

**BUY**

TP: Rs 1,611 | ▲ 24%

**SBI LIFE**

| Insurance

| 23 January 2023

**Upbeat quarter; maintain BUY**

- Strong 15% YoY growth in 9M gross premium with an in-line Q3; APE clocks robust 20% increase
- VNB buoyant with a high ~30% margin at end-9M, up 480bps YoY but down vs. H1 due to a change in product mix
- We raise FY24/FY25 VNB by 5% each; on rollover, we have a revised TP of Rs 1,611 (vs. Rs 1,512); retain BUY

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**Strong premium growth:** Gross premium grew 6% YoY and 16% QoQ to Rs 193bn in Q3FY23 (+15% YoY to Rs 473bn in 9M), meeting our estimate. NBP was flat whereas renewal premium increased 13% YoY for the quarter. For 9MFY23, APE grew at a robust 20% YoY to Rs 123bn (+19% YoY in Q3), with savings APE up 21% to form 90% of the total. The company’s protection business grew 16% YoY in 9M, wherein group products did comparatively better than individual plans. We now factor in an 18% CAGR in APE over FY22-FY25 to Rs 236bn (vs. Rs 216bn earlier).

**Buoyant VNB and high margin:** SBI Life’s VNB rose 44% YoY to Rs 36.3bn in 9MFY23 with a 29.6% margin (+480bps YoY). However, the margin declined 140bps when compared to H1FY23 because of a change in product mix in favour of ULIPs which carry lower margins. Thus, we pare our VNB margin assumptions from 28-30% to 27-29% over FY23-FY25. Following the upward revision in APE estimates, we now model for a 20% CAGR in VNB over our forecast period to Rs 64bn (Rs 60bn earlier).

**Bancassurance share increases:** Based on overall APE, the share of the bancassurance channel climbed to 66% in 9MFY23 (vs. 64% in 9MFY22). The banking channel has performed well even if we were to exclude SBI. Agency was also steady at 25%. The share of other channels, comprising brokers, corporate agents and direct, declined to 9% (vs. 11% in 9MFY22).

**Persistency improves; cost ratios increase:** Persistency in the 13<sup>th</sup> month cohort increased to 84.6% in 9MFY23 from 83.9% in the year-ago period and 61<sup>st</sup> month ratios increased to 53.6% from 48.7%. The total cost ratio expanded ~140bps YoY to 9.1% at end-Q3 (+220bps in 9M to 9.7%), with opex ratio rising to 4.5% from 4.2% in the year-ago quarter and commission ratio to 4.6% from 3.5%.

**Maintain BUY:** The stock is trading at 1.9x FY25E P/EV. Given SBI Life’s strong growth, market leadership, healthy solvency margins and high persistency ratios, we value the stock at 2.4x FY25E P/EV, which is the average of its long-term mean and 1SD below the mean multiple. Based on our revised estimates and rollover of valuations to FY25E, we have a new TP of Rs 1,611 (vs. Rs 1,512).

**Key changes**

| Target | Rating |
|--------|--------|
| ▲      | ◀ ▶    |

|                  |                     |
|------------------|---------------------|
| Ticker/Price     | SBILIFE IN/Rs 1,296 |
| Market cap       | US\$ 16.0bn         |
| Free float       | 45%                 |
| 3M ADV           | US\$ 14.8mn         |
| 52wk high/low    | Rs 1,340/Rs 1,004   |
| Promoter/FPI/DII | 55%/24%/16%         |

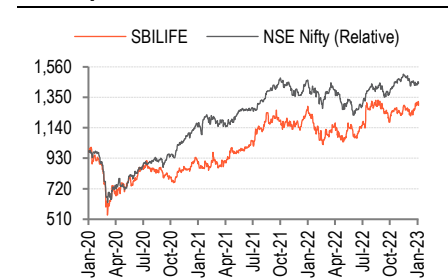
Source: NSE | Price as of 20 Jan 2023

**Key financials**

| Y/E 31 Mar             | FY22A    | FY23E    | FY24E    |
|------------------------|----------|----------|----------|
| NBP (Rs mn)            | 2,54,574 | 2,92,933 | 3,42,554 |
| APE (Rs mn)            | 1,43,000 | 1,72,874 | 2,03,227 |
| VNB (Rs mn)            | 37,037   | 50,133   | 54,871   |
| Embedded Value (Rs mn) | 3,96,030 | 4,74,841 | 5,64,694 |
| VNB margin (%)         | 25.9     | 29.0     | 27.0     |
| EVPS (Rs)              | 395.5    | 475.2    | 566.8    |
| EPS (Rs)               | 15.0     | 19.3     | 20.4     |
| Consensus EPS (Rs)     | 15.0     | 19.5     | 22.4     |
| P/EV (x)               | 3.3      | 2.7      | 2.3      |

Source: Company, Bloomberg, BOBCAPS Research

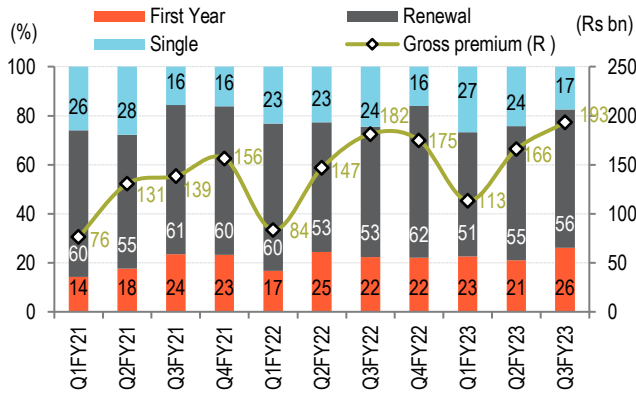
**Stock performance**



Source: NSE

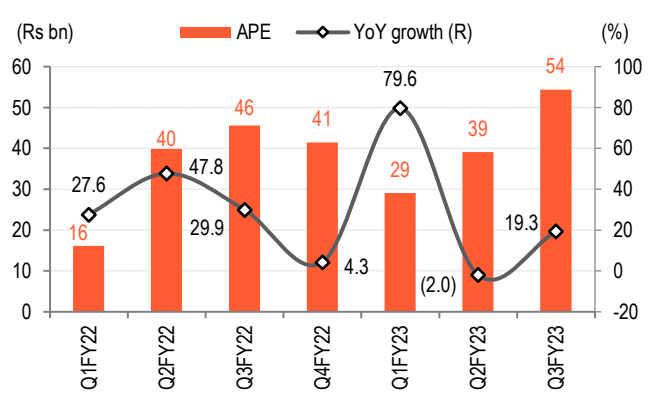


**Fig 1 – Gross premium grew 6% YoY**



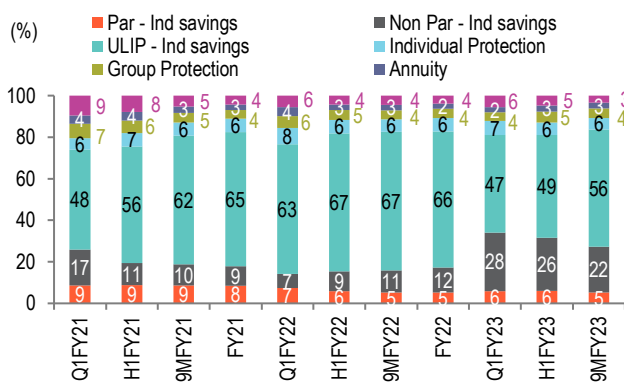
Source: Company, BOBCAPS Research

**Fig 2 – APE growth strong**



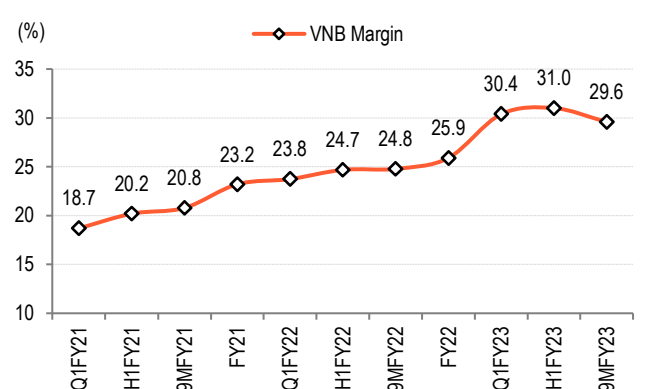
Source: Company, BOBCAPS Research

**Fig 3 – ULIP remained strong this quarter on APE basis**



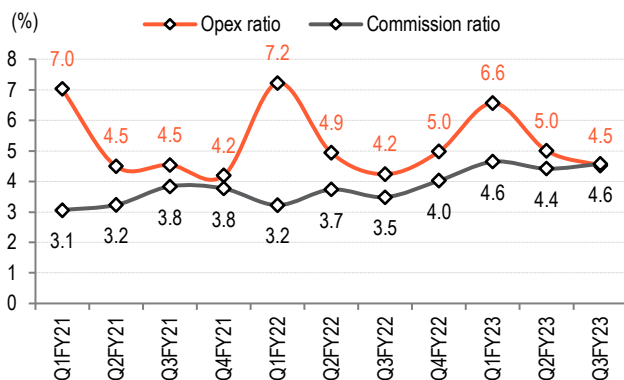
Source: Company, BOBCAPS Research | Ind: Individual

**Fig 4 – VNB margin down vs. H1 due to change in mix**



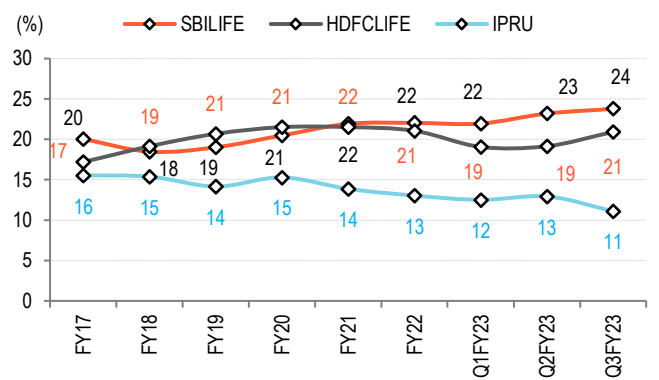
Source: Company, BOBCAPS Research

**Fig 5 – Opex ratio tapers; commission ratio inches up**



Source: Company, BOBCAPS Research

**Fig 6 – Market share: Remains the leader in private life insurance**



Source: Company, BOBCAPS Research

**Fig 7 – Policyholders’ account**

| (Rs mn)                                      | Q3FY23          | Q3FY22          | YoY (%)     | Q2FY23          | QoQ (%)       |
|----------------------------------------------|-----------------|-----------------|-------------|-----------------|---------------|
| <b>Gross premium income</b>                  | <b>1,93,319</b> | <b>1,81,558</b> | <b>6.5</b>  | <b>1,66,211</b> | <b>16.3</b>   |
| First Year Premium                           | 50,552          | 40,736          | 24.1        | 34,819          | 45.2          |
| Renewal Premium                              | 1,09,083        | 96,529          | 13.0        | 91,240          | 19.6          |
| Single Premium                               | 33,684          | 44,294          | (24.0)      | 40,152          | (16.1)        |
| Reinsurance                                  | 1,611           | 1,305           | 23.5        | 1,438           | 12.0          |
| <b>Net premium income</b>                    | <b>1,91,708</b> | <b>1,80,253</b> | <b>6.4</b>  | <b>1,64,773</b> | <b>16.3</b>   |
| Income from investments (Net)                | 74,430          | 24,241          | 207.0       | 1,10,367        | (32.6)        |
| Other income                                 | 130             | 89              | 46.4        | 113             | 15.0          |
| Contribution of funds from Shareholders' A/c | -               | -               | NA          | -               | NA            |
| <b>Total</b>                                 | <b>2,66,267</b> | <b>2,04,583</b> | <b>30.2</b> | <b>2,75,253</b> | <b>(3.3)</b>  |
| <b>Commission on</b>                         |                 |                 |             |                 |               |
| First Year Premium                           | 5,271           | 3,268           | 61.3        | 4,226           | 24.7          |
| Renewal Premium                              | 2,599           | 2,445           | 6.3         | 2,347           | 10.8          |
| Single Premium                               | 582             | 432             | 34.6        | 545             | 6.9           |
| Rewards                                      | 398             | 182             | 118.7       | 235             | 69.5          |
| Net Commission                               | 8,851           | 6,328           | 39.9        | 7,353           | 20.4          |
| Expenses of Management                       | 17,591          | 14,021          | 25.5        | 15,664          | 12.3          |
| Provision for taxes                          | 2,674           | 2,312           | 15.6        | 2,481           | 7.8           |
| Benefits Paid (Net)                          | 83,559          | 64,726          | 29.1        | 76,367          | 9.4           |
| Change in actuarial liability                | 1,59,375        | 1,21,151        | 31.6        | 1,77,323        | (10.1)        |
| <b>Surplus/Deficit</b>                       | <b>2,968</b>    | <b>2,365</b>    | <b>25.5</b> | <b>3,446</b>    | <b>(13.9)</b> |

Source: Company, BOBCAPS Research

**Fig 8 – Shareholders’ account**

| (Rs mn)                                                 | Q3FY23       | Q3FY22       | YoY (%)       | Q2FY23       | QoQ (%)       |
|---------------------------------------------------------|--------------|--------------|---------------|--------------|---------------|
| Transfer from Policyholders' Account                    | 1,138        | 1,683        | (32.4)        | 1,903        | (40.2)        |
| Investment Income                                       | 2,030        | 2,225        | (8.8)         | 2,032        | (0.1)         |
| Other income                                            | 0            | 8            | (96.1)        | 0            | (25.0)        |
| Expenses other than those related to insurance business | 85           | 101          | (16.3)        | 88           | (3.1)         |
| Transfer of funds to Policyholders' Account             | -            | -            | NA            | (20)         | (100.0)       |
| Profit before tax                                       | 3,108        | 3,814        | (18.5)        | 3,866        | (19.6)        |
| Provisions for tax                                      | 67           | 173          | (61.5)        | 99           | (32.7)        |
| <b>Profit after tax and before extraordinary items</b>  | <b>3,041</b> | <b>3,641</b> | <b>(16.5)</b> | <b>3,767</b> | <b>(19.3)</b> |

Source: Company, BOBCAPS Research

**Fig 9 – Balance sheet**

| (Rs mn)                                                             | Q3FY23           | Q3FY22           | YoY (%)     | Q2FY23           | QoQ (%)    |
|---------------------------------------------------------------------|------------------|------------------|-------------|------------------|------------|
| Share Capital                                                       | 10,008           | 10,003           | 0.1         | 10,007           | 0.0        |
| Reserves and Surplus                                                | 1,13,925         | 99,402           | 14.6        | 1,10,801         | 2.8        |
| Credit / (Debit) Fair Value Change Account                          | 1,860            | 2,582            | (28.0)      | 1,353            | 37.5       |
| <b>Sub-Total</b>                                                    | <b>1,25,793</b>  | <b>1,11,987</b>  | <b>12.3</b> | <b>1,22,161</b>  | <b>3.0</b> |
| <b>POLICYHOLDERS' FUNDS:</b>                                        |                  |                  |             |                  |            |
| Policy Liabilities                                                  | 12,41,541        | 10,53,339        | 17.9        | 11,94,100        | 4.0        |
| Provision for Linked Liabilities                                    | 13,41,313        | 10,99,288        | 22.0        | 12,59,052        | 6.5        |
| Add: Fair value change                                              | 1,90,872         | 2,13,484         | (10.6)      | 1,63,156         | 17.0       |
| Total Provision for Linked & Discontinued Policyholders Liabilities | 93,013           | 82,915           | 12.2        | 88,397           | 5.2        |
| Funds for Future Appropriations                                     | 15,033           | 11,864           | 26.7        | 13,202           | 13.9       |
| TOTAL                                                               | 28,81,772        | 24,60,891        | 17.1        | 27,17,907        | 6.0        |
| <b>Total Liabilities &amp; Equity</b>                               | <b>30,07,565</b> | <b>25,72,878</b> | <b>16.9</b> | <b>28,40,068</b> | <b>5.9</b> |
| <b>Assets</b>                                                       |                  |                  |             |                  |            |
| <b>INVESTMENTS:</b>                                                 |                  |                  |             |                  |            |
| Shareholders'                                                       | 1,13,327         | 1,00,302         | 13.0        | 1,11,193         | 1.9        |
| Policyholders'                                                      | 12,61,248        | 10,81,563        | 16.6        | 12,01,494        | 5.0        |
| Asset held to cover Linked Liabilities                              | 15,96,291        | 13,61,584        | 17.2        | 14,84,356        | 7.5        |
| Loans                                                               | 3,765            | 3,538            | 6.4         | 3,571            | 5.4        |
| Fixed Assets                                                        | 5,153            | 5,346            | (3.6)       | 5,250            | (1.9)      |
| NET CURRENT ASSETS                                                  | 27,781           | 20,546           | 35.2        | 34,204           | (18.8)     |
| <b>TOTAL ASSETS</b>                                                 | <b>30,07,565</b> | <b>25,72,878</b> | <b>16.9</b> | <b>28,40,068</b> | <b>5.9</b> |

Source: Company, BOBCAPS Research

**Fig 10 – Key ratios and growth metrics**

| (Rs mn)                                                                                        | Q3FY23 | Q3FY22 | YoY (%) | Q2FY23 | QoQ (%)  |
|------------------------------------------------------------------------------------------------|--------|--------|---------|--------|----------|
| NBP                                                                                            | 84,236 | 85,029 | (0.9)   | 74,971 | 12.4     |
| APE                                                                                            | 54,400 | 45,600 | 19.3    | 39,100 | 39.1     |
| VNB                                                                                            | 15,100 | 11,500 | 31.3    | 12,400 | 21.8     |
| Opex ratio (%)                                                                                 | 4.5    | 4.2    | 28bps   | 5.0    | (48bps)  |
| Commission ratio (%)                                                                           | 4.6    | 3.5    | 109bps  | 4.4    | 15bps    |
| Expense ratio (%)                                                                              | 9.1    | 7.7    | 138bps  | 9.4    | (32bps)  |
| VNB margin (%) – Cumulative                                                                    | 29.6   | 25.5   | 410bps  | 31.0   | (140bps) |
| Solvency ratio (%)                                                                             | 225.0  | 209.0  | 1600bps | 219    | 600bps   |
| <b>Persistence ratio (Regular Premium / Limited Premium Payment under Individual category)</b> |        |        |         |        |          |
| 13th month (%) – Cumulative                                                                    | 84.6   | 83.9   | 70bps   | 85.2   | (57bps)  |
| 61st month (%) - Cumulative                                                                    | 53.6   | 48.7   | 490bps  | 52.5   | 115bps   |

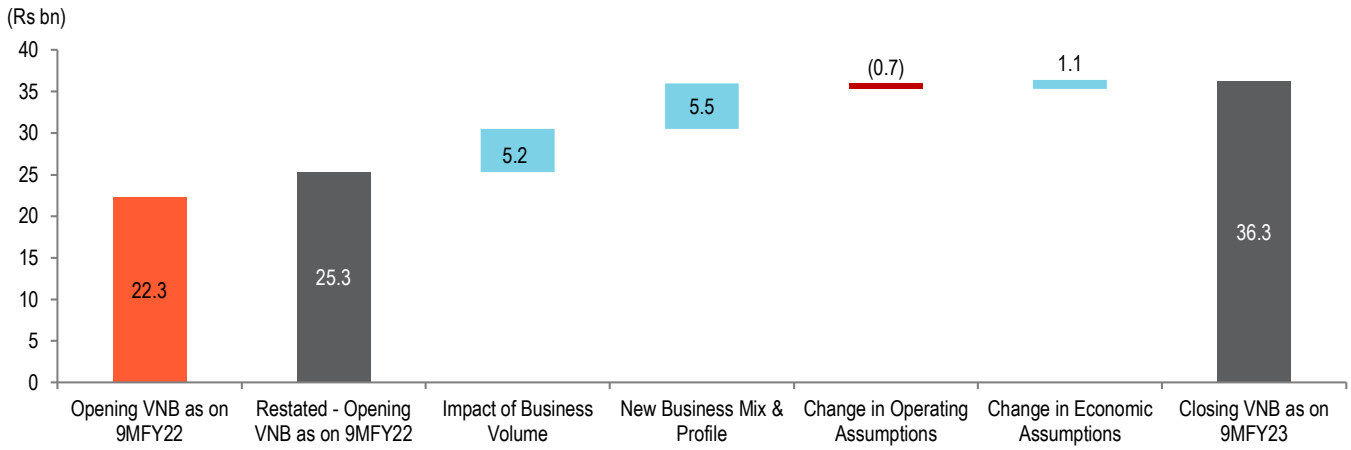
Source: Company, BOBCAPS Research

**Fig 11 – Distribution mix (APE)**

| (%)    | Q1FY20 | H1FY20 | 9MFY20 | FY20 | Q1FY21 | H1FY21 | 9MFY21 | FY21 | Q1FY22 | H1FY22 | 9MFY22 | FY22 | Q1FY23 | H1FY23 | 9MFY23 |
|--------|--------|--------|--------|------|--------|--------|--------|------|--------|--------|--------|------|--------|--------|--------|
| Banca  | 64.0   | 66.0   | 66.0   | 65.0 | 56.0   | 61.0   | 64.0   | 63.0 | 57.0   | 62.0   | 64.0   | 63.0 | 63.0   | 63.0   | 66.0   |
| Agency | 28.0   | 27.0   | 27.0   | 28.0 | 26.0   | 24.0   | 24.0   | 26.0 | 29.0   | 27.0   | 25.0   | 26.0 | 26.0   | 25.0   | 25.0   |
| Others | 8.0    | 8.0    | 7.0    | 7.0  | 18.0   | 15.0   | 12.0   | 11.0 | 14.0   | 11.0   | 11.0   | 11.0 | 11.0   | 12.0   | 9.0    |

Source: Company, BOBCAPS Research

**Fig 12 – New business mix, profile and volumes add to VNB**



Source: Company, BOBCAPS Research

## Earnings call highlights

### Business highlights

- SBI Life's NBP grew 14% YoY in 9MFY23 to Rs 215.1bn. Individual NBP increased 31% YoY to Rs 152.4bn and protection NBP grew 25% to Rs 25.5bn. GWP was at Rs 473bn, up 15% YoY.
- VNB margin stood at 29.6% at end-9MFY23, expanding 480bps over 24.8% in Dec'21. AUM grew 17% to Rs 3tn.
- APE registered 20% growth to Rs 122.6bn in 9MFY23.
- Partnerships such as Indian Bank, UCO Bank, South Indian Bank, Punjab and Sindh Bank, and Yes Bank grew 69% YoY in 9MFY23 in terms of individual NBP and now contribute 3% share.

### Product mix

- The APE mix shifted in 9MFY23, with the contribution from non-participating savings products reducing from 26% in H1FY23 to 22% in 9M and ULIPs increasing from 49% to 56%. Annuity and individual protection share remained stable at 3% and 6% respectively. The company doesn't intend to maintain a specific product mix.
- SBI Life expects the demand momentum for its ULIP offerings to continue through Q4. Management also expects non-par guaranteed products to continue seeing good traction.
- The company decides the pricing of non-par products based on long-term interest rates, market sentiment and customer feedback, among other parameters.
- Annuity products have demonstrated strong growth across channels. The company has changed the rates a couple of times over the year.
- The company indicated that it is sufficiently hedged against currency risk.

### Distribution channels

- The agency force increased by ~45,000 in FY23 YTD to 0.2mn and per agent productivity stood at Rs 0.27mn at end-9MFY23.
- The bancassurance channel has demonstrated strong growth, and management remains positive on public sector bank partnerships. Most SBI branches are actively selling the life insurance product and growth has been steady. Productivity per SBI branch stood at Rs 6.2mn at end-9MFY23 vs. Rs 4mn at end-H1FY23.
- In terms of APE, bancassurance constituted 66% of the total at end-9MFY23 (vs. 63% in FY22), whereas the share of agents was stable at 25% (vs. 26%).

### VNB

- VNB margin improved from 24.8% in 9MFY22 to 29.6% at end-9MFY23 with the new business mix & profile majorly contributing to the gain.

- VNB margin showed a decline compared to H1FY23 levels of 31% because of the change in product mix towards ULIPs that earn below-company-average margins.
- The VNB sensitivity to reference rate is negative as the company hedges interest rate risk in non-par products by using forward rate agreements (FRA). When interest rates increase, it results in mark-to-market losses incurred on FRA, causing the sensitivity to turn negative.

#### **Others**

- 13<sup>th</sup> month persistency improved to 84.6% at end-9MFY23 vs. 83.9% in 9MFY22. The 61<sup>st</sup> month cohort also improved to 53.6% vs. 48.7%.
- Per management, there is no competition between life insurance purchases and fixed deposit accretion.
- As much as 99% of individual proposals are being submitted digitally and 45% of individual proposals are being processed through automated underwriting.
- The company's mis-selling ratios are the lowest in the industry with unfair business practice at 0.09% as at end-9MFY23. This is defined as the number of grievances with respect to unfair business practices as compared to policies issued over the same period.

## Valuation methodology

SBI Life is a market leader in the private life insurance space and continues to expand market share – from 22% at end-FY22 to 23.8% in Q3FY23 – backed by its strong brand equity and pedigree. The company is focused on maintaining a balanced product mix and enjoys a robust VNB margin (29.6% in 9MFY23). Business is supported by ~1,000 branches and 0.2mn agents. While the total cost ratio remains elevated (9.1% at end-Q3), it is still on the lower side compared to peers.

Baking in the Q3FY23 performance, we raise VNB estimates by 5-6% over FY23-FY25 but pare VNB margins by 100bps each to factor in the decline vis-à-vis H1FY23. We also raise our APE estimates by ~9% and gross premium estimates by 1-2% in each of the forecast years.

The stock is trading at 1.9x FY25E P/EV. Given SBI Life's strong growth, market leadership, healthy solvency margins and high persistency ratios, we continue to value the stock at 2.4x FY25E P/EV, which is the average of its long-term mean and one standard deviation below the mean. Based on our revised estimates and rollover of valuations to FY25E, we have a new TP of Rs 1,611 (vs. Rs 1,512) – maintain BUY.

**Fig 13 – Revised estimates**

| (Rs bn)        | New      |          |          | Old      |          |          | Change (%) |          |          |
|----------------|----------|----------|----------|----------|----------|----------|------------|----------|----------|
|                | FY23     | FY24     | FY25     | FY23     | FY24     | FY25     | FY23       | FY24     | FY25     |
| Gross Premium  | 6,76,756 | 7,97,769 | 9,36,032 | 6,74,231 | 7,86,591 | 9,16,181 | 0.4        | 1.4      | 2.2      |
| Net Premium    | 6,69,463 | 7,90,338 | 9,27,367 | 6,66,985 | 7,79,243 | 9,07,642 | 0.4        | 1.4      | 2.2      |
| VNB            | 50       | 55       | 64       | 47       | 52       | 60       | 5.7        | 5.3      | 5.3      |
| APE            | 173      | 203      | 236      | 158      | 186      | 216      | 9.4        | 9.2      | 9.2      |
| VNB Margin (%) | 29.0     | 27.0     | 27.0     | 30.0     | 28.0     | 28.0     | (100bps)   | (100bps) | (100bps) |

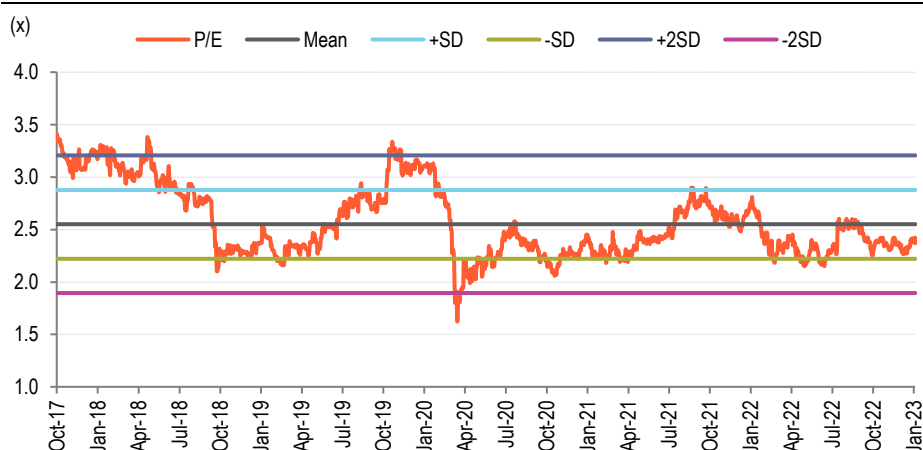
Source: BOBCAPS Research

**Fig 14 – Valuation summary**

| Particulars                      |              |
|----------------------------------|--------------|
| Embedded Value (FY25E) (Rs bn)   | 671          |
| PV of Future business (Rs bn)    | 943          |
| <b>Total value (Rs bn)</b>       | <b>1,614</b> |
| Current P/EV (FY25E) (x)         | 1.9          |
| Implied P/EV (FY25E) (x)         | 2.4          |
| <b>Implied Target Price (Rs)</b> | <b>1,611</b> |
| <b>Current Price (Rs)</b>        | <b>1,296</b> |
| <b>Upside (%)</b>                | <b>24%</b>   |

Source: Company, BOBCAPS Research



**Fig 15 – 1Y fwd P/EV – Trading at -1SD**

Source: Bloomberg, BOBCAPS Research

## Key risks

Key downside risks to our estimates are:

- **Change in regulatory framework:** Any unfavourable change in regulations can impact business growth. For example, currently ULIP proceeds are taxed to the extent the yearly premium exceeds Rs 0.25mn. Similarly, any change in 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 opting for a balanced product mix, many of them have sizeable business coming from ULIPs.
- **Increasing interest rates:** The guaranteed return businesses can be affected by an increase in interest rates as other financial instruments (e.g. deposits) become more attractive. HDFC Life had ~28% share of non-par in the total APE mix as of FY22.
- **Adverse economic events:** A significant economic decline may result in financial difficulties or defaults by issuers of bonds in the company's investment portfolios. The shareholders' equity and earnings and policyholders' funds may be affected by fair value re-valuation of bonds held in 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 for reasons such as job loss and monetary requirements, which lowers the persistency ratios.

## Sector recommendation snapshot

| Company               | Ticker      | Market Cap (US\$ bn) | Price (Rs) | Target (Rs) | Rating |
|-----------------------|-------------|----------------------|------------|-------------|--------|
| HDFC Life             | HDFCLIFE IN | 15.6                 | 591        | 741         | BUY    |
| ICICI Prudential Life | IPRU IN     | 8.4                  | 471        | 601         | BUY    |
| SBI Life              | SBILIFE IN  | 16.0                 | 1,296      | 1,611       | BUY    |

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

## 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 |             |                            |

## Financials

### 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>7,97,769</b>  | <b>9,36,032</b>  |
| First year premium          | 1,03,381        | 1,29,415        | 1,58,098        | 1,86,058         | 2,15,828         |
| Renewal premium             | 2,96,299        | 3,33,023        | 3,83,824        | 4,55,215         | 5,38,669         |
| Single premium              | 1,02,861        | 1,25,158        | 1,34,834        | 1,56,496         | 1,81,535         |
| <b>Net written premium</b>  | <b>4,97,683</b> | <b>5,84,323</b> | <b>6,69,463</b> | <b>7,90,338</b>  | <b>9,27,367</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>10,27,991</b> | <b>12,06,483</b> |
| Commissions                 | 17,788          | 21,583          | 30,947          | 35,671           | 41,177           |
| Operating expenses          | 22,409          | 30,153          | 35,145          | 42,396           | 49,568           |
| Benefits and bonuses paid   | 2,15,826        | 3,13,398        | 2,99,742        | 3,54,686         | 4,17,236         |
| 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>9,92,332</b>  | <b>11,65,128</b> |
| <b>Surplus before tax</b>   | <b>25,484</b>   | <b>27,519</b>   | <b>33,404</b>   | <b>35,659</b>    | <b>41,355</b>    |
| Provision for tax           | 7,410           | 8,681           | 9,338           | 9,411            | 11,140           |
| <b>Surplus after tax</b>    | <b>18,074</b>   | <b>18,838</b>   | <b>24,065</b>   | <b>26,249</b>    | <b>30,216</b>    |
| Trf to shareholders' a/c    | 16,788          | 17,324          | 22,553          | 24,492           | 28,187           |
| Balance being FFA           | 1,287           | 1,513           | 1,512           | 1,756            | 2,029            |

### 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        | 24,492        | 28,187        |
| 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>21,225</b> | <b>23,716</b> |
| Provision for taxation        | (866)         | (548)         | (700)         | (743)         | (830)         |
| <b>PAT</b>                    | <b>14,559</b> | <b>15,060</b> | <b>19,287</b> | <b>20,482</b> | <b>22,886</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         | 1,47,943         | 1,67,825         |
| 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>37,65,805</b> | <b>44,44,911</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           | 74,474           | 87,614           |
| <b>Total assets</b>          | <b>22,25,921</b> | <b>26,82,072</b> | <b>31,85,724</b> | <b>37,65,805</b> | <b>44,44,911</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  | 3,42,554  | 3,97,363  |
| APE (Rs mn)            | 1,14,500  | 1,43,000  | 1,72,874  | 2,03,227  | 2,35,743  |
| VNB (Rs mn)            | 23,358    | 37,037    | 50,133    | 54,871    | 63,651    |
| VNB margin (%)         | 20.4      | 25.9      | 29.0      | 27.0      | 27.0      |
| Embedded value (Rs mn) | 3,33,630  | 3,96,030  | 4,74,841  | 5,64,694  | 6,70,515  |
| ROEV (%)               | 19.1      | 20.7      | 20.7      | 19.6      | 19.3      |
| ROE (%)                | 15.2      | 13.7      | 15.6      | 14.7      | 14.5      |
| 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     | 227.0     | 229.3     |
| EPS (Rs)               | 14.6      | 15.0      | 19.3      | 20.4      | 22.8      |
| BVPS (Rs)              | 104.0     | 116.2     | 130.5     | 147.9     | 167.8     |
| EVPS (Rs)              | 333.6     | 395.5     | 475.2     | 566.8     | 674.0     |

Source: Company, BOBCAPS Research

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**BUY** – Expected return >+15%

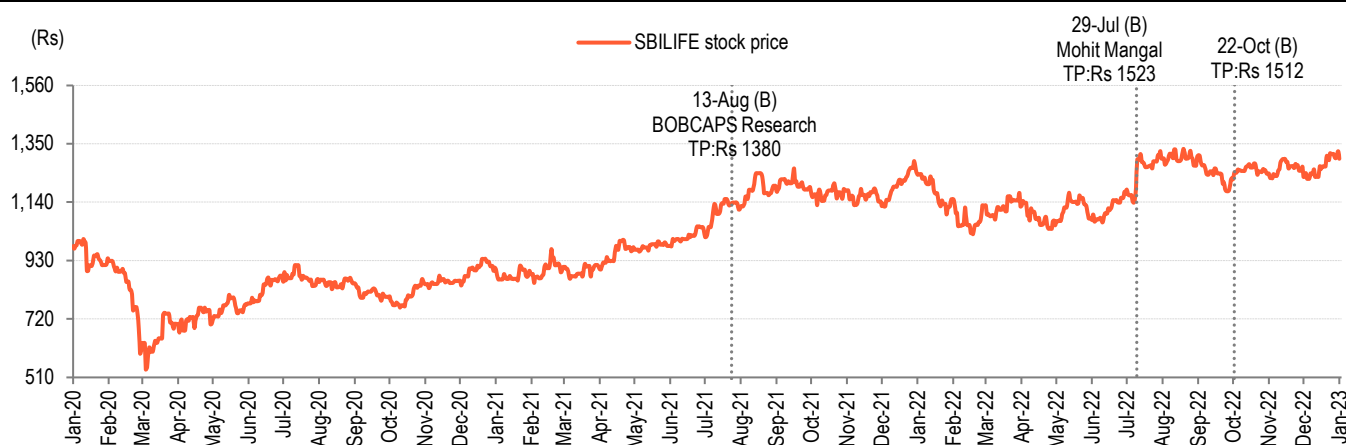
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

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

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