

**BUY**

TP: Rs 1,512 | ▲ 21%

**SBI LIFE**

| Insurance

| 22 October 2022

## Strong margin trajectory; better H2 expected

- VNB growth strong with margin at 31% in H1FY23, leading us to raise margin estimates through FY25
- Healthy H1 premium growth despite below-expected Q2; H2 seasonally a strong period
- We tweak FY23/FY24 premium forecasts, leading to a change in TP to Rs 1,512 (vs. Rs 1,523); retain BUY

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**VNB margin remains strong:** SBI Life's VNB rose 54% YoY to Rs 21.2bn in H1FY23 with a 31% margin (+630bps YoY). Considering the robust H1, we model for an 18% CAGR in VNB over FY22-FY25 to Rs 60bn (vs. Rs 59bn). We also raise VNB margin assumptions from 27-28% to 28-30% over our forecast period.

**Premium growth tapers in Q2 but still healthy in H1:** Gross premium grew 13% YoY to Rs 166bn in Q2FY23 (+21% YoY to Rs 280bn in H1), missing our estimate by 9%. NBP/renewal premium was up 8%/17% while single premium growth held strong at 20% YoY in Q2. APE grew at a robust 22% YoY to Rs 68bn in H1 despite a 2% YoY decline in Q2 to Rs 39bn. H1 savings APE, which constituted 89% of the total, grew 21%. The company also had a decent run in the protection business (+22% YoY in H1), with group products doing comparatively better than individual plans. We factor in a 15% CAGR in APE over FY22-FY25 to Rs 216bn (vs. Rs 220bn earlier).

**Channel mix largely stable:** Based on overall APE, the share of the bancassurance channel was stable at 63% in H1. The banking channel has performed well even if we were to exclude SBI. Agency was also steady at 25%, but management expects a better H2 as (i) it has recruited more agents and (ii) did not fire any agents for lower productivity over the last 1-1.5 years. Other channels (comprising brokers, corporate agents, direct) had a share of 12%.

**Persistency and cost ratios improve:** Persistency in all cohorts improved – for instance, the 61<sup>st</sup> month cohort increased to 52.5% in H1 from 48.8% in the year-ago period. The cost ratio plummeted sequentially in Q2, with opex ratio declining to 5% vs. 6.6% in Q1. Commission ratio declined to 4.4% vs. 4.6%. An annual comparison shows opex to be flat whereas the commission ratio stayed high in Q2.

**Maintain BUY:** The stock is trading at 2.2x FY24E P/EV. Given SBI Life's strong growth, market leadership, healthy solvency margins and high persistency ratios, we value the stock at 2.7x FY24E P/EV, which is close to its long-term mean. At the same time, given disappointment in Q2 premium growth, we lower our FY23-FY25 gross premium estimates by ~1% each and reduce our TP from Rs 1,523 to Rs 1,512. BUY.

## Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	SBILIFE IN/Rs 1,246
Market cap	US\$ 15.1bn
Free float	45%
3M ADV	US\$ 18.0mn
52wk high/low	Rs 1,340/Rs 1,004
Promoter/FPI/DII	55%/24%/16%

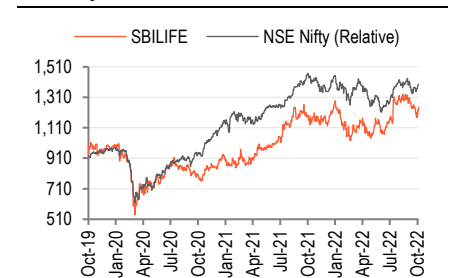
Source: NSE | Price as of 21 Oct 2022

## Key financials

Y/E 31 Mar	FY22A	FY23E	FY24E
NBP (Rs mn)	2,54,574	2,90,407	3,39,601
APE (Rs mn)	1,43,000	1,58,064	1,86,024
VNB (Rs mn)	37,037	47,419	52,087
Embedded Value (Rs mn)	3,96,030	4,77,627	5,70,420
VNB margin (%)	25.9	30.0	28.0
EVPS (Rs)	395.5	475.2	566.8
EPS (Rs)	15.0	16.3	16.2
Consensus EPS (Rs)	15.0	19.5	22.4
P/EV (x)	3.2	2.6	2.2

Source: Company, Bloomberg, BOBCAPS Research

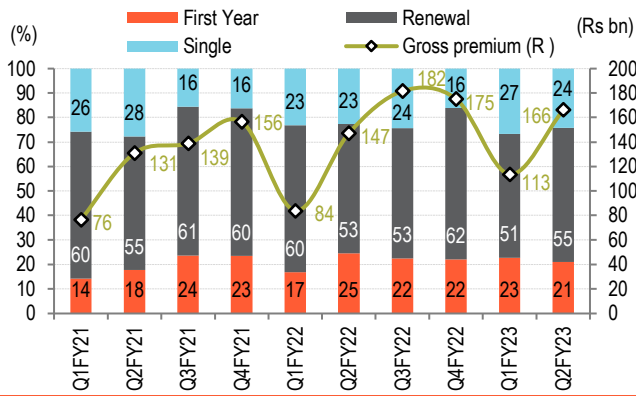
## Stock performance



Source: NSE

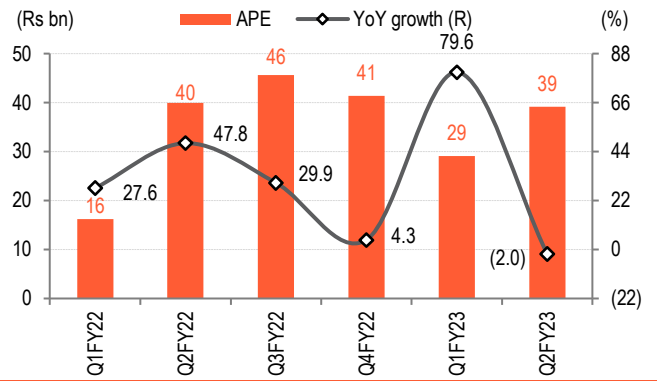


**Fig 1 – Gross premium grew 13% YoY**



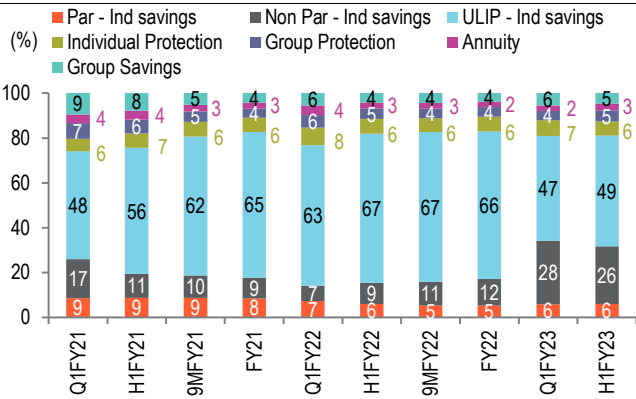
Source: Company, BOBCAPS Research

**Fig 2 – APE growth muted**



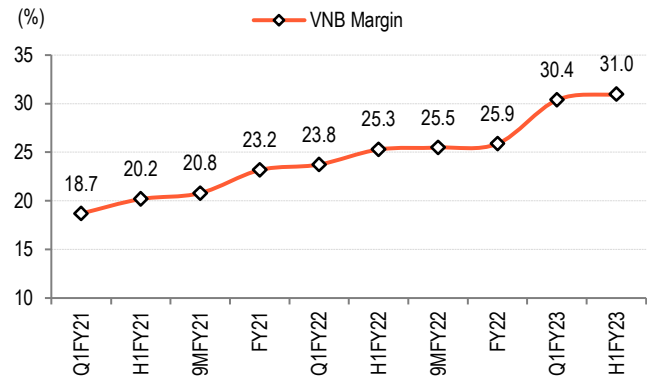
Source: Company, BOBCAPS Research

**Fig 3 – Product mix: Focus on non-participating segment**



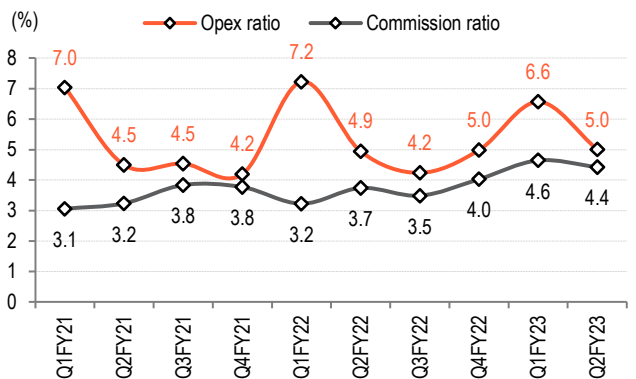
Source: Company, BOBCAPS Research

**Fig 4 – VNB margin held strong**



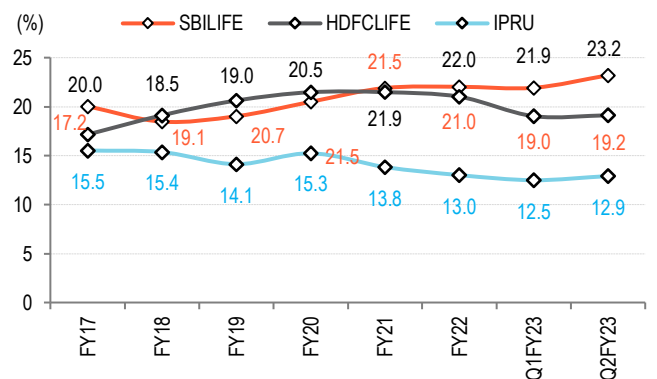
Source: Company, BOBCAPS Research

**Fig 5 – Opex and commission ratios taper**



Source: Company, BOBCAPS Research

**Fig 6 – Market share: Leader in private life insurance**



Source: Company, BOBCAPS Research

**Fig 7 – Policyholders’ account**

(Rs mn)	Q2FY23	Q2FY22	YoY (%)	Q1FY23	QoQ (%)	FY22	FY21	YoY (%)
<b>Gross premium income</b>	<b>1,66,211</b>	<b>1,47,187</b>	<b>12.9</b>	<b>1,13,491</b>	<b>46.5</b>	<b>5,87,596</b>	<b>5,02,542</b>	<b>16.9</b>
First Year Premium	34,819	36,097	(3.5)	25,704	35.5	1,29,415	1,03,381	25.2
Renewal Premium	91,240	77,751	17.3	57,577	58.5	3,33,023	2,96,299	12.4
Single Premium	40,152	33,338	20.4	30,210	32.9	1,25,158	1,02,861	21.7
Reinsurance	1,438	581	147.7	3,131	(54.1)	3,274	4,859	(32.6)
<b>Net premium income</b>	<b>1,64,773</b>	<b>1,46,606</b>	<b>12.4</b>	<b>1,10,360</b>	<b>49.3</b>	<b>5,84,323</b>	<b>4,97,683</b>	<b>17.4</b>
Income from investments (Net)	1,10,367	1,07,344	2.8	(64,057)	NA	2,35,680	3,14,560	(25.1)
Other income	113	90	24.8	108	4.7	448	358	25.1
Contribution of funds from Shareholders' A/c	-	-	NA	-	NA	9,822	8,248	19.1
<b>Total</b>	<b>2,75,253</b>	<b>2,54,041</b>	<b>8.3</b>	<b>46,411</b>	<b>493.1</b>	<b>8,30,272</b>	<b>8,20,849</b>	<b>1.1</b>
<b>Commission on</b>								
First Year Premium	4,226	2,844	48.6	3,437	23.0	10,797	8,636	25.0
Renewal Premium	2,347	2,049	14.5	1,277	83.7	8,555	7,668	11.6
Single Premium	545	407	33.9	362	50.6	1,489	1,122	32.7
Rewards	235	204	15.0	200	17.4	742	362	104.8
Net Commission	7,353	5,504	33.6	5,277	39.3	21,583	17,788	21.3
Expenses of Management	15,664	12,775	22.6	12,733	23.0	30,153	22,409	34.6
Provision for taxes	2,481	2,138	16.1	1,967	26.1	8,681	7,410	17.2
Benefits Paid (Net)	76,367	1,27,021	(39.9)	51,717	47.7	3,13,398	2,15,826	45.2
Change in actuarial liability	1,77,323	1,09,781	61.5	(22,711)	NA	4,37,619	5,39,342	(18.9)
<b>Surplus/Deficit</b>	<b>3,446</b>	<b>2,570</b>	<b>34.1</b>	<b>2,725</b>	<b>26.5</b>	<b>18,838</b>	<b>18,074</b>	<b>4.2</b>

Source: Company, BOBCAPS Research

**Fig 8 – Shareholders’ account**

(Rs mn)	Q2FY23	Q2FY22	YoY (%)	Q1FY23	QoQ (%)	FY22	FY21	YoY (%)
Transfer from Policyholders' Account	1,903	1,343	41.7	1,003	89.6	17,324	16,788	3.2
Investment Income	2,032	2,406	(15.6)	1,758	15.6	9,831	6,885	42.8
Other income	0	15	(97.4)	4	(89.5)	54	63	(15.0)
Expenses other than those related to insurance business	88	1,245	(93.0)	82	7.2	1,779	63	2725.7
Transfer of funds to Policyholders' Account	-	-	NA	9	NA	9,822	8,248	19.1
Profit before tax	3,866	2,519	53.5	2,674	44.6	15,608	15,425	1.2
Provisions for tax	99	53	87.5	46	116.6	548	866	(36.8)
<b>Profit after tax and before extraordinary items</b>	<b>3,767</b>	<b>2,466</b>	<b>52.8</b>	<b>2,629</b>	<b>43.3</b>	<b>15,060</b>	<b>14,559</b>	<b>3.4</b>

Source: Company, BOBCAPS Research

**Fig 9 – Balance sheet**

(Rs mn)	Q2FY23	Q2FY22	YoY (%)	Q1FY23	QoQ (%)	FY22	FY21	YoY (%)
Share Capital	10,007	10,002	0.0	10,005	0.0	10,004	10,001	0.0
Reserves and Surplus	1,10,801	95,715	15.8	1,06,879	3.7	1,04,181	90,926	14.6
Credit / (Debit) Fair Value Change Account	1,353	3,352	(59.6)	714	89.3	2,039	3,077	(33.7)
<b>Sub-Total</b>	<b>1,22,161</b>	<b>1,09,068</b>	<b>12.0</b>	<b>1,17,598</b>	<b>3.9</b>	<b>1,16,223</b>	<b>1,04,004</b>	<b>11.7</b>
<b>POLICYHOLDERS' FUNDS:</b>								
Policy Liabilities	11,94,100	9,93,627	20.2	11,44,540	4.3	10,97,590	9,24,075	18.8
Provision for Linked Liabilities	12,59,052	10,13,573	24.2	11,99,007	5.0	11,74,871	9,65,495	21.7
Add: Fair value change	1,63,156	2,41,132	(32.3)	91,072	79.2	2,01,728	1,53,809	31.2
Total Provision for Linked & Discontinued Policyholders Liabilities	88,397	82,632	7.0	86,756	1.9	81,723	70,115	16.6
Funds for Future Appropriations	13,202	11,182	18.1	11,659	13.2	9,936	8,423	18.0
<b>TOTAL</b>	<b>27,17,907</b>	<b>23,42,145</b>	<b>16.0</b>	<b>25,33,034</b>	<b>7.3</b>	<b>25,65,849</b>	<b>21,21,916</b>	<b>20.9</b>
<b>Total Liabilities &amp; Equity</b>	<b>28,40,068</b>	<b>24,51,214</b>	<b>15.9</b>	<b>26,50,632</b>	<b>7.1</b>	<b>26,82,072</b>	<b>22,25,921</b>	<b>20.5</b>
<b>Assets</b>								
<b>INVESTMENTS:</b>								
Shareholders'	1,11,193	1,00,282	10.9	1,08,051	2.9	1,00,758	86,047	17.1
Policyholders'	12,01,494	10,18,023	18.0	11,31,101	6.2	11,21,307	9,39,364	19.4
Asset held to cover Linked Liabilities	14,84,356	13,00,146	14.2	13,56,593	9.4	14,26,253	11,62,150	22.7
Loans	3,571	3,383	5.5	3,817	(6.5)	3,627	3,581	1.3
Fixed Assets	5,250	5,469	(4.0)	5,325	(1.4)	5,268	5,654	(6.8)
<b>NET CURRENT ASSETS</b>	<b>34,204</b>	<b>23,912</b>	<b>43.0</b>	<b>45,745</b>	<b>(25.2)</b>	<b>24,860</b>	<b>29,124</b>	<b>(14.6)</b>
<b>TOTAL ASSETS</b>	<b>28,40,068</b>	<b>24,51,214</b>	<b>15.9</b>	<b>26,50,632</b>	<b>7.1</b>	<b>26,82,072</b>	<b>22,25,921</b>	<b>20.5</b>

Source: Company, BOBCAPS Research

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

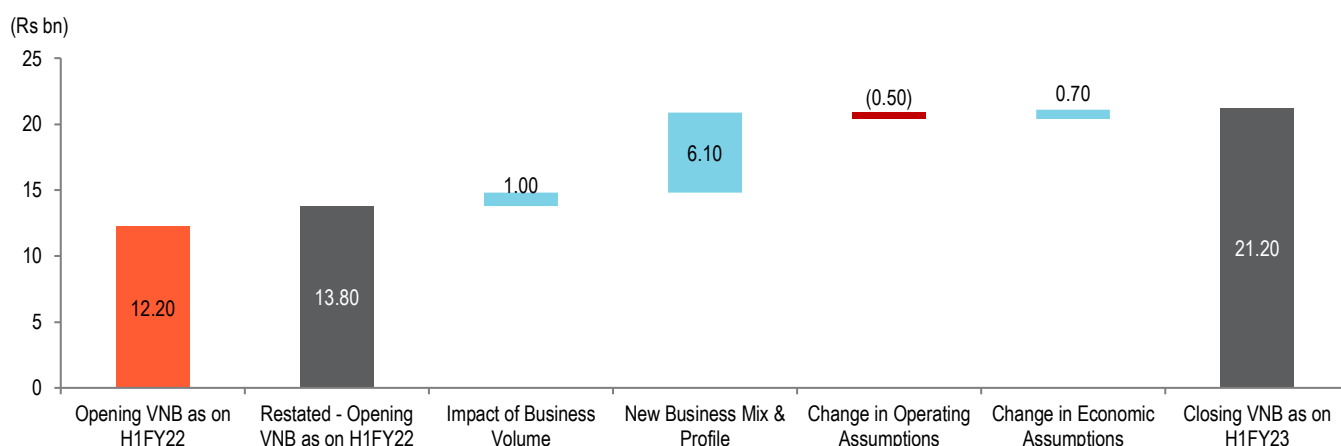
(Rs mn)	Q2FY23	Q2FY22	YoY (%)	Q1FY23	QoQ (%)	FY22P	FY21	YoY (%)
NBP	75,000	69,400	8.1	55,900	34.2	2,54,574	2,06,242	23.4
APE	39,100	39,900	(2.0)	29,100	34.4	1,43,000	1,14,500	24.9
VNB	12,400	8,370	48.1	8,800	40.9	31,395	23,358	34.4
Opex ratio (%)	5.0	4.9	6bps	6.6	(157bps)	5.1	4.8	26bps
Commission ratio (%)	4.4	3.7	68bps	4.6	(23bps)	3.7	3.5	13bps
Expense ratio (%)	9.4	8.7	74bps	11.2	(180bps)	8.7	8.3	40bps
VNB margin (%)	31.0	25.3	570bps	30.4	60bps	25.9	23.2	170bps
Solvency ratio (%)	219.0	212.0	700bps	221	(200bps)	204.8	214.7	(993bps)
<b>Persistency ratio (Regular Premium / Limited Premium Payment under Individual category)</b>								
13th month (%)	NA	NA	NA	NA	NA	85	85	(21bps)
61st month (%)	NA	NA	NA	NA	NA	49	51	(137bps)

Source: Company, BOBCAPS Research

**Fig 11 – Distribution mix (APE)**

(%)	Q1FY20	H1FY20	9MFY20	FY20	Q1FY21	H1FY21	9MFY21	FY21	Q1FY22	H1FY22	9MFY22	FY22	Q1FY23	H1FY23
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
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
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

Source: Company, BOBCAPS Research

**Fig 12 – New business mix and profile adds to VNB**

Source: Company, BOBCAPS Research

## Earnings call highlights – Q2FY23

### Business highlights

- SBI Life's NBP grew 27% YoY in H1FY23 to Rs 130.9bn. Individual NBP increased 31% YoY to Rs 84.6bn and protection NBP grew 32% to Rs 16bn. GWP was at Rs 279.7bn, up 21% YoY.
- VNB margin stood at 31% at end-H1FY23, expanding 630bps over 24.7% in Sep'21. Embedded value (EV) was at Rs 424.1bn at end-H1. AUM grew 16% to Rs 2.83tn.
- APE registered 22% growth to Rs 68.3bn in H1.
- Partnerships such as Indian Bank, UCO Bank, South Indian Bank, Punjab and Sindh Bank, and Yes Bank grew 62% YoY in H1 in terms of individual NBP and now contribute 3% share.

### Product mix change not material

- SBI Life intends to maintain a balanced product mix. In H1FY23, the mix (APE terms) remained largely stable, with non-participating savings reducing from 28% in Q1FY23 to 26% in H1 and ULIPs increasing by the same amount.
- The company indicated that it is sufficiently hedged to tide over the inherent volatility in non-par products.

### Distribution channels

- SBI Life is recruiting more agents. The company's agent productivity stood at Rs 0.25mn posting single-digit growth. No agent has been dismissed over the last 1-1.5 years for underperformance during Covid-19.
- 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.

- An SBI Life employee oversees at least 10 SBI (distribution) banking branches on average.
- Per management, the partnership with Post Payments Bank (IPPB) is exciting as it gives the company an opportunity to expand into the hinterland and into deep rural areas, which are unbanked and underserved. In urban areas too, IPPB has 600-635 branches.

### Others

- 13<sup>th</sup> month persistency improved to 85.2% at end-H1FY23 vs. 84.7% in H1FY22. The 61<sup>st</sup> month cohort also improved to 52.5% vs. 48.8%.
- The company has launched 'SBI Life Retire Smart Plus', a unit-linked pension savings product. This product offers a comprehensive range of pension savings with an additional option to defer the vesting date that the earlier version of Retire Smart didn't have.
- Per management, IRDA-backed digital insurance marketplace Bima Sugam is a good initiative, but the controls provided on the platform remain to be seen. The company has refrained from being a part of third-party web aggregator platforms as they are expensive. However, it is optimistic about joining the IRDA platform.
- Interest rate sensitivities have come down over the last 4-5 years and are now similar to peers in the market. Management prefers to view such sensitivities over the long term and does not consider short-term volatility a cause for concern.
- Management sees no direct connection between bank deposit rates and annuity products. Deposit rates can be locked for a maximum of 10 years. In an insurance annuity product, the inflows to the policyholder are for life as the insurer's commitment is locked in at the time of the policy.

### Earnings call highlights – Q1 FY23

- **Non-par segment a key focus area:** SBI Life's 'Platina Assure' and 'Smart Platina Assure' products have seen good traction and management expects healthy demand going forward as well. The non-par segment is margin accretive and thus an important part of the product mix. Of the total non-par premium, 30% was contributed by income plans in Q1FY23. The company does hedge depending on the requirements and interest rate environment, and it has products backed by both, partially paid bonds and FRAs (forward rate agreements).
- **Pricing in non-par business to be market dependent:** The pricing for non-par savings products will depend on market conditions and interest rates. The company does not want to stray far from the market. The intention is to maintain the spread that is earned currently.
- **No product mix target:** SBI Life does not have an internal limit on the non-par contribution in the overall product mix but believes it should be 25-30%, as other product segments are growing as well.

- **Protection growth strong:** India has a large requirement for protection products, and management opines that the country will require more return of premium (ROP) products rather than pure term products. The 45%+ growth in the company's Q1 protection APE has been bolstered by ROP.
- **ULIP shows traction:** ULIP on NBP basis grew 42% YoY despite the base effect. However, the company doesn't push any product and goes by customer preference. Also, bancassurance is a prominent distribution channel for ULIP products.
- **Par segment a bit tepid:** There has been a shift from par to non-par products over the last couple of years. However, the company expects the par segment to grow from the current level.
- **Not chasing margins:** Although the VNB margin increased significantly in Q1, the company indicated that it does not chase margins. Profitability is a function of product mix and there could be some fluctuations depending on which products are sold in a particular timeframe.
- **Branch expansion to continue:** Management believes in sustainable branch growth and has never had to close down any branches. Going forward, the company expects to add 30- 40 branches every year.
- **Guides for 25%+ growth in premium:** SBI Life expects premium growth across product segments to drive a 25%+ uptick for FY23.
- **YONO platform to see better growth:** Management expects the YONO platform to deliver better results as more products are added. Currently, only protection products are sold here.

## 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 23.2% in Q2FY23 – backed by its strong brand equity and pedigree. The company is focused on maintaining a balanced product mix and enjoys a robust VNB margin (31% in H1FY23). Business is supported by ~1,000 branches and 0.18mn agents. Costs have tapered this quarter with commission ratio/opex ratios of 4.4%/5.0% in Q2FY23 vs 4.6%/6.6% in Q1.

The stock is trading at 2.2x FY24E P/EV. Given SBI Life's strong growth, market leadership, healthy solvency margins and high persistency ratios, we value the stock at 2.7x FY24E P/EV, which is close to its long-term mean. While we raise VNB margin assumptions from 27-28% to 28-30% over FY23-FY25 to factor in the healthy Q2 margins, we pare our gross premium estimates by ~1% each over these years. This leads to a revised TP of Rs 1,512 (vs. Rs 1,523), offering 21% upside potential. Maintain BUY.

**Fig 13 – Revised estimates**

(Rs bn)	New			Old			Change (%)		
	FY23	FY24	FY25	FY23	FY24	FY25	FY23	FY24	FY25
Gross Premium	6,74,231	7,86,591	9,16,181	6,82,835	7,97,027	9,28,847	(1.3)	(1.3)	(1.4)
Net Premium	6,66,985	7,79,243	9,07,642	6,76,989	7,90,227	9,20,943	(1.5)	(1.4)	(1.4)
VNB	47	52	60	46	51	59	3.5	1.7	1.7
APE	158	186	216	164	190	220	(3.4)	(1.9)	(1.9)
Embedded Value (EV)	478	570	679	476	568	675	0.3	0.5	0.6
VNB Margin (%)	30.0	28.0	28.0	28.0	27.0	27.0	200bps	100bps	100bps

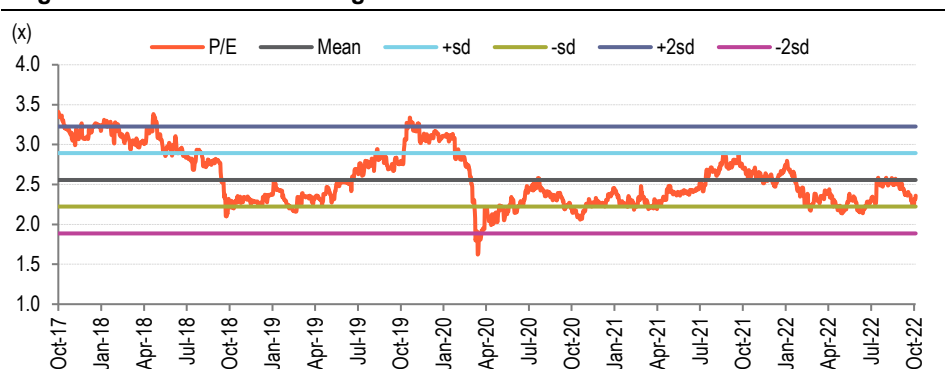
Source: BOBCAPS Research

**Fig 14 – Valuation summary**

Particulars	
Embedded Value (FY24E) (Rs bn)	570
PV of Future business (Rs bn)	944
<b>Total value (Rs bn)</b>	<b>1,515</b>
Current P/EV (FY24E) (x)	2.2
Implied P/EV (FY24E) (x)	2.7
<b>Implied Target Price (Rs)</b>	<b>1,512</b>
<b>Current Price (Rs)</b>	<b>1,246</b>
<b>Upside (%)</b>	<b>21</b>

Source: Company, BOBCAPS Research

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



Source: Company, 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 in case of job loss, monetary requirements, etc., which lowers the persistency ratios.

## Sector recommendation snapshot

Company	Ticker	Market Cap (US\$ bn)	Price (Rs)	Target (Rs)	Rating
HDFC Life	HDFCLIFE IN	13.9	542	691	BUY
ICICI Prudential Life	IPRU IN	8.9	510	645	BUY
SBI Life	SBILIFE IN	15.1	1,246	1,512	BUY

Source: BOBCAPS Research, NSE | Price as of 21 Oct 2022

## 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>6,74,231</b>	<b>7,86,591</b>	<b>9,16,181</b>
First year premium	1,03,381	1,29,415	1,42,046	1,67,415	1,94,201
Renewal premium	2,96,299	3,33,023	3,83,824	4,46,990	5,22,244
Single premium	1,02,861	1,25,158	1,48,361	1,72,186	1,99,736
<b>Net written premium</b>	<b>4,97,683</b>	<b>5,84,323</b>	<b>6,66,985</b>	<b>7,79,243</b>	<b>9,07,642</b>
Income from investments	3,14,560	2,35,679	1,81,046	2,19,087	2,70,616
Other Income	8,606	10,270	11,138	12,235	13,441
<b>Total income</b>	<b>8,20,849</b>	<b>8,30,272</b>	<b>8,59,168</b>	<b>10,10,565</b>	<b>11,91,699</b>
Commissions	17,788	21,583	29,327	34,067	39,015
Operating expenses	22,409	30,153	37,270	44,235	51,365
Benefits and bonuses paid	2,15,826	3,13,398	2,98,603	3,49,771	4,08,528
Change in liabilities (net)	5,39,342	4,37,619	4,63,988	5,50,261	6,56,763
Others	0	0	0	0	0
<b>Total expenses</b>	<b>7,95,365</b>	<b>8,02,753</b>	<b>8,29,188</b>	<b>9,78,333</b>	<b>11,55,670</b>
<b>Surplus before tax</b>	<b>25,484</b>	<b>27,519</b>	<b>29,980</b>	<b>32,231</b>	<b>36,029</b>
Provision for tax	7,410	8,681	9,025	10,810	12,937
<b>Surplus after tax</b>	<b>18,074</b>	<b>18,838</b>	<b>20,955</b>	<b>21,421</b>	<b>23,092</b>
Trf to shareholders' a/c	16,788	17,324	19,492	20,035	21,757
Balance being FFA	1,287	1,513	1,464	1,387	1,335

### Income Statement (Non-technical)

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Trf from policyholders' a/c	16,788	17,324	19,492	20,035	21,757
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>16,925</b>	<b>16,767</b>	<b>17,287</b>
Provision for taxation	(866)	(548)	(592)	(587)	(605)
<b>PAT</b>	<b>14,559</b>	<b>15,060</b>	<b>16,333</b>	<b>16,180</b>	<b>16,682</b>
Dividend+Interim div.+DDT	2,500	2,003	2,504	2,504	2,504

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY21A	FY22A	FY23E	FY24E	FY25E
Equity	1,04,004	1,16,223	1,28,013	1,41,689	1,55,867
Policyholders' funds	20,43,379	24,74,190	29,39,451	34,89,712	41,46,475
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>31,68,289</b>	<b>37,35,251</b>	<b>44,08,268</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	42,734	43,920	50,971
<b>Total assets</b>	<b>22,25,921</b>	<b>26,82,072</b>	<b>31,68,289</b>	<b>37,35,251</b>	<b>44,08,268</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	2,90,407	3,39,601	3,93,937
APE (Rs mn)	1,14,500	1,43,000	1,58,064	1,86,024	2,15,788
VNB (Rs mn)	23,358	37,037	47,419	52,087	60,421
VNB margin (%)	20.4	25.9	30.0	28.0	28.0
Embedded value (Rs mn)	3,33,630	3,96,030	4,77,627	5,70,420	6,78,970
ROEV (%)	19.1	20.7	21.2	20.0	19.5
ROE (%)	15.2	13.7	13.4	12.0	11.2
Opex ratio (%)	4.8	5.1	5.5	5.5	5.5
Cost ratio (%)	8.3	8.7	9.8	9.9	9.8
Solvency ratio (%)	214.7	204.8	221.4	219.7	215.4
EPS (Rs)	14.6	15.0	16.3	16.2	16.7
BVPS (Rs)	104.0	116.2	128.0	141.7	155.9
EVPS (Rs)	333.6	395.5	475.2	566.8	674.0

Source: Company, BOBCAPS Research

## Disclaimer

### Recommendation scale: Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

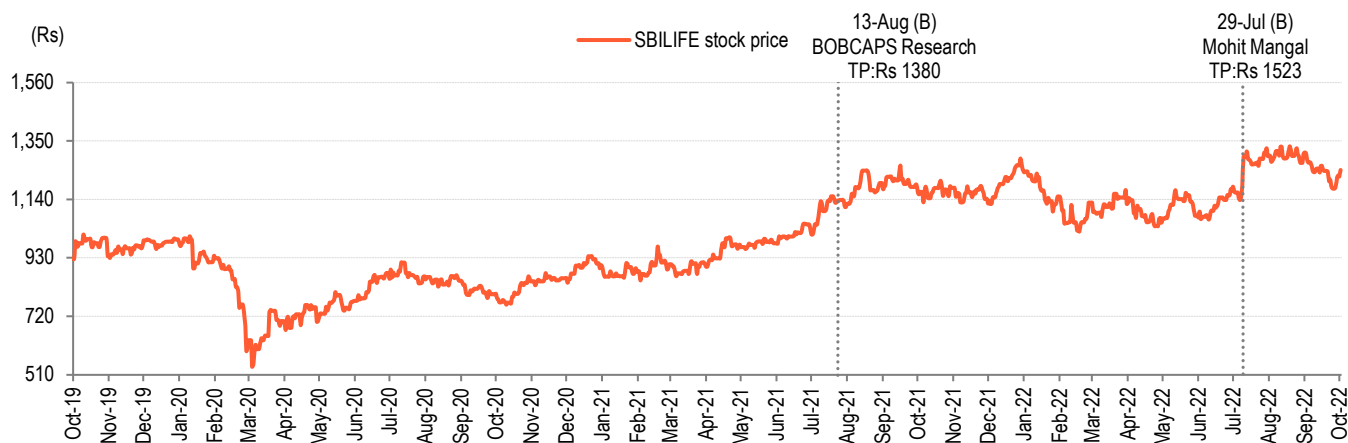
**HOLD** – Expected return from -6% to +15%

**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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B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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