

## INSURANCE

03 February 2023

### Budget spoils the insurance party

- Union budget negative for life insurers as it makes high-ticket purchases of traditional products unattractive from a tax perspective
- Private players to be hit in varying degrees given a focus on non-linked products, especially non-par (high-margin) policies
- We prune FY24/FY25 APE estimates by 2-11% and cut target prices by 9-25% across our coverage

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**Budget directionally negative:** We believe the FY24 budget proposal to restrict the tax exemption on traditional life insurance policies with premium above Rs 500,000 (par and non-par, ex-ULIP) is detrimental for the sector as it reduces the attractiveness of insurance products from a tax perspective, especially for larger policies. Moreover, the emphasis on driving a shift to the new tax regime, which offers no deduction on premium, could deter customers who took insurance purely for tax purposes. Separately, there is a risk that flows into insurance could migrate to debt mutual funds (eligible for tax benefits).

**Estimates cut:** As at end-9MFY23, non-linked insurance products formed 27-58% of APE for our coverage universe (SBI Life, IPRU, HDFC Life). Within this, non-par products have gained prominence in the product mix owing to their higher margin profile. Considering headwinds arising from the budget proposals, we prune FY24/FY25 APE estimates by 2-11% for our coverage and lower target prices across the board.

**SBI Life, BUY, TP Rs 1,459:** SBI Life, our top pick and a leader in the private space, is expected to be the least affected by the budget proposals. We lower our TP 9% to Rs 1,459 from Rs 1,611 to reflect a 2% cut in APE and 5% cut in VNB for both FY24 and FY25. Our TP is based on 2.2x FY25E EV, which is 1SD below the long-term mean – retain BUY.

**IPRU, BUY, TP Rs 487:** We scale back our TP on IPRU by 19% to Rs 487 from Rs 601 following cuts of 6% in APE and 10% in VNB for both FY24 and FY25. Our TP is set at 1.5x FY25E EV, 2SD below the long-term mean; maintain BUY.

**HDFC Life, cut to HOLD, TP Rs 549:** HDFC Life is likely to be the hardest hit due to its large share of non-linked products in APE (58%), with management indicating that 10-12% of APE is at risk due to the new proposals. We reduce APE estimates by 10-12% for FY24/FY25 and now bake in an APE/VNB CAGR of 13.5%/13.8% over FY22-FY25. Our TP declines from Rs 741 to Rs 549, set at 2.2x FY25E EV – between 2SD and 3SD below the long-term mean. We downgrade the stock from BUY to HOLD given unfavourable risk-reward, with upside capped at 12%.

### Recommendation snapshot

Ticker	Price	Target	Rating
HDFCLIFE IN	489	549	HOLD
IPRU IN	418	487	BUY
SBILIFE IN	1,138	1,459	BUY

Price &amp; Target in Rupees | Price as of 3 Feb 2023



## Budget – Directionally negative for life insurers

### No tax breaks on high-ticket policies

The FY24 budget proposes to restrict the tax exemption on income earned from traditional life insurance policies with premium above Rs 500,000 (par and non-par, ex-ULIP). In our view, this is detrimental for the sector as it reduces the attractiveness of insurance products from a tax perspective, especially for larger policies. The rule will be applicable on policies issued from Apr'23 and will consider the aggregate of all incremental non-ULIP life insurance premiums paid by the insurer. Moreover, the amount received on the death of the insured remains tax-free.

Through this decision, the government is looking to plug the arbitrage that high-net-worth individuals (HNI) were using to get tax-free returns on their high-value insurance policies through Section 10(10D).

### Emphasis on new tax regime

India's old tax regime offers an 80C deduction of Rs 150,000 on life insurance premium, which was a popular tax saving measure, in turn fuelling sales of insurance products. However, the FY24 budget makes a concerted effort to encourage taxpayers to switch over to the new regime which eschews exemptions or deductions in favour of more attractive tax slabs.

The FY24 budget (i) makes the new tax regime the default one for taxpayers (while retaining the old regime as an option), and (ii) raises the slab for tax-free income from Rs 500,000 to Rs 700,000, besides tweaking rates on other slabs, thus making it more attractive than the old regime despite the absence of deductions.

With this push, the government expects 50-55% of taxpayers to shift to the new regime. Apart from acting as a deterrent to customers who took life insurance products purely for taxation purposes, there is a further risk that flows into insurance could migrate to debt mutual funds (still eligible for tax benefits).

**Fig 1 – Even with deductions, the old regime is no longer attractive for a large chunk of taxpayers**

(Rs)	Old Tax Regime	New Tax Regime	Difference
Gross Income	7,00,000	7,00,000	-
Tax Payable after Deductions*	18,200	Nil	18,200

Source: BOBCAPS Research | \*Deductions: Rs 1,50,000 (80C deduction) + Rs 25,000 (80D deduction)

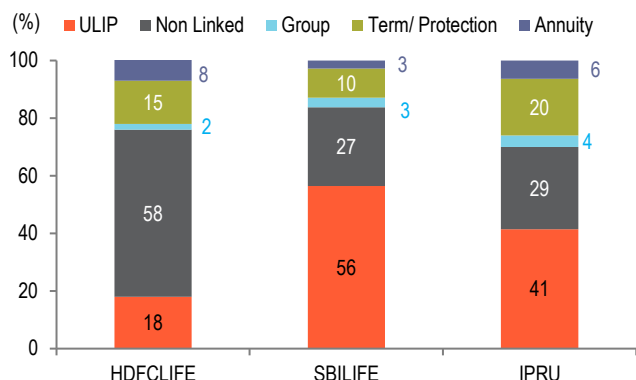
## What's the impact and how can it be mitigated?

The latest budgetary measures are expected to hit life insurers under our coverage in varying degrees, depending on their focus on non-linked products, especially high-margin non-participating plans. The par/non-par share stands at 25%/33% of APE for HDFC Life and 5%/22% for SBI Life at end-9MFY23. Non-linked products also form an important part of the mix for IPRU though the split has not been disclosed.

Based on 9MFY23 earnings commentary, HDFC Life's business at risk could be at 10-12% of total APE, IPRU's at 6% and SBI Life's at 2%. However, all the three players sounded confident of mitigating the risks owing to a strong business model and a diversified product mix.

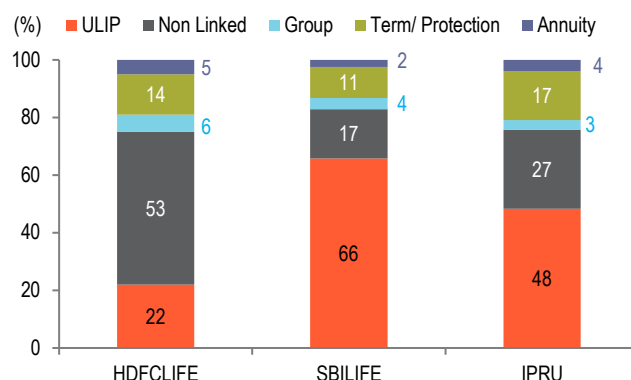
In our view, measures that could be taken to mitigate the risk include (a) offering customers life insurance products (spread premium) across family members rather than in a single name, (b) introducing innovative products that have lower ticket size or longer tenure, and (c) focusing on protection (term) policies to project insurance as a hedge against life risk.

**Fig 2 – Non-linked forms 27-58% of APE at end-9MFY23...**



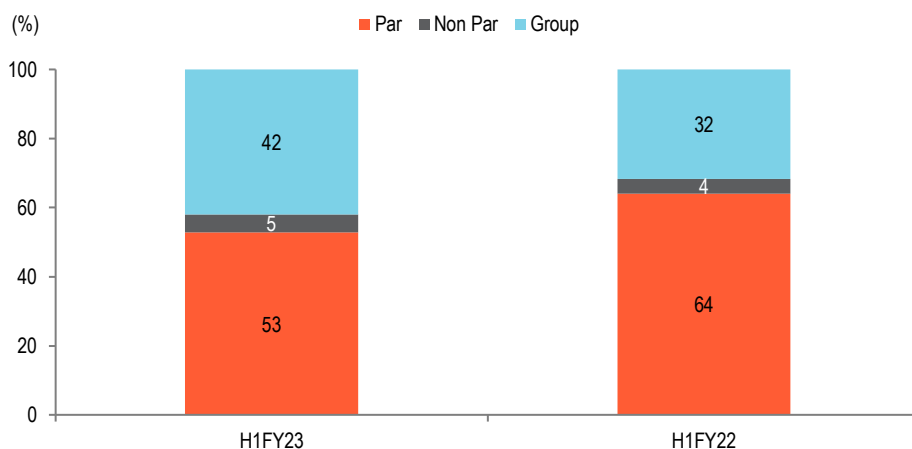
Source: Company, BOBCAPS Research

**Fig 3 – ...up from 17-53% at end-FY22**



Source: Company, BOBCAPS Research

**Fig 4 – Par products >50% of APE for market leader LIC**



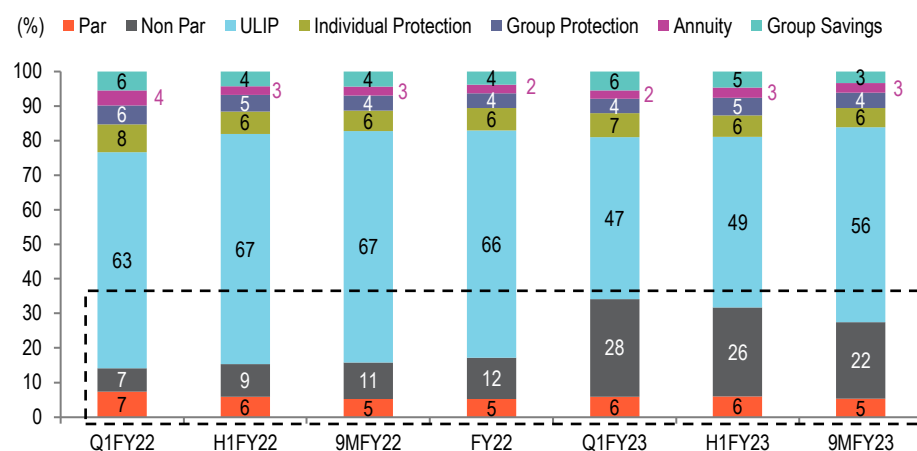
Source: Company, BOBCAPS Research | Note: LIC (Not Rated) is not under our coverage

## Estimates and targets pared

### SBI Life – Best placed

SBI Life is the biggest private life player commanding a market share (NBP) of ~23% at end-9MFY23. Per management, the risk to business from the budget will be just 2% of APE. We accordingly cut APE estimates by 2% for FY24/FY25 and now bake in an APE/VNB CAGR of 17.3%/17.9% over FY22-FY25. We maintain BUY with a revised TP of Rs 1,459 (vs. Rs 1,611), based on 2.2x FY25E P/EV (vs. 2.4x earlier) which is 1SD below the long-term mean.

**Fig 5 – SBI Life: Non-par >20% of APE**



Source: Company, BOBCAPS Research

**Fig 6 – SBI Life: Revised estimates**

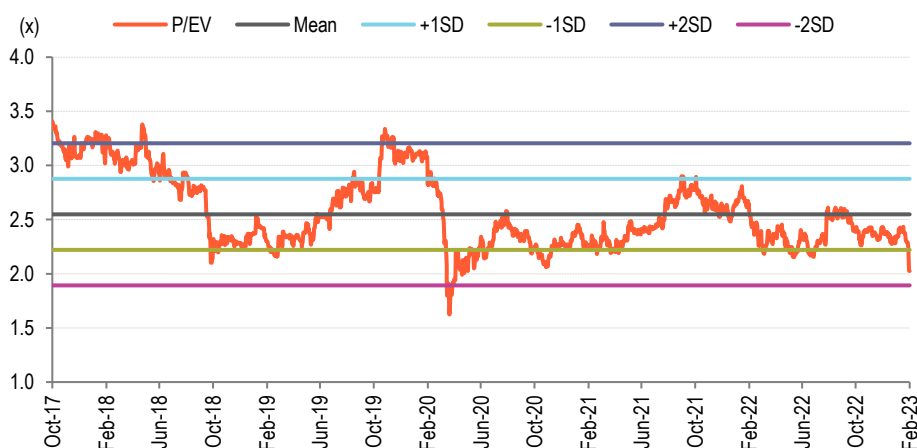
(Rs bn)	New		Old		Change (%)	
	FY24	FY25	FY24	FY25	FY24	FY25
VNB	52	61	55	64	(5.4)	(4.6)
APE	199	231	203	236	(2.3)	(2.1)
Embedded Value (EV)	562	664	565	671	(0.5)	(0.9)
VNB Margin (%)	26.2	26.3	27.0	27.0	(84bps)	(69bps)

Source: Company, BOBCAPS Research

**Fig 7 – Valuation summary**

Valuation	New	Old	Change (%)
Current trading P/EV multiple - FY25E	1.7	NA	NA
Implied target P/EV multiple - FY25E	2.2	2.4	(20bps)
TP (Rs)	1,459	1,611	(9.4)
CMP (Rs)	1,138	NA	NA
Upside (%)	28.2	NA	NA

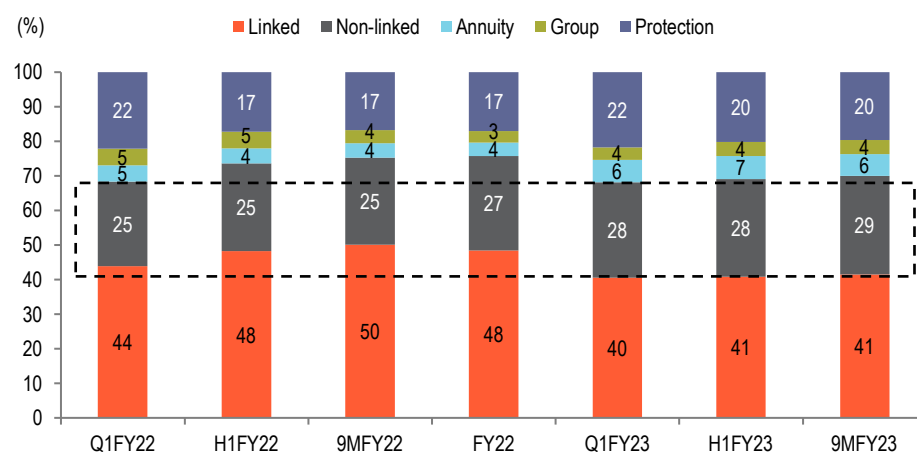
Source: Company, BOBCAPS Research

**Fig 8 – SBI Life: P/EV 1Y fwd – Trading between -1SD and -2SD**

Source: Company, BOBCAPS Research

**IPRU – Less affected**

IPRU is the third biggest private life insurance company commanding a market share (NBP) of 12% at end-9MFY23. Management estimates the business risk from the new measures at 6% of APE. We, therefore, cut APE estimates by ~6% for both FY24 and FY25 and now bake in an APE/VNB CAGR of 5.4%/5.1% over FY22-FY25. We retain BUY with a revised TP of Rs 487 (vs. Rs 601), based on 1.5x FY25E P/EV (vs. 1.8x) which is 2SD below the long-term mean.

**Fig 9 – IPRU: Proportion of non-linked products has risen as a percentage of APE**

Source: Company, BOBCAPS Research

**Fig 10 – IPRU: Revised estimates**

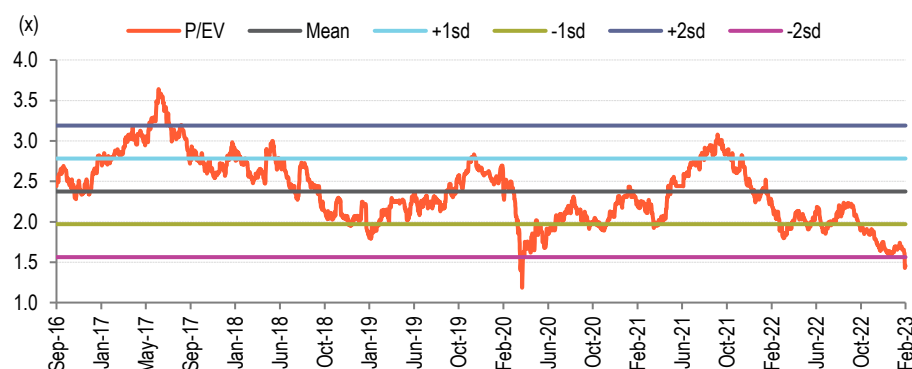
(Rs bn)	New		Old		Change (%)	
	FY24	FY25	FY24	FY25	FY24	FY25
VNB	23	25	25	28	(9.0)	(9.9)
APE	83	91	87	96	(5.5)	(5.8)
Embedded Value (EV)	413	468	416	474	(0.5)	(1.1)
VNB Margin (%)	27.9	27.7	29.0	29.0	(108bps)	(128bps)

Source: Company, BOBCAPS Research

**Fig 11 – IPRU: Valuation summary**

Valuation	New	Old	Change (%)
Current trading P/EV multiple - FY25E	1.3	NA	NA
Implied target P/EV multiple - FY25E	1.5	1.8	(30bps)
TP (Rs)	487	601	(18.9)
CMP (Rs)	418	NA	NA
Upside (%)	16.6	NA	NA

Source: Company, BOBCAPS Research

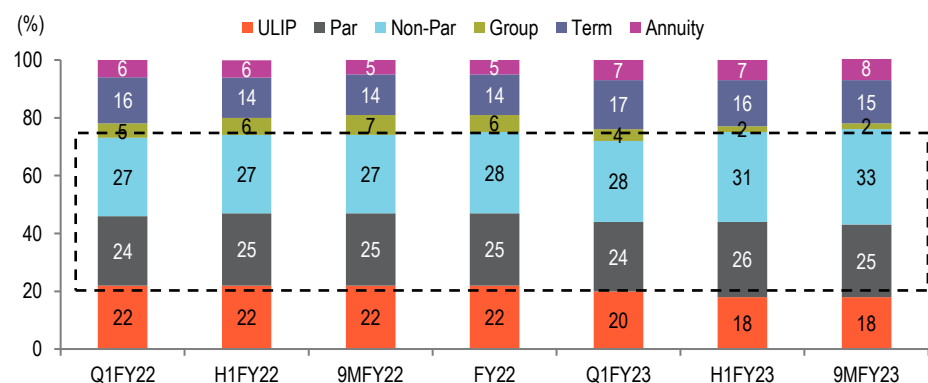
**Fig 12 – IPRU: P/EV 1Y fwd – Trading below 2SD**

Source: Company, BOBCAPS Research

## HDFC Life – Hardest hit

HDFC Life, the second biggest player among private life insurers commanding an NBP market share of ~20% at end-9MFY23, is likely to be the hardest hit by the new budgetary measures due to its large 58% share of non-linked products in APE. The stock has fallen ~20% post budget amid management commentary that pegs the business at risk from the new measures at 10-12% of APE.

We reduce our APE estimates by 10-12% for FY24/FY25 and now bake in an APE/VNB CAGR of 13.5%/13.8% over FY22-FY25. Our TP stands revised from Rs 741 to Rs 549, set at 2.2x FY25E EV (vs. 2.9x earlier) – between 2SD and 3SD below the long-term mean. We downgrade the stock from BUY to HOLD given unfavourable risk-reward, with upside capped at just 12%.

**Fig 13 – HDFC Life: Proportion of non-par has risen; par share in APE stagnant**

Source: Company, BOBCAPS Research

**Fig 14 – HDFC Life: Revised estimates**

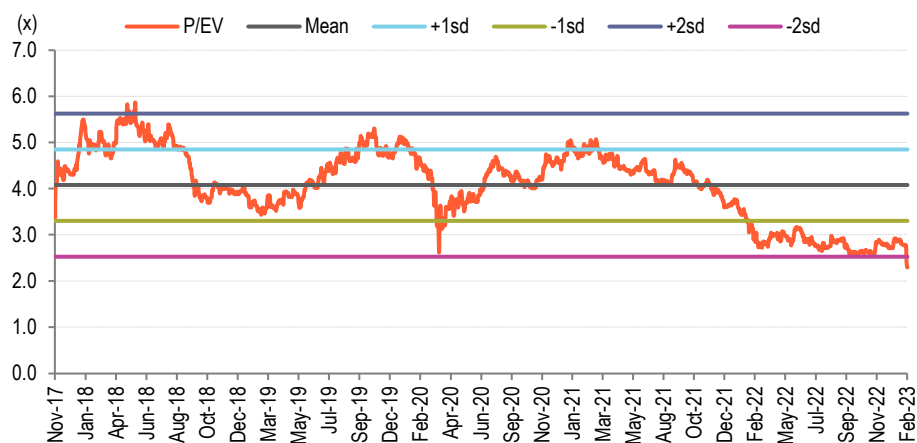
Particulars (Rs bn)	New		Old		Change (%)	
	FY24	FY25	FY24	FY25	FY24	FY25
VNB	34	39	39	45	(13.6)	(13.4)
APE	124	143	138	160	(9.9)	(10.7)
Embedded Value (EV)	464	537	470	549	(1.1)	(2.2)
VNB Margin (%)	27.3	27.6	28.4	28.4	(117bps)	(83bps)

Source: Company, BOBCAPS Research

**Fig 15 – HDFC Life: Valuation summary**

Valuation	New	Old	Change %
Current trading P/EV multiple - FY25E	2.0	NA	NA
Implied target P/EV multiple - FY25E	2.2	2.9	(70bps)
TP (Rs)	549	741	(25.9)
CMP (Rs)	489	NA	NA
Upside (%)	12.3	NA	NA

Source: Company, BOBCAPS Research

**Fig 16 – HDFC Life: P/EV 1Y fwd – Trading below 2SD**

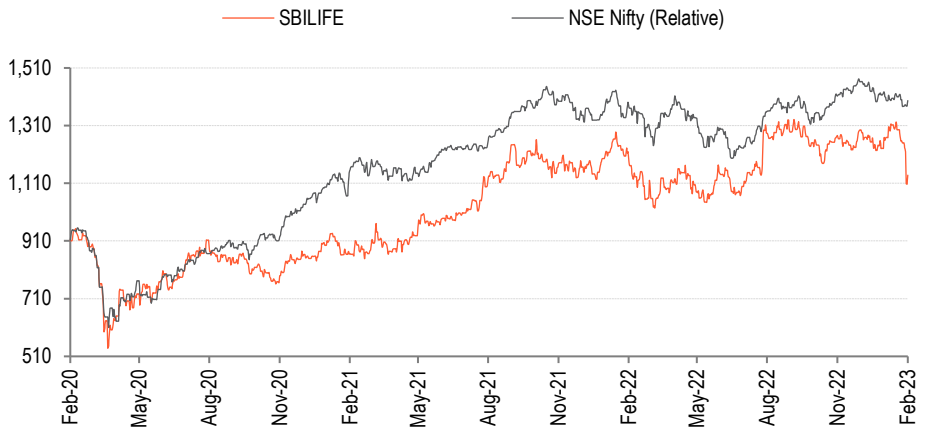
Source: Company, BOBCAPS Research

## Glossary

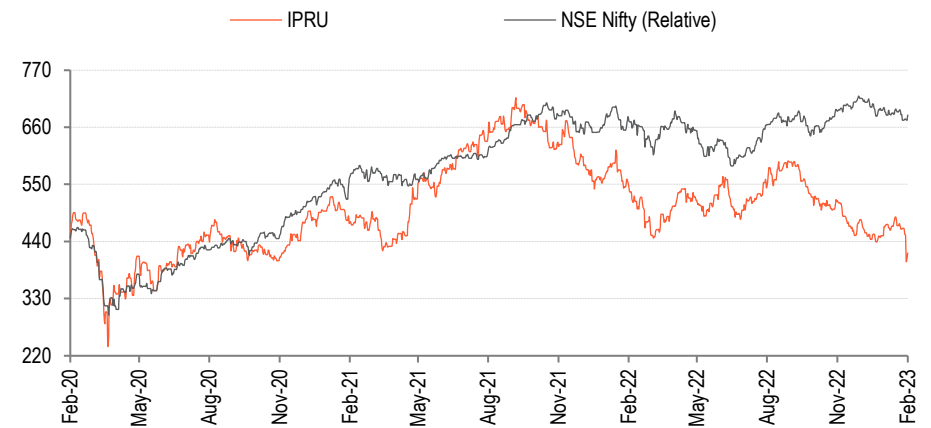
Glossary			
<b>APE</b>	Average Premium Equivalent	<b>NBP</b>	New Business Premium
<b>EV</b>	Embedded Value	<b>ULIP</b>	Unit Linked Insurance Plan
<b>GWP</b>	Gross Written Premium	<b>VNB</b>	Value of New Business
<b>IRDA</b>	Insurance Regulatory and Development Authority		

## Stock performance

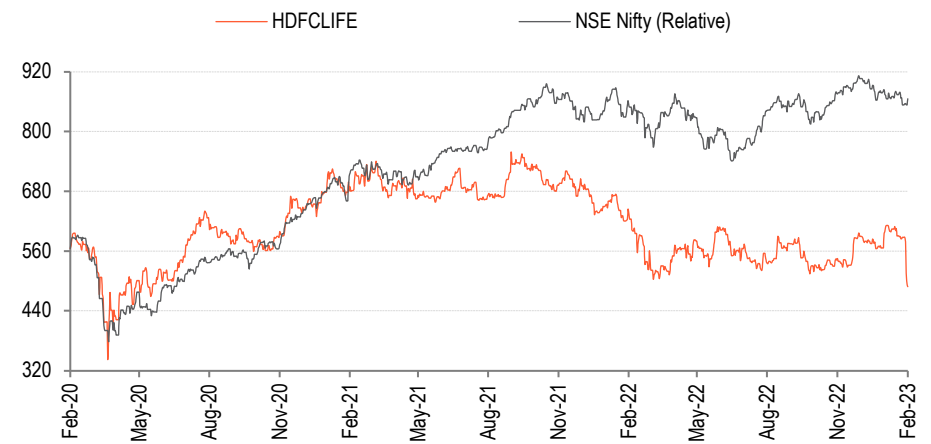
**Fig 17 – SBILIFE**



**Fig 18 – IPRU**



**Fig 19 – HDFCLIFE**



Source: NSE



## Financials – HDFCLIFE

### Revenue Account (Technical)

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Gross premium income</b>	<b>3,85,835</b>	<b>4,59,628</b>	<b>5,31,615</b>	<b>6,06,232</b>	<b>6,74,734</b>
First year premium	68,584	80,544	1,01,082	1,02,597	1,19,577
Renewal premium	1,84,769	2,18,080	2,56,816	3,00,635	3,38,715
Single premium	1,32,482	1,61,005	1,73,716	2,03,000	2,16,442
<b>Net written premium</b>	<b>3,81,223</b>	<b>4,53,965</b>	<b>5,23,930</b>	<b>5,97,793</b>	<b>6,65,331</b>
Income from investments	3,26,776	1,92,159	1,59,846	2,36,349	2,73,281
Other Income	4,420	7,460	8,477	9,026	9,614
<b>Total income</b>	<b>7,12,418</b>	<b>6,53,584</b>	<b>6,92,252</b>	<b>8,43,167</b>	<b>9,48,226</b>
Commissions	17,104	19,403	24,142	26,640	29,378
Operating expenses	43,974	53,591	72,932	71,162	79,284
Benefits and bonuses paid	2,25,748	3,18,637	3,53,865	4,59,000	5,08,896
Change in liabilities (net)	4,08,296	2,46,815	2,23,612	2,68,485	3,10,736
Others	0	0	0	0	0
<b>Total expenses</b>	<b>6,95,122</b>	<b>6,38,446</b>	<b>6,74,550</b>	<b>8,25,286</b>	<b>9,28,293</b>
<b>Surplus before tax</b>	<b>17,296</b>	<b>15,137</b>	<b>17,703</b>	<b>17,881</b>	<b>19,933</b>
Provision for tax	6,311	5,541	6,610	8,950	10,109
<b>Surplus after tax</b>	<b>10,984</b>	<b>9,597</b>	<b>11,093</b>	<b>8,931</b>	<b>9,824</b>
Trf to shareholders' a/c	9,910	10,093	9,961	7,973	9,183
Balance being FFA	1,075	(497)	1,131	958	641

### Income Statement (Non-technical)

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Trf from policyholders' a/c	9,909	10,093	9,961	7,973	9,183
Income from investments	6,476	7,894	10,057	9,966	11,598
Contr. to policyholders' fund	2,868	5,694	5,979	6,278	6,592
Others	19	(492)	(1,028)	(1,191)	(1,374)
<b>PBT</b>	<b>13,535</b>	<b>11,801</b>	<b>13,012</b>	<b>10,469</b>	<b>12,815</b>
Provision for taxation	(66)	(276)	325	262	320
<b>PAT</b>	<b>13,601</b>	<b>12,077</b>	<b>12,686</b>	<b>10,208</b>	<b>12,495</b>
Dividend+Interim div.+DDT	4,085	4,135	4,300	6,449	6,449

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Equity	86,377	1,54,859	1,62,365	1,66,123	1,72,168
Policyholders' funds	15,90,416	18,30,312	20,53,923	23,22,408	26,33,144
FFA	9,906	9,409	10,820	12,443	13,937
Others	1,09,119	1,09,313	1,23,747	1,42,799	1,67,023
<b>Total liabilities</b>	<b>17,95,817</b>	<b>21,03,892</b>	<b>23,50,855</b>	<b>26,43,774</b>	<b>29,86,272</b>
Shareholders' funds	85,421	1,52,379	1,82,855	2,15,769	2,48,134
Policyholders' funds	9,05,378	10,83,110	13,13,398	15,91,510	19,27,469
Assets to cover linked liab.	7,47,595	8,06,215	8,46,526	8,88,853	9,33,295
Others	57,423	62,188	8,077	(52,358)	(1,22,626)
<b>Total assets</b>	<b>17,95,817</b>	<b>21,03,892</b>	<b>23,50,855</b>	<b>26,43,774</b>	<b>29,86,272</b>

### Key Metrics

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
AUM (Rs mn)	17,38,390	20,41,704	23,34,127	26,80,410	30,91,492
NBP (Rs mn)	2,01,066	2,41,548	2,74,798	3,05,597	3,36,019
APE (Rs mn)	83,700	97,580	1,19,601	1,24,087	1,42,589
VNB (Rs mn)	21,846	26,737	32,232	33,843	39,370
VNB margin (%)	26.1	27.4	26.9	27.3	27.6
Embedded value (Rs mn)	2,66,200	3,00,470	4,02,682	4,64,304	5,36,690
ROEV (%)	18.5	16.6	18.3	16.9	17.0
ROE (%)	17.6	10.0	8.0	6.2	7.4
Opex ratio (%)	11.9	12.2	14.4	12.3	12.3
Cost ratio (%)	16.3	16.4	18.9	16.7	16.7
Solvency ratio (%)	201.1	175.7	200.5	204.5	205.3
EPS (Rs)	6.7	5.9	5.9	4.7	5.8
BVPS (Rs)	42.7	75.7	75.5	77.3	80.1
EVPS (Rs)	131.6	146.8	187.3	216.0	249.6

Source: Company, BOBCAPS Research

## Financials – IPRU

### Revenue Account (Technical)

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Gross premium income</b>	<b>3,57,328</b>	<b>3,74,580</b>	<b>3,89,244</b>	<b>4,03,590</b>	<b>4,20,015</b>
First year premium	51,872	59,655	60,739	62,313	68,645
Renewal premium	2,25,068	2,19,557	2,23,370	2,24,446	2,26,540
Single premium	80,389	95,367	1,05,135	1,16,831	1,24,830
<b>Net written premium</b>	<b>3,49,734</b>	<b>3,63,213</b>	<b>3,76,062</b>	<b>3,92,200</b>	<b>4,08,801</b>
Income from investments	4,74,376	2,49,695	1,79,606	1,88,579	2,00,940
Other Income	16,682	22,737	24,601	27,221	30,138
<b>Total income</b>	<b>8,40,791</b>	<b>6,35,645</b>	<b>5,80,269</b>	<b>6,08,000</b>	<b>6,39,879</b>
Commissions	15,002	16,729	17,619	18,157	18,912
Operating expenses	27,121	37,011	40,191	37,583	39,247
Benefits and bonuses paid	2,26,409	2,93,588	2,90,668	2,99,979	2,94,763
Change in liabilities (net)	5,43,241	2,57,837	1,97,020	2,25,764	2,59,463
Others	0	0	0	0	0
<b>Total expenses</b>	<b>8,11,773</b>	<b>6,05,166</b>	<b>5,45,497</b>	<b>5,81,484</b>	<b>6,12,384</b>
<b>Surplus before tax</b>	<b>29,019</b>	<b>30,479</b>	<b>34,772</b>	<b>26,516</b>	<b>27,495</b>
Provision for tax	7,965	8,576	7,334	7,447	7,780
<b>Surplus after tax</b>	<b>21,054</b>	<b>21,904</b>	<b>27,438</b>	<b>19,069</b>	<b>19,715</b>
Trf to shareholders' a/c	19,849	21,602	24,480	19,423	20,626
Balance being FFA	1,205	302	2,957	(354)	(911)

### Income Statement (Non-technical)

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Trf from policyholders' a/c	19,849	21,602	24,480	19,423	20,626
Income from investments	7,687	10,114	9,829	11,110	11,950
Contr. to policyholders' fund	15,748	21,611	23,212	25,533	28,086
Others	(609)	(1,002)	(592)	(604)	(617)
<b>PBT</b>	<b>11,179</b>	<b>9,103</b>	<b>10,505</b>	<b>4,396</b>	<b>3,872</b>
Provision for taxation	1,213	364	1,003	392	339
<b>PAT</b>	<b>9,966</b>	<b>8,739</b>	<b>9,503</b>	<b>4,004</b>	<b>3,533</b>
Dividend+Interim div.+DDT	2,872	793	2,884	2,884	2,884

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Equity	91,194	91,631	96,428	97,069	97,239
Policyholders' funds	19,10,481	21,71,190	23,39,255	25,65,019	28,24,482
FFA	13,532	13,833	17,292	20,750	21,787
Others	1,57,074	1,67,748	2,20,423	2,64,496	3,09,105
<b>Total liabilities</b>	<b>21,72,281</b>	<b>24,44,402</b>	<b>26,73,398</b>	<b>29,47,334</b>	<b>32,52,613</b>
Shareholders' funds	1,00,902	98,535	1,08,388	1,13,808	1,25,188
Policyholders' funds	6,35,726	7,73,880	8,73,744	9,60,372	10,37,722
Assets to cover linked liab.	13,85,491	15,08,663	15,84,096	16,63,301	17,46,466
Others	50,162	63,324	1,07,169	2,09,854	3,43,237
<b>Total assets</b>	<b>21,72,281</b>	<b>24,44,402</b>	<b>26,73,398</b>	<b>29,47,334</b>	<b>32,52,613</b>

### Key Metrics

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
AUM (Rs mn)	21,42,180	24,04,920	25,89,616	27,64,339	29,33,460
NBP (Rs mn)	1,32,261	1,55,022	1,65,874	1,79,144	1,93,475
APE (Rs mn)	64,620	77,330	79,633	82,700	90,670
VNB (Rs mn)	16,220	21,652	24,686	23,086	25,132
VNB margin (%)	25.1	28.0	31.0	27.9	27.7
Embedded value (Rs mn)	2,91,051	3,16,250	3,63,771	4,13,256	4,68,498
ROEV (%)	15.2	11.0	15.9	14.4	14.1
ROE (%)	11.8	8.2	9.6	3.6	3.1
Opex ratio (%)	7.5	9.8	10.2	9.2	9.3
Cost ratio (%)	11.7	14.3	14.8	13.7	13.8
Solvency ratio (%)	216.8	204.5	223.1	224.3	225.3
EPS (Rs)	6.7	5.3	6.3	2.4	2.1
BVPS (Rs)	63.5	63.8	67.1	67.6	67.7
EVPS (Rs)	202.7	220.2	253.2	287.7	326.2

Source: Company, BOBCAPS Research

## Financials – SBILIFE

### Revenue Account (Technical)

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Gross premium income</b>	<b>5,02,542</b>	<b>5,87,596</b>	<b>6,76,756</b>	<b>7,81,024</b>	<b>8,97,020</b>
First year premium	1,03,381	1,29,415	1,58,098	1,81,527	2,11,811
Renewal premium	2,96,299	3,33,023	3,83,824	4,44,376	5,13,241
Single premium	1,02,861	1,25,158	1,34,834	1,55,121	1,71,967
<b>Net written premium</b>	<b>4,97,683</b>	<b>5,84,323</b>	<b>6,69,463</b>	<b>7,74,006</b>	<b>8,88,990</b>
Income from investments	3,14,560	2,35,679	1,97,495	2,25,296	2,65,541
Other Income	8,606	10,270	11,248	12,357	13,575
<b>Total income</b>	<b>8,20,849</b>	<b>8,30,272</b>	<b>8,78,206</b>	<b>10,11,659</b>	<b>11,68,106</b>
Commissions	17,788	21,583	30,947	34,654	39,142
Operating expenses	22,409	30,153	35,145	41,494	47,503
Benefits and bonuses paid	2,15,826	3,13,398	2,99,742	3,45,602	3,97,987
Change in liabilities (net)	5,39,342	4,37,619	4,78,969	5,59,580	6,57,148
Others	0	0	0	0	0
<b>Total expenses</b>	<b>7,95,365</b>	<b>8,02,753</b>	<b>8,44,802</b>	<b>9,81,329</b>	<b>11,41,780</b>
<b>Surplus before tax</b>	<b>25,484</b>	<b>27,519</b>	<b>33,404</b>	<b>30,329</b>	<b>26,326</b>
Provision for tax	7,410	8,681	9,338	9,407	10,954
<b>Surplus after tax</b>	<b>18,074</b>	<b>18,838</b>	<b>24,065</b>	<b>20,922</b>	<b>15,371</b>
Trf to shareholders' a/c	16,788	17,324	22,553	20,664	15,618
Balance being FFA	1,287	1,513	1,512	258	(247)

### Income Statement (Non-technical)

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Trf from policyholders' a/c	16,788	17,324	22,553	20,664	15,618
Income from investments	6,885	9,831	9,335	9,809	9,898
Contr. to policyholders' fund	(8,248)	(9,821)	(10,804)	(11,884)	(13,072)
Others	0	(1,726)	(1,098)	(1,192)	(1,296)
<b>PBT</b>	<b>15,425</b>	<b>15,608</b>	<b>19,987</b>	<b>17,397</b>	<b>11,148</b>
Provision for taxation	(866)	(548)	(700)	(609)	(390)
<b>PAT</b>	<b>14,559</b>	<b>15,060</b>	<b>19,287</b>	<b>16,788</b>	<b>10,758</b>
Dividend+Interim div.+DDT	2,500	2,003	3,005	3,005	3,005

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Equity	1,04,004	1,16,223	1,30,467	1,44,249	1,52,002
Policyholders' funds	20,43,379	24,74,190	29,54,432	35,14,012	41,71,160
FFA	8,423	9,936	10,930	11,258	11,483
Others	70,115	81,723	89,895	92,592	94,444
<b>Total liabilities</b>	<b>22,25,921</b>	<b>26,82,072</b>	<b>31,85,724</b>	<b>37,62,111</b>	<b>44,29,088</b>
Shareholders' funds	86,047	1,00,758	1,18,895	1,42,674	1,74,062
Policyholders' funds	9,39,364	11,21,307	15,09,095	19,01,335	23,71,181
Assets to cover linked liab.	11,62,150	14,26,253	14,97,566	16,47,322	18,12,055
Others	38,359	33,754	60,168	70,780	71,792
<b>Total assets</b>	<b>22,25,921</b>	<b>26,82,072</b>	<b>31,85,724</b>	<b>37,62,111</b>	<b>44,29,088</b>

### Key Metrics

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
AUM (Rs mn)	22,08,710	26,74,000	32,42,897	38,27,480	45,11,917
NBP (Rs mn)	2,06,242	2,54,574	2,92,933	3,36,648	3,83,779
APE (Rs mn)	1,14,500	1,43,000	1,72,874	1,98,523	2,30,733
VNB (Rs mn)	23,358	37,037	50,133	51,929	60,701
VNB margin (%)	20.4	25.9	29.0	26.2	26.3
Embedded value (Rs mn)	3,33,630	3,96,030	4,74,841	5,61,752	6,64,388
ROEV (%)	19.1	20.7	20.7	18.9	18.8
ROE (%)	15.2	13.7	15.6	12.2	7.3
Opex ratio (%)	4.8	5.1	5.1	5.2	5.2
Cost ratio (%)	8.3	8.7	9.7	9.7	9.6
Solvency ratio (%)	214.7	204.8	224.1	221.7	208.9
EPS (Rs)	14.6	15.0	19.3	16.8	10.7
BVPS (Rs)	104.0	116.2	130.5	144.2	152.0
EVPS (Rs)	333.6	395.5	475.2	566.8	674.0

Source: Company, BOBCAPS Research

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**SELL** – Expected return <-6%

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

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