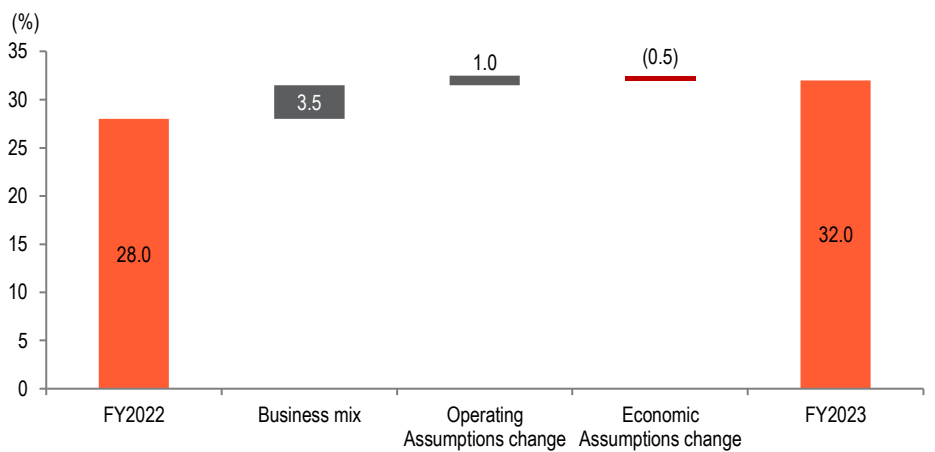
Source: Company, BOBCAPS Research

**Fig 13 – EV benefitted from unexpected 8.6% unwind rate; VNB supportive**



Source: Company, BOBCAPS Research

**Fig 14 – VNB margin benefitted from stronger business mix**



Source: Company, BOBCAPS Research



## Valuation methodology

IPRU is trading at 1.4x FY25E P/EV. The company recorded strong growth in Q4FY23 that lifted full-year numbers, but sustainability of this momentum holds the key. We increase our FY24/FY25 gross premium estimates by 5%/6%, VNB by 11%/12% and VNB margin by 60-80bps. We also expect higher total opex of 14.2%/14.3% for FY24/FY25 vs. 13.7%/13.8% earlier.

Key positives for the company include (i) robust VNB growth (28% YoY in FY23 with a 32% margin), with a doubling over FY19-FY23, (ii) improved persistency across cohorts which should support profitability, and (iii) traction in bancassurance partnerships (ex-ICICI Bank), with a 24% rise in APE generated from this channel during the year.

Key negatives include (i) a higher total expense ratio in Q4FY23 at 17.9% vs. our estimate of 13.6%, (ii) a 38% YoY decline in APE generated from ICICI Bank, (iii) continued weakness in retail protection, and (iv) regulatory headwinds with the withdrawal of tax benefits on large policies from FY24.

Based on our revised forecasts, our TP rises slightly from Rs 487 to Rs 494, set at an unchanged FY25E P/EV of 1.5x, which is -2SD from the long-term mean. The stock has rallied ~13% from 1 Feb 2023, capping upsides – we thus downgrade our rating from BUY to HOLD.

**Fig 15 – Revised estimates**

(Rs bn)	New		Old		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Gross Premium	424	446	404	420	5.0	6.2
Net Premium	412	434	392	409	4.9	6.1
VNB	26	28	23	25	11.2	12.0
APE	90	99	83	91	9.0	9.0
Embedded Value (EV)	411	473	413	468	(0.5)	0.9
VNB Margin (%)	28.5	28.5	27.9	27.7	58bps	78bps

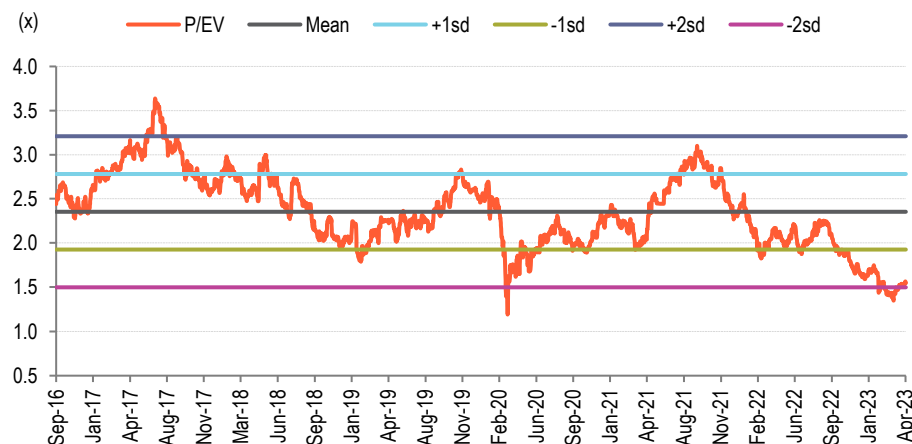
Source: BOBCAPS Research

**Fig 16 – Valuation summary**

Synopsis of valuation	
Embedded Value (FY25E) (Rs bn)	307
PV of Future business (Rs bn)	405
<b>Total value (Rs bn)</b>	<b>712</b>
Current P/EV (FY25E)	1.4
Implied P/EV (FY25E)	1.5
<b>Implied Target Price (Rs)</b>	<b>494</b>
Current Price (Rs)	456
<b>Upside (%)</b>	<b>8.3</b>

Source: BOBCAPS Research

**Fig 17 – 1Y fwd P/EV – Trading below -1SD**



Source: Bloomberg, BOBCAPS Research

### Key risks

Key downside risks to our estimates are:

- **Changes in regulatory framework:** Any unfavourable change in regulations can impact business growth. For example, ULIP proceeds are taxed to the extent that yearly premium exceeds Rs 0.25mn. Further, the tax exemption on income earned from traditional life insurance policies with premium above Rs 500,000 (par and non-par, ex-ULIP) has been restricted from FY24. Similarly, any change in the income tax rate of insurance companies can adversely impact profitability.
- **Losses from capital and bond markets:** Prolonged weakness in capital markets could hamper the growth of ULIPs. Although insurance companies are aiming for a balanced product mix, many of them have sizeable business coming from ULIPs..
- **Adverse economic events:** A significant economic decline may result in financial difficulties or defaults by issuers of bonds in the company’s investment portfolios. Shareholders’ equity & earnings and policyholders’ funds may be affected by fair value revaluation of bonds held in the investment portfolios.
- **High surrender of policies:** Life insurance companies face the risk of surrendered policies. In ULIPs, customers can withdraw policies after five years even if they have been taken for longer durations. Policies can also be surrendered in case of job loss and monetary requirements, among others, which lowers persistency ratios.

### Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
HDFC Life	HDFCLIFE IN	13.9	530	549	HOLD
ICICI Prudential Life	IPRU IN	8.0	456	494	HOLD
LIC	LICI IN	42.5	552	800	BUY
SBI Life	SBILIFE IN	13.8	1,129	1,459	BUY

Source: BOBCAPS Research, NSE | Price as of 20 Apr 2023

## Glossary

Glossary of Abbreviations			
<b>APE</b>	Average Premium Equivalent	<b>IRDA</b>	Insurance Regulatory and Development Authority
<b>EOM</b>	Expenses of Management	<b>NBP</b>	New Business Premium
<b>EV</b>	Embedded Value	<b>ROEV</b>	Return on Embedded Value
<b>EVOP</b>	Embedded Value Operating Profit	<b>ULIP</b>	Unit Linked Insurance Plan
<b>HNI</b>	High Net Worth Individuals	<b>VNB</b>	Value of New Business

Source: BOBCAPS Research

## Financials

### Revenue Account (Technical)

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23P	FY24E	FY25E
<b>Gross premium income</b>	<b>3,57,328</b>	<b>3,74,580</b>	<b>3,99,328</b>	<b>4,23,650</b>	<b>4,45,850</b>
First year premium	51,872	59,655	64,938	66,624	73,394
Renewal premium	2,25,068	2,19,557	2,25,203	2,32,113	2,38,990
Single premium	80,389	95,367	1,09,187	1,24,913	1,33,467
<b>Net written premium</b>	<b>3,49,734</b>	<b>3,63,213</b>	<b>3,85,595</b>	<b>4,11,589</b>	<b>4,33,906</b>
Income from investments	4,74,376	2,49,695	99,646	1,91,369	2,03,940
Other Income	16,682	22,737	19,540	20,614	21,923
<b>Total income</b>	<b>8,40,791</b>	<b>6,35,645</b>	<b>5,04,781</b>	<b>6,23,572</b>	<b>6,59,769</b>
Commissions	15,002	16,729	18,639	20,024	21,084
Operating expenses	27,121	37,011	46,459	40,820	42,987
Benefits and bonuses paid	2,26,409	2,93,588	3,10,042	3,15,215	3,16,221
Change in liabilities (net)	5,43,241	2,57,837	98,170	2,12,357	2,39,515
Others	0	0	0	0	0
<b>Total expenses</b>	<b>8,11,773</b>	<b>6,05,166</b>	<b>4,73,309</b>	<b>5,88,416</b>	<b>6,19,805</b>
<b>Surplus before tax</b>	<b>29,019</b>	<b>30,479</b>	<b>31,473</b>	<b>35,156</b>	<b>39,964</b>
Provision for tax	7,965	8,576	8,451	7,671	8,085
<b>Surplus after tax</b>	<b>21,054</b>	<b>21,904</b>	<b>23,021</b>	<b>27,486</b>	<b>31,878</b>
Trf to shareholders' a/c	19,849	21,602	20,162	24,676	27,809
Balance being FFA	1,205	302	2,859	2,809	4,069

### Income Statement (Non-technical)

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23P	FY24E	FY25E
Trf from policyholders' a/c	19,849	21,602	20,162	24,676	27,809
Income from investments	7,687	10,114	8,761	7,068	7,603
Contr. to policyholders' fund	15,748	21,611	18,024	18,926	19,872
Others	(609)	(1,002)	(1,009)	(1,029)	(1,050)
<b>PBT</b>	<b>11,179</b>	<b>9,103</b>	<b>9,890</b>	<b>11,790</b>	<b>14,490</b>
Provision for taxation	1,213	364	862	1,087	1,357
<b>PAT</b>	<b>9,966</b>	<b>8,739</b>	<b>9,027</b>	<b>10,703</b>	<b>13,133</b>
Dividend+Interim div.+DDT	2,872	793	864	1,440	1,440

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23P	FY24E	FY25E
Equity	91,194	91,631	1,00,918	1,06,445	1,17,218
Policyholders' funds	19,10,481	21,71,190	22,83,724	23,07,341	25,46,855
FFA	13,532	13,833	16,693	20,031	21,033
Others	1,57,074	1,67,748	1,57,138	1,84,890	2,13,211
<b>Total liabilities</b>	<b>21,72,281</b>	<b>24,44,402</b>	<b>25,58,472</b>	<b>26,18,707</b>	<b>28,98,317</b>
Shareholders' funds	1,00,902	98,535	98,514	1,03,440	1,13,784
Policyholders' funds	6,35,726	7,73,880	9,43,110	9,98,176	10,78,181
Assets to cover linked liab.	13,85,491	15,08,663	14,40,581	16,63,301	17,46,466
Others	50,162	63,324	76,268	(1,46,210)	(40,114)
<b>Total assets</b>	<b>21,72,281</b>	<b>24,44,402</b>	<b>25,58,472</b>	<b>26,18,707</b>	<b>28,98,317</b>

### Key Metrics

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23P	FY24E	FY25E
AUM (Rs mn)	21,42,180	24,04,920	26,26,555	28,04,170	29,76,089
NBP (Rs mn)	1,32,261	1,55,022	1,74,125	1,91,538	2,06,861
APE (Rs mn)	64,620	77,330	86,400	90,112	98,796
VNB (Rs mn)	16,220	21,652	27,648	25,682	28,157
VNB margin (%)	25.1	28.0	32.0	28.5	28.5
Embedded value (Rs mn)	2,91,051	3,16,250	3,56,338	4,11,087	4,72,691
ROEV (%)	15.2	11.0	17.4	15.8	15.3
ROE (%)	11.8	8.2	8.4	9.4	10.9
Opex ratio (%)	7.5	9.8	11.5	9.5	9.5
Cost ratio (%)	11.7	14.3	16.1	14.2	14.2
Solvency ratio (%)	216.8	204.5	208.9	211.0	213.1
EPS (Rs)	6.7	5.3	5.6	6.8	8.5
BVPS (Rs)	63.5	63.8	70.2	74.1	81.6
EVPS (Rs)	202.7	220.2	248.0	286.1	329.1

Source: Company, BOBCAPS Research

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**BUY** – Expected return >+15%

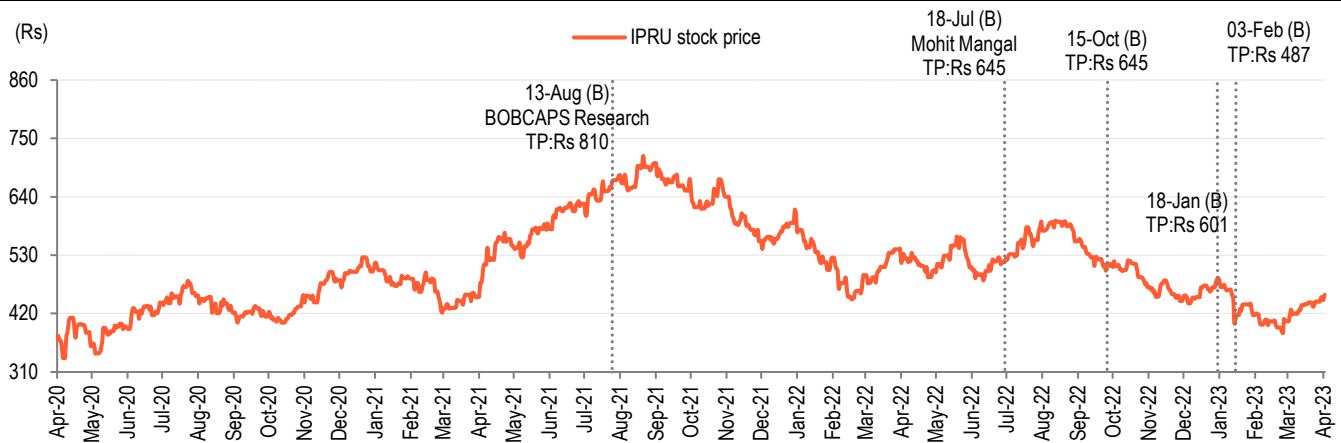
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

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