ACMIIL INSTITUTIONAL RESEARCH

Asit C. Mehta
INVESTMENT INTERRMEDIATES LTD.

PANTOMATH
Financial Services Group

LIFE INSURANCE

THEMATIC REPORT

Life Insurance Industry

Sailing smooth in the macros storm

We initiate coverage on the life insurance industry as we believe that the industry has growth potential to offer after undergoing multiple regulatory headwinds, shift of customer preference and changing macros. The industry continues to grow at a healthy pace driven by demand for the products, increasing financial literacy and the initiatives undertaken by the regulator to increase awareness regarding products.

We believe that the large private insurers are better placed than the public to capture the growth that the industry offers. We initiate coverage on 5 life insurance companies i.e, HDFC Life Insurance, ICICI Prudential, LIC of India, Max Financial Services and SBI Life Insurance. The investment rationale is as follows –

HDFC Life Insurance – The company aims to double its APE/VNB in every four years. It has maintained a healthy margin historically, and the company expects the margin to improve in the next FY. It is currently trading at P/EV multiple of 2.7/2.3/2.1x of its FY25/26/27E EV.

ICICI Prudential – IPRU is investing in products, channels and technology which shall result in healthy premium growth and lead to protection of margins. It is expected to grow higher than the industry which will lead to market share capture in both the individual and group business. It is currently trading at a P/EV multiple of 2.2/2.0/1.7x of its FY25/26/27E EV.

LIC of India - LIC continues to be a dominant insurer due to its footprint in the tier 2/3 regions and brand recall value. It is a dominant player in the group insurance business. It is currently trading at 0.7/0.7/0.6x P/EV over FY25/26/27E EV.

Max Financial Services – Max Financial continues to see healthy growth in its top-line which is mainly driven by the individual premium segment. Its product mix remains balanced with ULIPs, non-par savings and par savings having a majority portion of the product mix. is currently trading a P/EV multiple of 2.2/1.8/1.5x of its FY25/26/27E EV.

SBI Life Insurance - SBI Life is the market leader among private insurance companies. The company APE/VNB is growing at a healthy rate driven by growth in both individual and group segments. It is currently trading at a P/EV multiple of 2.5/2.1/1.8x over FY25/26/27E EV.

Summary:	
Bloomberg code:	HDFCLIFE:IN
Rating:	Buy
Target price (Rs)	844
CMP (Rs)	727
Upside/ (Downside)	16.1
Bloomberg code:	IPRU:IN
Rating:	Buy
Target price (Rs)	893
CMP (Rs)	745
Upside/ (Downside)	19.9
Bloomberg code:	LICI:IN
Rating:	Hold
Target price (Rs)	1,083
CMP (Rs)	943
Upside/ (Downside)	14.8
Bloomberg code:	MAXF:IN
Rating:	Hold
Target price (Rs)	1,318
CMP (Rs)	1,196
Upside/ (Downside)	10.2
Bloomberg code:	SBILIFE:IN
Rating:	Buy
Target price (Rs)	2,015
CMP (Rs)	1,734
Upside/ (Downside)	16.2

Source: NSE

Analyst

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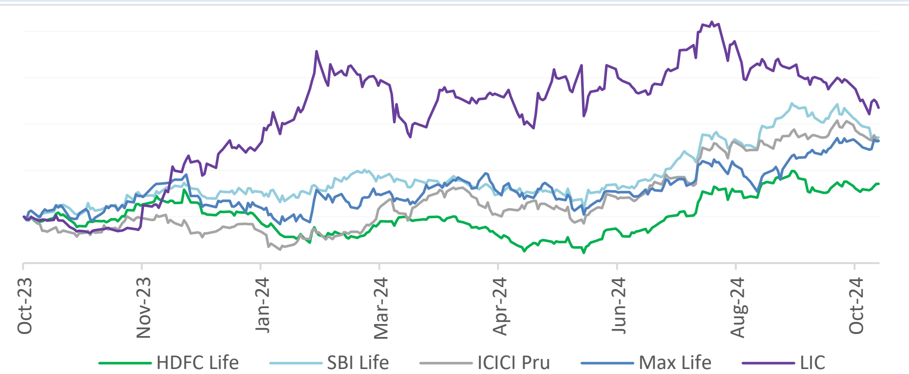
Relative Share Performance of Coverage Companies



Source: NSE

Name	Rating	M.Cap (Rs Bn)	CMP (Rs)	Target Price (Rs)	Upside (%)	P/EV (x)			APE Growth (%)			VNB Margin (%)		
						FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
HDFC Life	Buy	1,564	**727**	**844**	**16.1**	2.7	2.3	2.1	11.7	15.2	16.2	25.7	25.9	26.0
ICICI Pru	Buy	1,077	**745**	**893**	**19.9**	2.2	2.0	1.7	6.5	16.9	16.0	26.6	27.2	27.2
LIC	Hold	5,964	**943**	**1,083**	**14.8**	0.8	0.7	0.7	11.1	9.3	10.2	19.1	19.3	18.6
Max Life	Hold	413	**1,196**	**1,318**	**10.2**	2.2	1.8	1.5	20.5	20.4	22.3	23.6	25.7	26.6
SBI Life	Buy	1,737	**1,734**	**2,015**	**16.2**	2.5	2.1	1.8	16.8	18.0	17.6	27.6	26.9	27.1

Source: Company, ACMIIL Research

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Overview of the industry

The Life Insurance Industry in India has grown at a CAGR of 12%/10.5% over FY19-24 in terms of NBP/APE growth. While the growth has been sluggish in FY24 due to regulatory changes, a shift in consumer preference and higher returns from other funds. The industry caters to a wide customer base and has customers in the form of individual and group insurance.

Life Insurance Industry has grown at 12%/10.5% CAGR over FY19-24 in terms of NBP/APE growth.

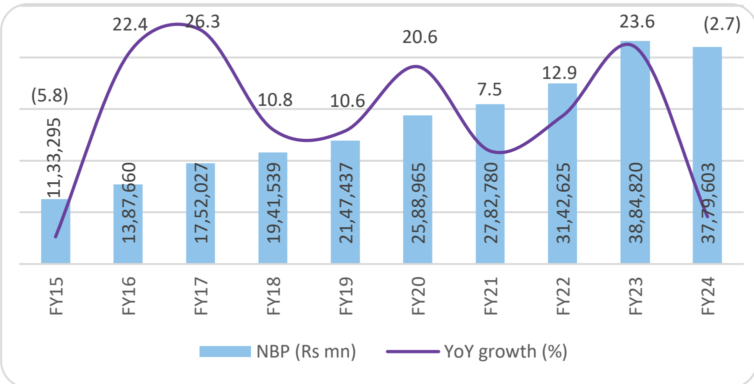
The industry presents an opportunity due to the protection gap and under-penetration of insurance products in the country. India's insurance penetration stands at 3.8% compared to 6.5% globally. The insurance regulator IRDAI is pushing to deepen the penetration with initiatives such as 'Insurance for All' by 2047 and making products more accessible with initiatives such as Bima Vistaar, Bima Vahak and Bima Sugam. The factors that can act as a catalyst for the industry's growth include improving per capita income, labour force participation and a strong focus on financial inclusion.

Over the next five calendar years, Swiss Re expects the industry to grow at a CAGR of 7.1% in real terms, above the emerging market average of 5.1% and advanced economies average of 1.7%.

The Indian Life Insurance industry saw a decline in FY24 mainly due to the changes in the tax structure of non-par products and higher premium products. Even the insurer's margin saw a decline in FY24 due to increased commission costs and increased sales of market-linked products owing to higher returns and proposed tax benefits.

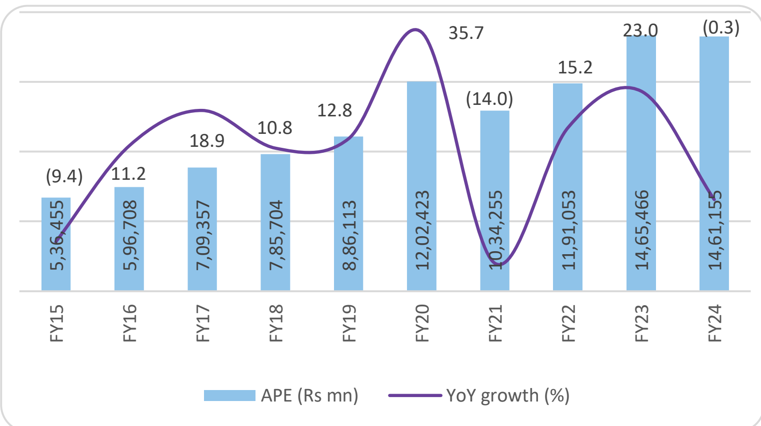
The industry seems well-placed to see healthy growth in the coming FYs as the regulatory overhang is well behind with respect to the surrender value, change in commission structure and EOM norms. The insurance companies have started to see improvement in their margins and have modified their products in the light of regulatory changes and changes in consumer demands.

Exhibit 1: NBP growth of the industry



Source: IRDAI

Exhibit 2: APE growth of the industry



Source: IRDAI

Segment growth

Private insurance companies have grown at a higher pace as compared to LIC of India

Over the last 5 years, private insurance companies have grown at a higher pace in terms of NBP/APE growth. In terms of NBP/APE growth life insurance industry has grown at 12%/10.5% CAGR over FY19-24. The outperformance can be seen in both segments i.e. individual insurance and group insurance. Private insurers have seen higher growth in the individual insurance segment whereas LIC of India has seen single-digit growth. Private insurers have gained market share in both segments over the years due to a flexible product mix, diverse distribution channels and relatively better IRRs to policyholders.

In terms of demographics, private insurers have a higher presence in the metro and semi-urban regions where the average ticket size per policy is relatively higher as compared to rural regions. The companies also have flexibility in terms of distribution and have a higher digital presence which enables a wider reach to target customers. While LIC of India has a higher presence in the rural regions, private insurers such as SBI Life have increased their presence with partnerships with the parent banks (Bancassurance). Even other private insurance companies have opted to partner with banks to enable higher distribution of policies.

Even in terms of product offerings, private insurers have diverse products in the form of savings, protection, annuity and other diverse forms of products such as credit life and pension plans. Such a diverse product range covers a wide range of customers across different stages of life with varied financial requirements.

Hence, a wide reach, diverse range of products, wide distribution channels and deeper penetration have enabled private insurers to grow at a higher pace in terms of premiums.

Exhibit 3: NBP premium 5 year CAGR (%) of the industry

Segments	Private	Industry	LIC
Individual NBP	14.6	8.9	2.5
Group NBP	19.5	14.3	12.6
NBP	16.5	12.0	9.4

Source: IRDAI

Exhibit 4: APE premium 5 year CAGR (%) of the industry

Segments	Private	Industry	LIC
Individual APE	13.8	10.4	4.8
Group APE	14.4	10.9	8.9
APE	13.9	10.5	6.2

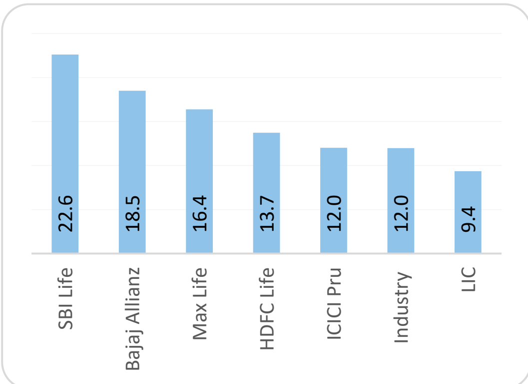
Source: IRDAI

Bajaj Allianz, SBI Life and HDFC Life have seen higher growth as compared to the industry

Major insurance companies that have grown higher than the industry in premium growth include Bajaj Allianz, SBI Life, HDFC Life and Max Life Insurance. These insurance companies have outpaced the industry and LIC in terms of both NBP/APE, thus, indicating a gain in market share and a wider reach of the policies. SBI Life and HDFC Life have reported decent growth in both the segments such as individual and group segments. At the same time, Bajaj Allianz and Max Life Insurance have seen healthy growth in the individual premium segment while the group segment has been a laggard.

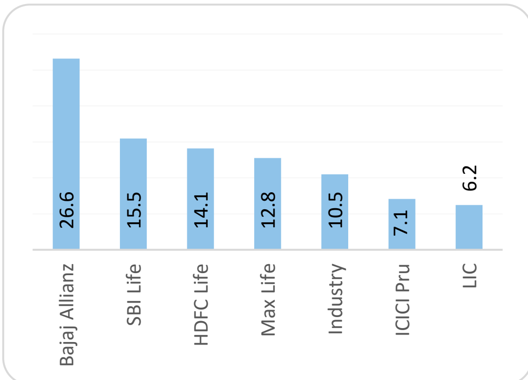
In terms of APE, ICICI Pru has grown at 7% CAGR over 5 years mainly due to slow growth in the individual APE segment compared to peers while it has seen healthy growth in the group segment. LIC of India has been a laggard on both NBP/APE terms as the public insurer has grown at a CAGR of 9.4%/6.2% over FY19-24.

Exhibit 5: NBP 5-year CAGR (%)



Source: IRDAI

Exhibit 6: APE 5-year CAGR APE (%)



Source: IRDAI

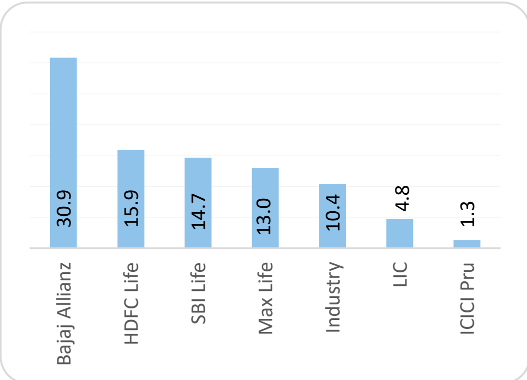
Growth in individual and group insurance

Growth in the individual and group segment

In the individual segment, major insurance companies like Bajaj Allianz, HDFC Life, SBI Life and Max Life have seen healthy growth as compared to the industry while LIC and ICICI Pru have grown in single digits and at a lower pace as compared to the industry. Private insurance companies like SBI Life, HDFC Life and Max Life Insurance have also grown due to their association with the bank (In the case of Max Life Insurance, Axis Bank is the partner bank) which aids in the wider distribution of policies. ICICI Pru has grown at a higher pace in the case of group insurance with a growth of 26.5% CAGR, however, the growth momentum has slowed down in the last 2 years due to the competitive pressure from other private insurers and LIC.

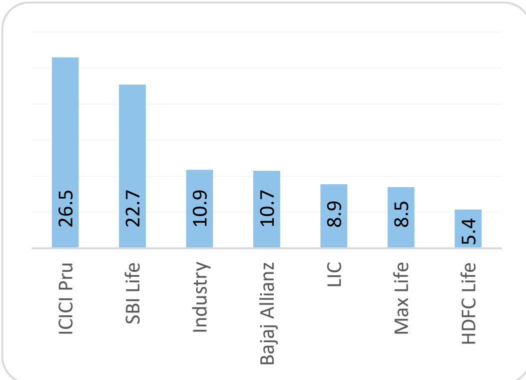
In Individual segment Bajaj Allianz, HDFC Life, SBI Life and Max Life posted healthy growth while LIC and ICICI Pru lag with single-digit growth below industry pace.

Exhibit 7: Individual APE 5 year CAGR (%)



Source: IRDAI

Exhibit 8: Group APE 5 year CAGR (%)



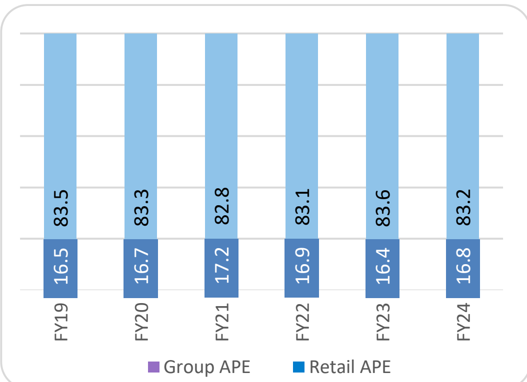
Source: IRDAI

Individual and group mix in the APE

In the APE mix, private insurers and LIC of India have different proportions of individual and group insurance. As shown in the exhibits 9 and 10, from an industry perspective private insurers have a higher portion of the individual (retail) APE while group APE forms a smaller portion of the total APE. In the LIC's APE mix, group APE has a relatively higher proportion. Private insurers have an emphasis on growing their retail premium mainly due to a relatively non-seasonal nature as compared to the group insurance business and higher ticket size. Private insurers have also gained market share from LIC of India on an aggregate basis (as shown in the exhibits 9 and 10).

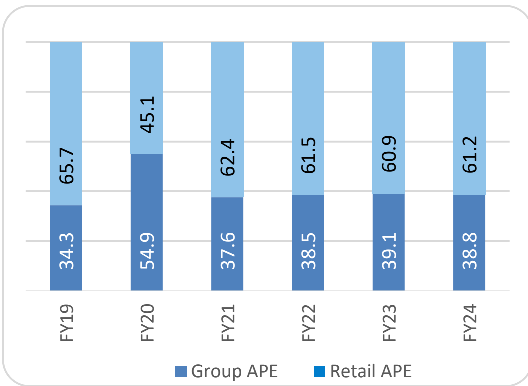
While LIC has maintained a substantial portion of its premium in the group insurance over the year, the public insurer is also gradually increasing its footprints in the individual business as well with the launch of non-par products that are suited for individual customers. At an industry level, individual policies drive volumes as individual non-single policies form ~95% of the total policy.

Exhibit 9: Private insurance APE mix (%)



Source: IRDAI

Exhibit 10: LIC APE mix (%)



Source: IRDAI

Private insurers vs LIC of India

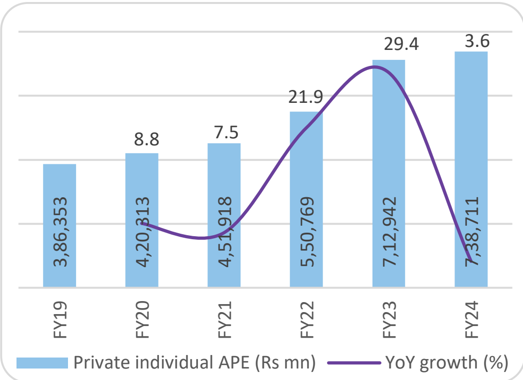
Fueled by regulatory shifts, innovation and possible GST cuts, Insurance Industry set for a rebound in FY25E after a flat FY24.

Individual and group premium growth trajectories

Historically private insurance companies have shown resilience to changing demand and regulatory conditions in both individual and group segments on the APE basis. While the private insurance companies saw healthy growth from FY21-23. In FY24, the industry saw flattish growth due to the implementation of the revised tax regime, a high base of FY23 and a decline in the sale of high ticket policies. The companies also had to navigate through changes in commission norms and Expense of Management (EoM) norms. During FY24, the industry also saw a shift in consumer preference from non-par to ULIP or market-linked products due to the non-taxability of such products and higher returns due to capital market outperformance.

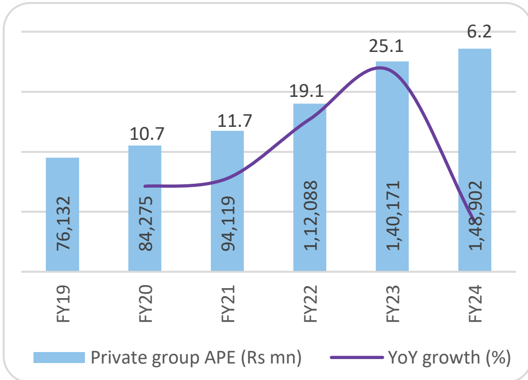
After seeing flattish growth in FY24, the industry is expected to see healthy growth in FY25E as the insurers will adapt to the changed regulatory environment and come up with innovative products that will propel top-line growth. The possibility of a reduction of GST rates in the GST council meeting could also act as a catalyst to premium growth, thus, making policies more affordable.

Exhibit 11: Private individual APE grew at a healthy pace till FY23



Source: IRDAI

Exhibit 12: Group APE business of private insurers



Source: IRDAI

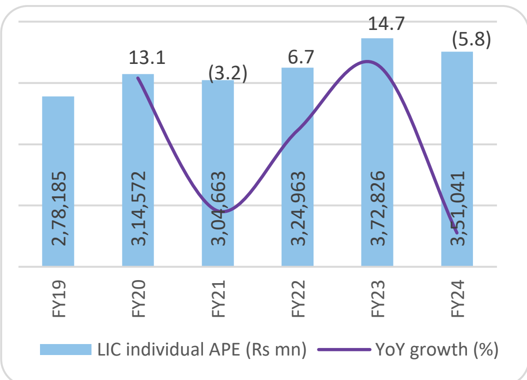
LIC of India continues to grow at a moderate pace

LIC has seen flattish growth since FY21 with a growth of 6.6% CAGR.

While the private insurance industry has outpaced LIC in terms of premium growth on both individual and group levels, the LIC continues to have a major market share in the industry in terms of premiums and the policies sold (although the market share has declined over the years). In terms of group insurance, LIC has seen flattish growth since FY21 with a growth of 6.6% CAGR.

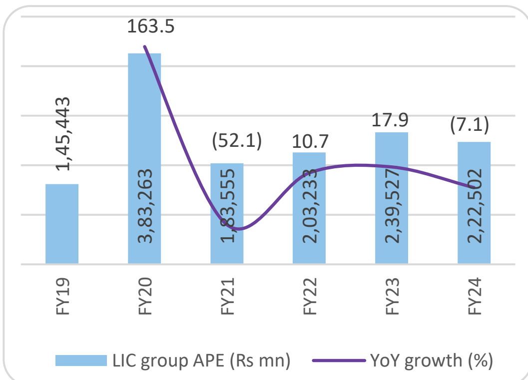
LIC's single-digit growth in both individual and group APE can be attributed to the lower proportion of non-par products in this product mix and having an agency channel as the primary source of distribution. The public insurer's shift towards non-par products has been slower and hence, it has been facing challenges in garnering premium growth and gaining market share. The slower-than-anticipated premium growth has also led to minimal growth in margins going forward and modest growth in the embedded value.

Exhibit 13: LIC's individual APE business has grown at a decent pace



Source: IRDAI

Exhibit 14: Moderate growth of LIC's group business since FY21



Source: IRDAI

Products of insurers and products mix based on APE

LIC of India, dominant in group insurance, derives 12% of its APE from non-par products, a segment that has seen recent expansion.

In the APE mix, SBI Life, ICICI Prudential, and Max Life focus on ULIPs, while HDFC Life maintains a balanced approach with the highest non-par share, followed by Max Life

Diverse products offerings

Insurance companies offer a wide range of products, including annuities, endowments, term life insurance, ULIPs, health insurance, accident insurance, and others. As shown in the below exhibit 15, the product mix of the companies reflects the key focus area of the company. For example, Bajaj Allianz and Max Life have derived most of their growth in the last decade from the retail premium and hence, their product offering has been more concentrated towards endowment, term and ULIP plans while LIC of India has a high concentration of products towards group insurance. Insurers such as SBI Life and HDFC Life have balanced product offerings as the company caters to both individual and group customers.

In the total APE mix, while SBI Life, ICICI Prudential and Max Life Insurance have a higher portion of premiums from ULIP, HDFC Life continues to maintain a balanced mix. The share of premium from the non-par segment was highest for HDFC Life followed by Max Life. Apart from ULIP products, ICICI Prudential derived its premium from the protection and non-par segment.

LIC of India which maintains its dominance in the group insurance business has the highest portion of premiums from the group insurance business. Since the company has a limited presence in the non-par product segment, premiums from non-par products form 12% of the total APE. The company has seen an expansion in its non-par business in the last few quarters.

Historically, the protection segment saw healthy growth from FY17-20 and this led to an increase in the portion of the protection segment in the overall product mix. However, post-COVID-19, the protection segment has seen mixed growth across different companies.

The share of non-par products saw healthy growth from FY20-23 as the segment saw traction due to tax savings benefits as compared to other products, especially in the event of maturity of the policy. This segment attracted large ticket-size customers and is a high-margin product for the insurers. However, post FY23, the regulatory changes announced in the union budget this segment to tax products on maturity with a ticket size of higher than Rs 5 lakhs, this segment saw weaker growth in FY24.

FY24 belonged to ULIP products as this segment saw the highest growth as compared to other segments. The superlative growth in the ULIP products was mainly due to the tax exemption on maturity and the high return generated by these products due to capital market performance.

Exhibit 15: Product mix of insurers

Product	Bajaj Allianz	HDFC Life	ICICI Pru	LIC of India	Max Life	SBI Life
Annuity	4	5	4	5	1	3
Endowment	11	27	11	11	11	16
Term	10	17	22	14	10	14
ULIP	16	22	9	5	7	12
Pension		3	6		4	1
Accident		4	1	4	3	6
Health		12	7	3	8	5
Group Savings and others	15	6		22	5	2

Source: IRDAI

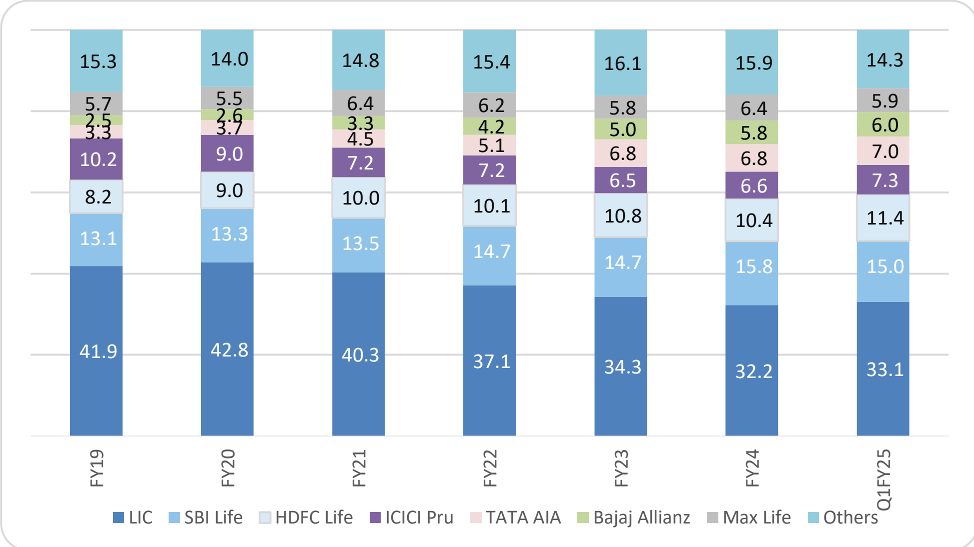
Exhibit 16: Product mix of insurers based on APE

	Product mix based on APE as on Q1FY25 (%)				
Product Type	**HDFC Life**	**ICICI Pru**	**LIC of India**	**Max Life**	**SBI Life**
Participating	14		55	13	4
Non Participating	30	17	12	22	19
ULIP	32	51		39	61
Protection	14	18		10	8
Annuity	5	11		5	3
Group	4	3	33	10	4

Source: Company Fillings

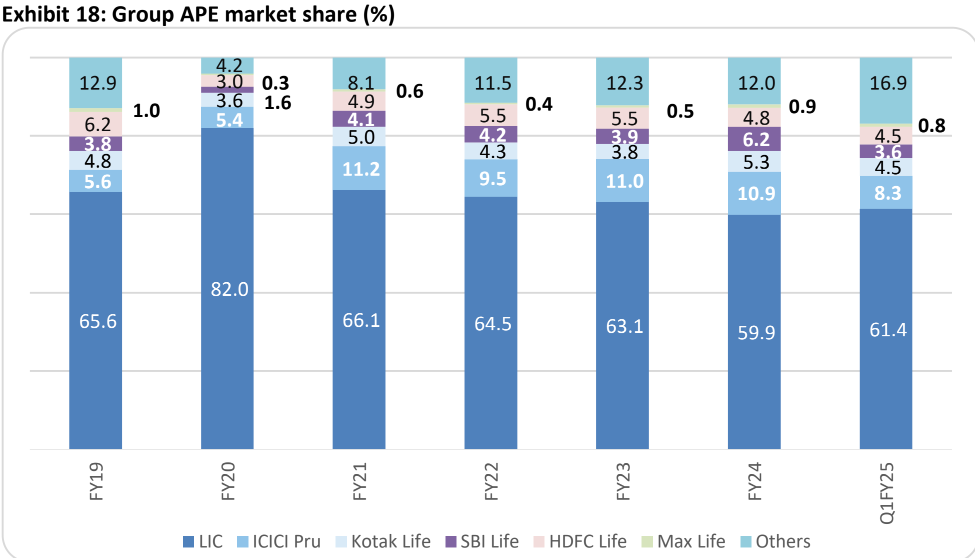
Market share of individual and group APE

Exhibit 17: Individual APE market share (%)



Source: IRDAI

Exhibit 18: Group APE market share (%)



Source: IRDAI

LIC holds over 60% market share in group premiums despite losing ground since FY20, while ICICI Pru has gained share with aggressive growth..

HDFC Life and Max Life remain focused more on individual insurance.

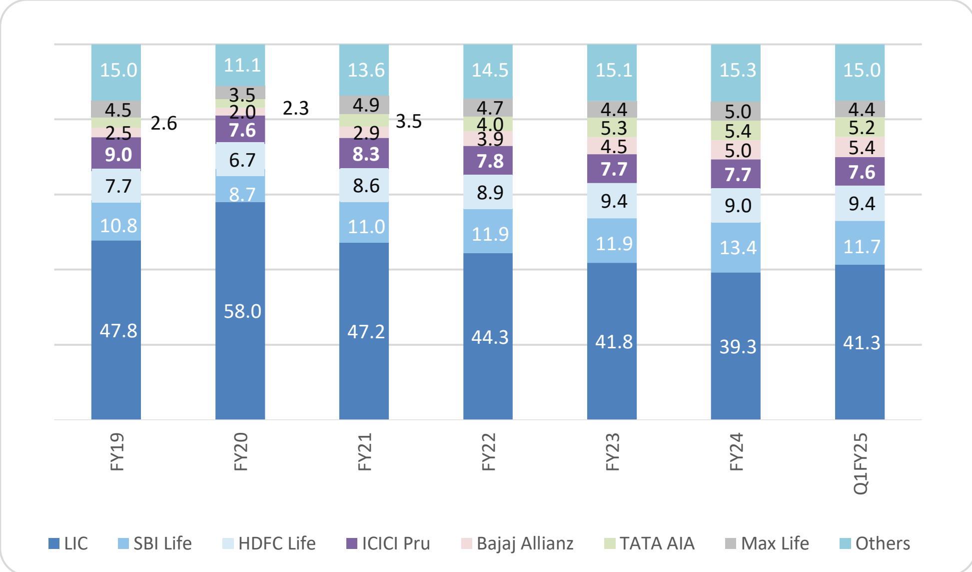
Private insurers have gained market share in the individual APE segment

Since private insurers have outpaced LIC in individual APE growth, they have managed to gain market share. As seen in exhibit 17, major private insurers have gained market share in the individual APE segment. A few companies like SBI Life, Max Life, and HDFC Life have gained market share mainly due to the omnipresent nature of distribution and differentiated products. Amongst private insurers, SBI Life and Bajaj Allianz have gained market share consistently while ICICI Pru has lost market share since FY20. Max Life has been fairly competitive in the individual insurance segment and has seen market gain since FY24, however, it lost market share by ~50bps in 3MFY25.

In terms of group premiums, LIC continues to hold a dominant position, with a market share of more than 60% even though the public insurer has lost market share since FY20. LIC of India is seeing a declining market share because of the growth momentum as compared to private insurers. ICICI Pru has grown aggressively in the group insurance segment and as a result, has gained market share. Other private insurers such as HDFC Life and Max Life whose focus remained more on individual insurance have lost ground concerning the group business. SBI Life has seen consistent growth in the market share and has seen consistent growth at ~23% CAGR over FY19-24. The group insurance segment remains competitive and many privately listed companies have gained market share in this segment vis-à-vis the individual segment where dominant private insurers continue to gain market share.

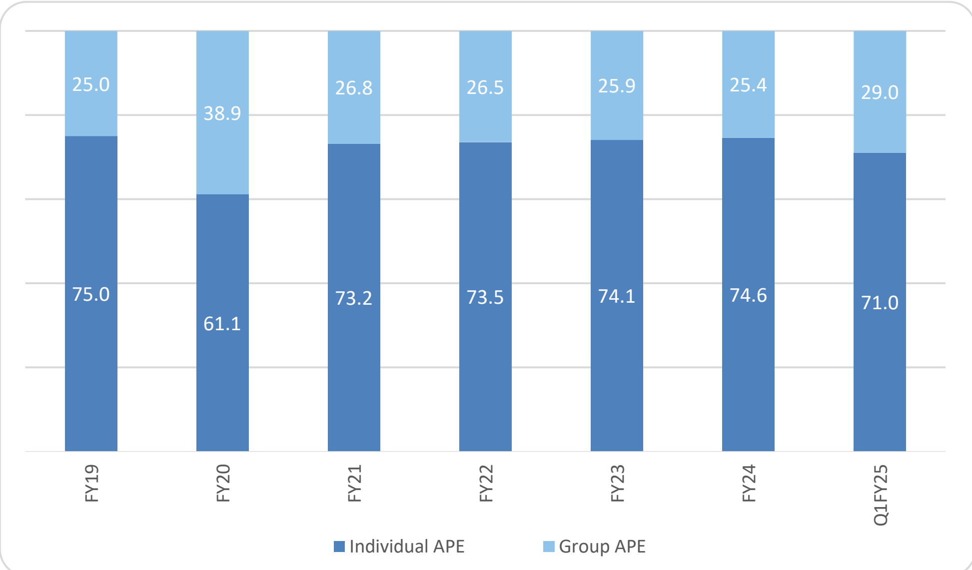
Market share of overall APE

Exhibit 19: APE market share (%) of the industry



Source: IRDAI

Exhibit 20: Individual and group mix (%) in APE



Source: IRDAI

Private insurers continue to gain market share in the overall APE

In the overall APE mix, owing to the majority of the market share in the group insurance business, LIC of India has the highest market share. As seen in exhibit 19, Individual APE has a higher weightage over group APE due to the higher ticket size of the policies and the volume of policies sold. Private insurers such as SBI Life, HDFC Life and Max Life have gained market share as they have managed to grow at a faster pace than the industry. Private insurers have also gained an edge due to new products like credit life and retirement products which are seeing traction amongst policyholders. Credit life policies have gained traction due to insurance companies association with the banks.

We remain positive on the major private insurers and expect them to continue to gain market share from LIC, especially in the individual insurance segment where LIC is seeing a loss of market share at a faster pace as compared to the group insurance. Also, concerning individual insurance, the ticket size of the private insurers remains well above LIC.

Market share in policies sold

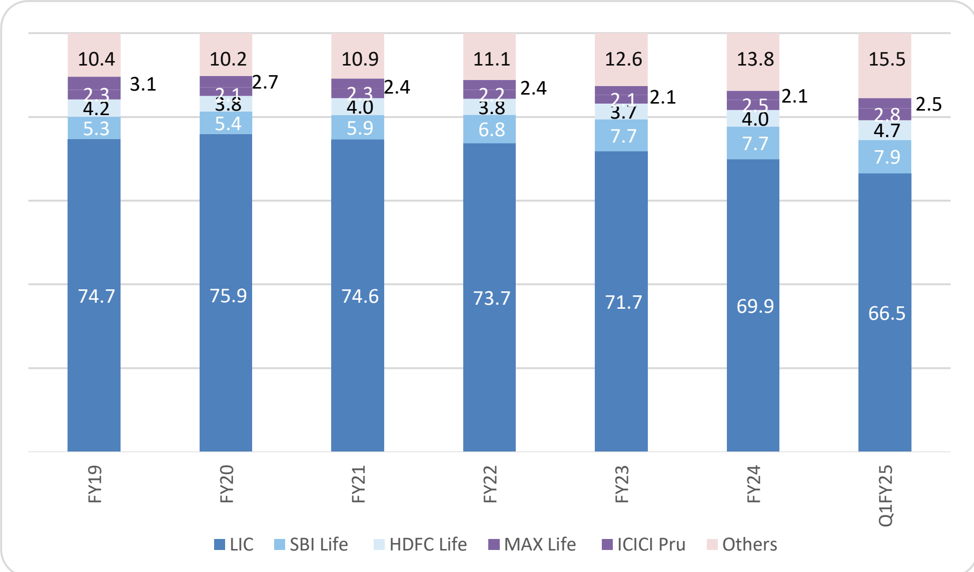
LIC dominates policy sales, contributing ~67% of industry policies due to its strong presence in tier 2/3 cities and reliance on the agency channel, which drives ~96% of its APE.

LIC is driving the volume of policies sold in the industry

In the life insurance industry, individual policies drive the majority of the policies being sold as compared to group insurance. The major policies are being sold by LIC due to the wider presence geographically in tier 2/3 cities. In the individual segment, while LIC drives ~32% of the premium in the industry policy-wise it contributed ~67% of the policies sold. The volume of policies sold for LIC is majorly driven by the agency channel which contributes ~96% of the APE. SBI Life and HDFC Life contribute to the majority of the policies sold in the industry. The bancassurance channel contributed majorly to the policies sold along with the direct channel and agency channel.

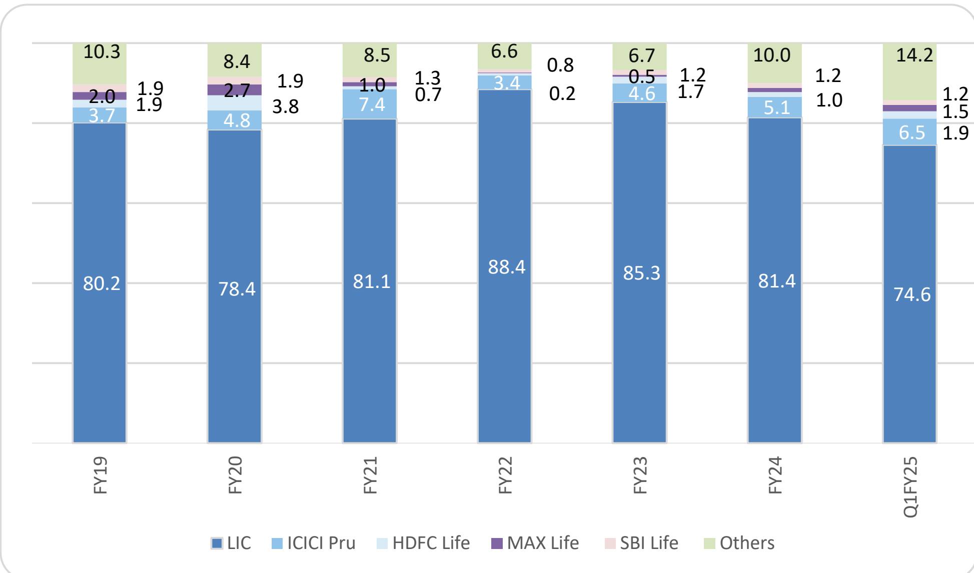
In the group insurance segment (Exhibit 22), along with having the highest market share, LIC is the major contributor to volume as well. In volume terms, LIC contributes to ~80% of the total policies sold on an annual basis. In private insurance, ICICI Pru gained market share in terms of policies saw the insurer saw healthy growth in its group APE.

Exhibit 21: Individual policy sold market share (%)



Source: IRDAI

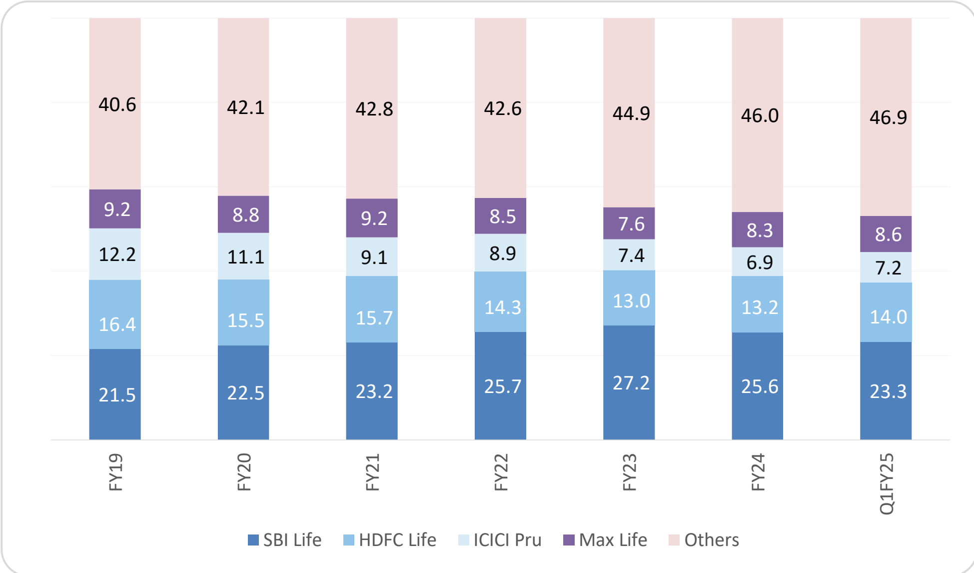
Exhibit 22: Group policy sold market share (%)



Source: IRDAI

Market share in policies sold

Exhibit 23: Policies sold market share (%) of private insurers



Source: IRDAI

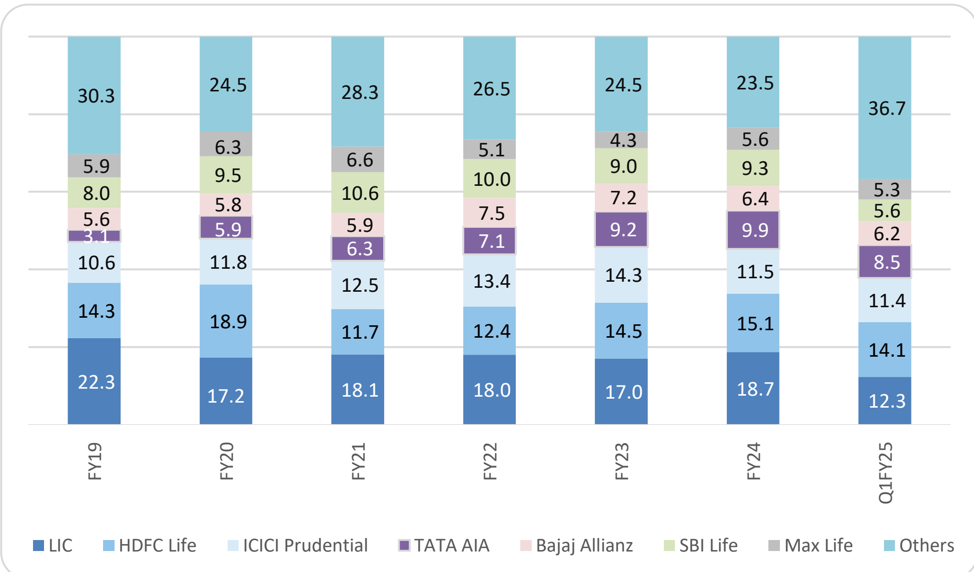
Market share in terms of sum assured

Amongst private insurers, HDFC Life and ICICI Prudential have a relatively higher share of the sum assured due to the inherent product mix of the insurers.

Sum assured of LIC remains lower as compared to private insurers

The sum assured market share of private insurers remains well above the LIC of India. As compared to the dominance of LIC seen in the policies sold, it shows that the size of policies being sold has a lower sum assured, thus, indicating that the average ticket size would be lower (as shown in exhibit 26). Amongst private insurers, HDFC Life and ICICI Prudential have a relatively higher share of the sum assured due to the inherent product mix of the insurers. ICICI Prudential saw healthy growth in its sum assured share due to healthy growth seen in the group insurance segment.

Exhibit 24: Sum assured market share (%)



Source: IRDAI

Average ticket size of policies

The industry saw an increase in the ticket size from FY23 onwards

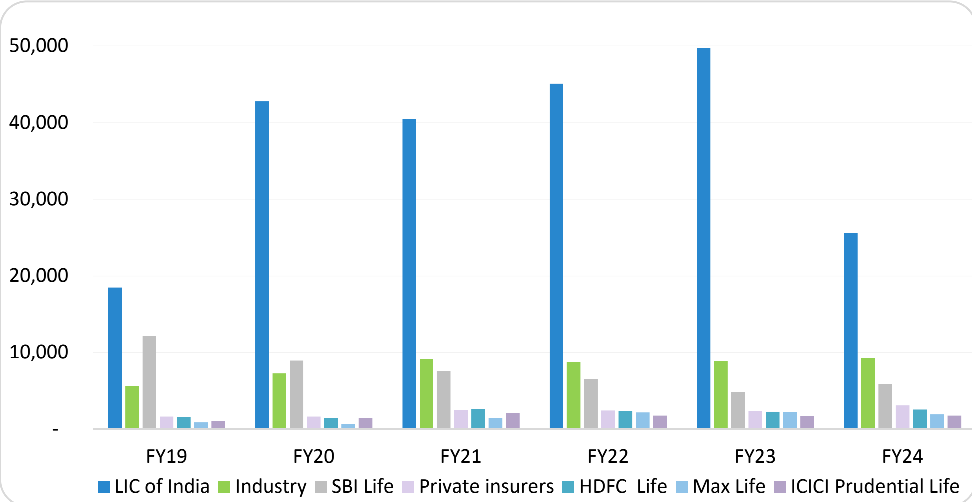
The average ticket size per policyholder is higher in the case of individual non-single insurance than group insurance segment. The average ticket size for insurers is a function of the product mix and the volume of the policies sold. Insurers with a higher portion of non-par savings products will have higher ticket size and a higher margin.

In the group insurance business, LIC of India has a dominant position with the highest market share and volumes of policies sold.

In individual non-single insurance (Exhibit 26), ICICI Pru, HDFC Life and Max Life have relatively higher ticket size as compared to other private insurers in the industry due to a favourable product mix and wider presence. LIC on the other hand, has a lower ticket size while dragging the average ticket size of the industry due to higher volume of sales. The lower ticket size of LIC can be seen in the context of product mix (Exhibit 16) wherein LIC has a lower proportion of non-participating products and a higher proportion of participating products. SBI Life and ICICI Prudential's products are more tilted towards ULIP products (Exhibit 16) while HDFC Life and Max Life have a balanced product mix.

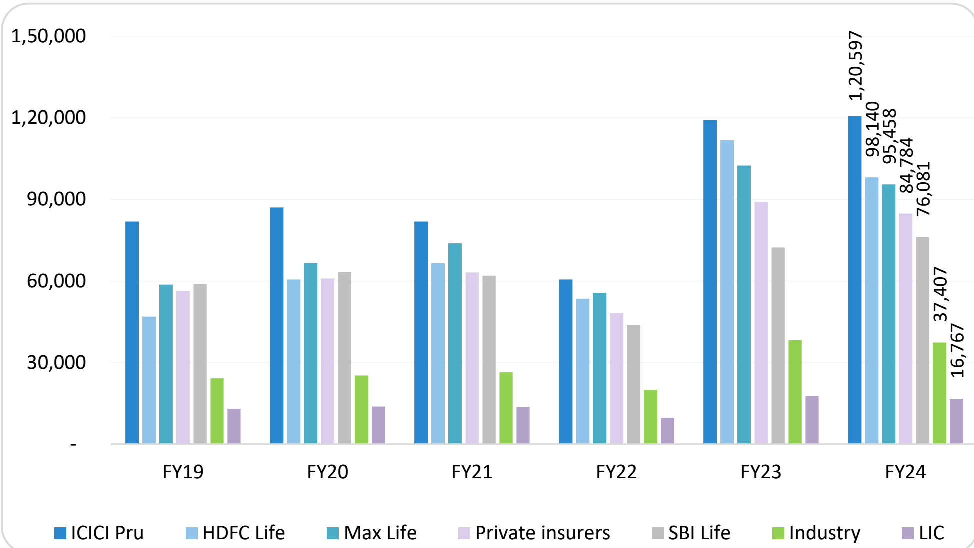
In the group insurance business (group single and group yearly premium), LIC of India has a dominant position with the highest market share and volumes of policies sold. LIC also has a higher ticket size per life covered as compared to the private insurers. ICICI Pru which saw significant growth in its group premium has lower ticket size of policies while it has focused on scaling its group business. With regards to the group insurance, FY24 saw a decline in ticket size due the competitive intensity in the segment.

Exhibit 25: Average ticket size (Rs) per life covered in group insurance



Source: IRDAI, ACMIIL Research

Exhibit 26: Average ticket size (Rs) – Individual Non-Single Life



Source: IRDAI, ACMIIL Research

Distribution channels of policies

The omnipresent channel strategy has worked for the life insurance industry.

Traditionally, life insurers have relied on their agency channels to increase their geographical footprint, distribute their policies and gain traction in their products. However, insurers have also partnered with banks/NBFCs to disburse policies (also known as the bancassurance channel). Some insurers such as SBI Life, HDFC Life and ICICI Prudential have banks as their parent company which helps in increasing the top-line of the insurance companies. For example, as shown in Exhibit 28, SBI Life and HDFC Life have the majority of the APE being derived from the bancassurance channel while ICICI Pru has a balance between the bancassurance and agency channel. However, over the years ICICI Pru has seen reduced dependence on its parent bank and has opted to partner with other banks as well. Max Life Insurance also has 48% of its APE from the bancassurance network (Axis Bank).

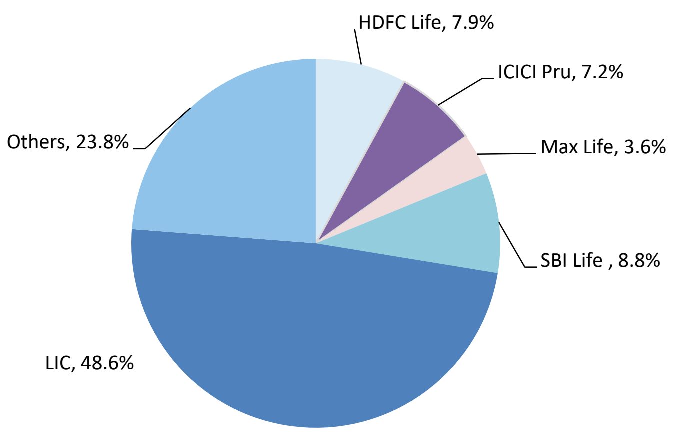
HDFC Life, expanding its regional presence in tier 2/3 cities, partnered with Karur Vysya Bank, Karnataka Bank, and others, while also acquiring Exide Life in FY22. ICICI Pru, meanwhile, partnered with 43 banks to boost its distribution network.

Insurance companies also partner with other banks that have a regional presence. For example, HDFC Life has partnered with Karur Vysya Bank, Karnataka Bank and others to increase their regional presence and grow their network in tier 2/3 cities. Likewise, ICICI Pru has partnered with 43 banks to distribute its policies and increase its presence. HDFC Life also acquired Exide Life Insurance in FY22 due to its presence in the tier 2/3 cities.

Insurance companies use multiple distribution channels to increase their APE. Insurance companies need widespread distribution channels to grow their footprint majorly in the case of individual insurance because customers are widely spread. Insurance companies opt for a dual strategy wherein they increase their agency count to penetrate tier 2/3 cities while for urban regions they invest in technology to increase their direct/online channel.

Public sector insurer LIC of India has an agency-dominant channel as 96% of the APE is derived from the agency. The higher agency count has led to an increased commission as a % of the premium for LIC as compared to its peers. In terms of agency market share, as seen in Exhibit 27, LIC has an agency market share of ~49% followed by SBI Life and HDFC Life.

Exhibit 27: Agency market share (%)



Source: IRDAI

Exhibit 28: Distribution of business in the APE mix

Channel mix based on APE as on Q1FY25					
Distribution Type	HDFC Life (%)	SBI Life (%)	ICICI Pru (%)	Max Life (%)	LICI (%)
Bancassurance	65	59	29	48	3
Direct	11		15	9	
Agency	17	30	29	22	96
Partnership			12	19	
Others	7	11	27	2	1

Source: Company Fillings

Commission costs saw a surge in FY24

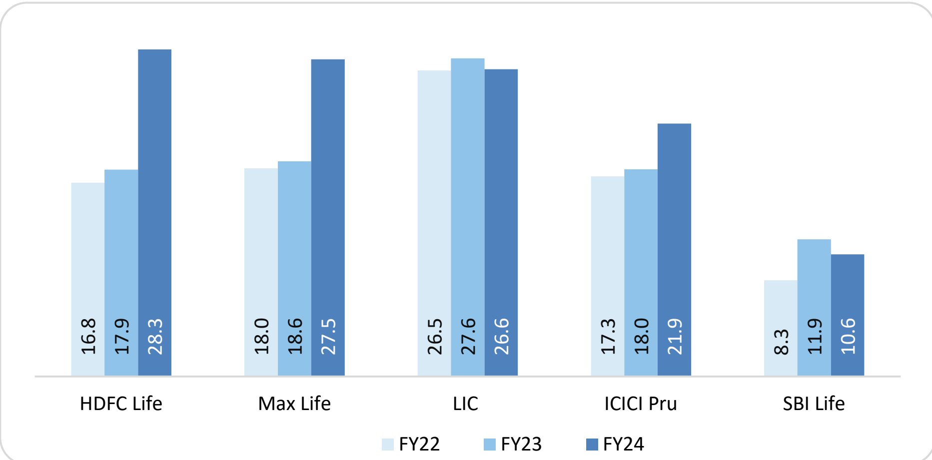
The commission costs of private insurers remain lower as compared to public insurer LIC due to its higher dependence towards the agency channel (96% of the APE is derived from the agency channel). In private insurance, SBI Life has relatively lower commission costs due to its higher dependence on SBI (bancassurance channel) for policy sales, thereby, putting a cap on the commission expenses. The companies saw a surge in FY24 as compared to FY22/23 due to the change in commission norms whereby the regulator removed the upper cap on the commission expenses which prompted the company to increase its commission expenses. Amongst private companies, HDFC Life and Max Life were highly impacted by the change in norms which led to a surge in their commission expenses.

The companies believe that the worst of the increase in commission is behind them and going forward the companies will see a moderation in their commission expenses. The companies are also diversifying their distribution channel to reduce dependence on a single channel. For example, ICICI Pru and Max Life have established a well-diversified distribution channel wherein all the channels contribute to the APE.

Worst of the increase in commission is behind now and going forward companies will see a moderation in their commission expenses.

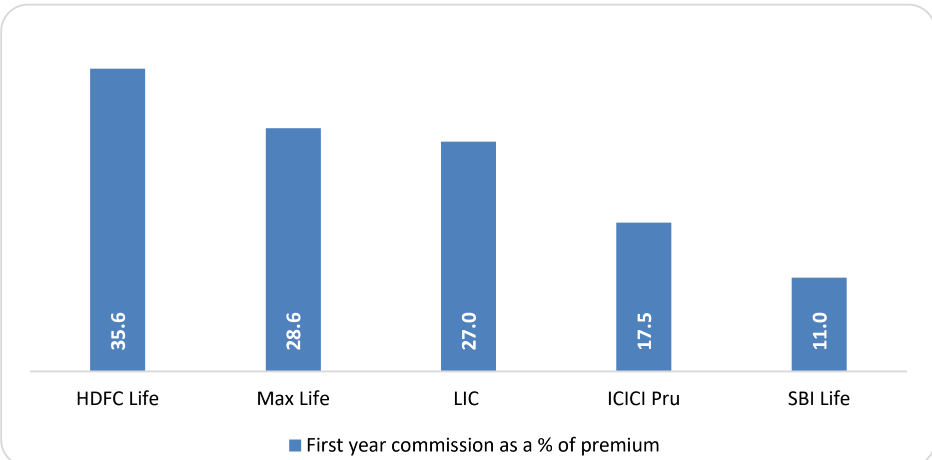
We expect the companies to see a moderation in their commission costs from H2FY25 as the companies have started to move towards a trail-based commission structure from an upfront commission structure which could lead to amortization of commission costs depending on the life of the policy.

Exhibit 29:First-year commission trend in the last 3 FYs as a % of first year premium



Source: Company Fillings

Exhibit 30: First year commission as a % first year premium as on Q1FY25



Source: Company Fillings

Improvement in persistency for the industry

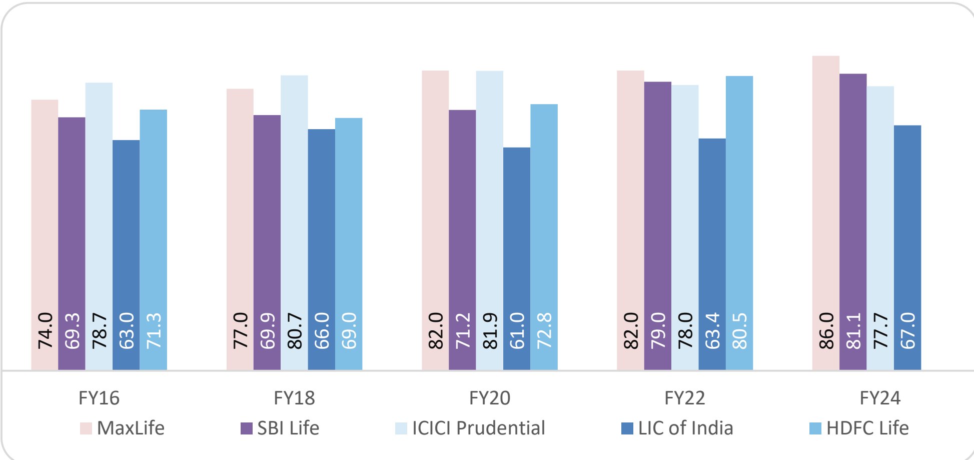
The persistency ratio of private life insurers remains higher as compared to the LIC across cohorts. The higher persistency denotes that the customers are sticky and tend to associate with the life insurers for a prolonged period. The persistence of a product is a function of gain on surrender, the benefits of staying in the policy and the IRR on the product. The insurer's focus remains on maintaining the persistency as acquiring new customers would attract acquisition costs which will impact the profitability of the insurer. The insurers' persistency is also dependent on the product mix of the company. Ideally, companies with a higher proportion of non-par products will tend to have a healthy persistency ratio (Max Life and HDFC Life).

Companies with a higher proportion of non-par products will tend to have a healthy persistency ratio .

Amongst private companies, Max Life and SBI Life have seen healthy growth in their persistency level from the 13th/61st month perspective. The strong improvement in persistency is on account of growth in the retail segment, focusing on the products and needs of the policyholder. ICICI Prudential and LIC's persistency have remained constant over the years with only slight improvement.

We expect the new surrender value norms could pose a risk to the life insurer's persistency ratio in the short term. The management commentary indicates that the lower ticket policies possess a higher risk of surrender of policies. As per the Life Insurance Council monthly data, SBI Life and LIC of India have a higher proportion of lower ticket-size policies as compared to other insurance players. The companies have started to make modifications to their existing policies to make the product more attractive from the policyholder's perspective to avoid early withdrawal of policies.

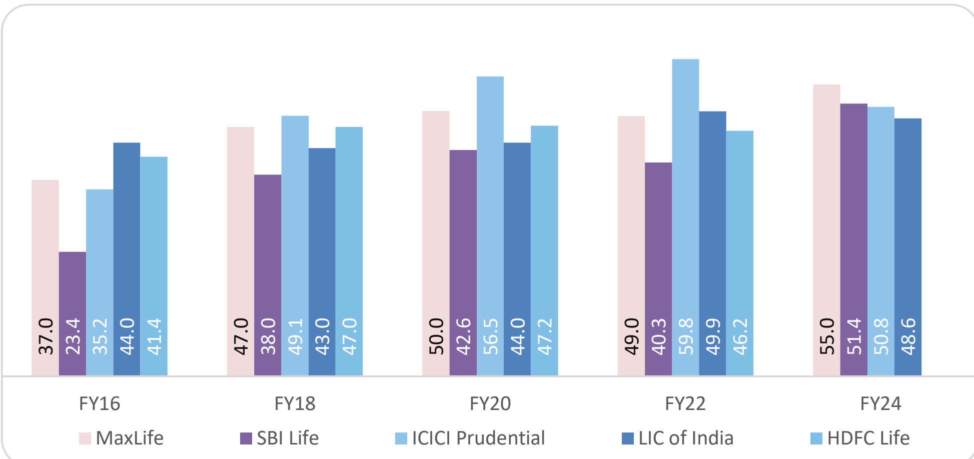
Exhibit 31: 13th month persistency (%) of insurance companies



Source: IRDAI

Note – Persistency of HDFC Life as of FY24 based on policies is not available.

Exhibit 32: 61st month persistency (%) of insurance companies



Source: IRDAI

Note – Persistency of HDFC Life as of FY24 based on policies is not available.

Insurers have maintained healthy solvency ratio

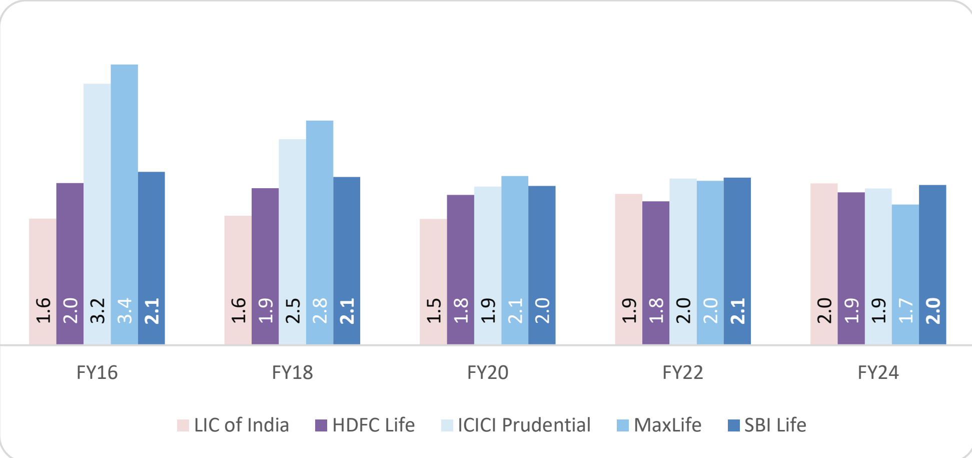
Life insurers continue to maintain a healthy solvency ratio over the regulatory requirement (as per IRDAI, the insurance companies need to maintain a solvency level of 1.5x).

The healthy solvency ratio of the insurers indicates the companies are adequately capitalized for the next phase of growth and there is no immediate need for capital raising. Historically, LIC of India, HDFC Life and SBI Life have maintained their solvency level while Max Life and ICICI Prudential saw a decline in their solvency level as the companies have been in the growth phase.

Going forward, the insurer's solvency ratio shall be expected to remain stable and at the current level as the companies will look to grow sustainably to tackle any regulatory challenges in the future.

HDFC Life and SBI Life have maintained their solvency level while Max Life and ICICI Pru saw a decline in their solvency level as the companies have been in the growth phase.

Exhibit 33: Solvency ratio (%) remains above regulatory norms



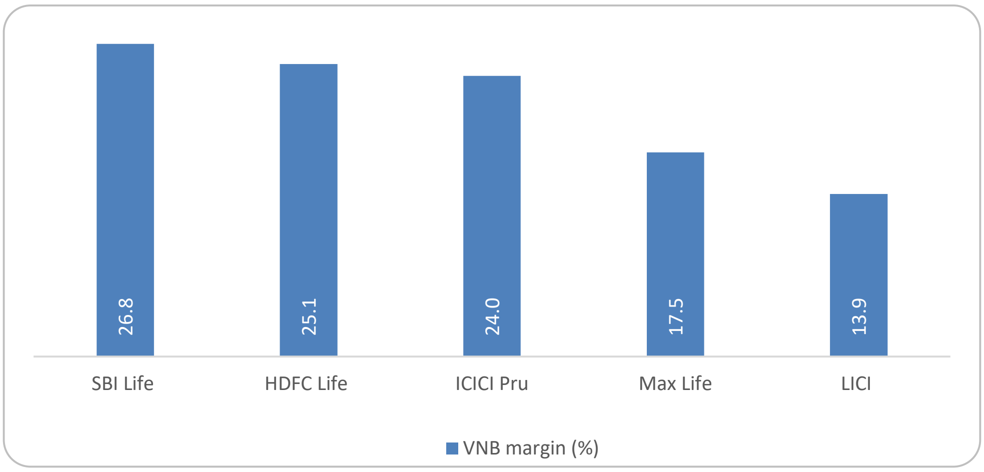
Source: IRDAI

Margins expected to see improvement

The margin of the insurer is a function of the APE growth, product mix, expenses of the insurers (commission and other management expenses) and investment profile. Insurers with high-margin products such as non-par savings profits will typically have higher margins while low-margin products such as ULIPs will have a comparatively lower margin. However, this does not hold for SBI Life which has higher ULIP products in its product mix but still managed to generate higher margins due to the cost efficiency measures, lower commission costs and higher persistency ratio. As mentioned earlier, the industry had a decline in its margin in FY24 due to an increasing proportion of ULIP products, higher commission costs and a decline in non-par products.

While a few risks persist which can lead to a potential decline in the margin such as increasing management costs, increasing commission costs and higher surrender value, we believe that the industry will be able to navigate well to the changing macros and see a relatively better margin in FY26E.

Exhibit 34: VNB margin (%) of insurance companies



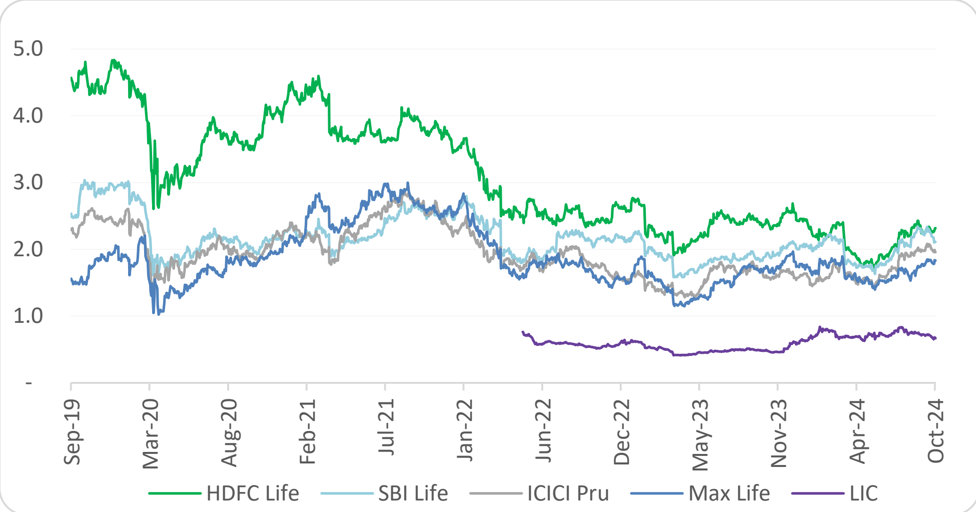
Source: Company Fillings

Valuation

Historically HDFC Life has traded at a premium as compared to the private insurers by a big margin. SBI Life has also traded a premium valuation as compared to ICICI Pru and Max Life. HDFC Life and SBI Life premium valuation has been mainly due to better margins and higher than industry growth especially in the individual premium. HDFC Life saw a decline in its valuation in FY24 mainly due to regulations announced in the union budget and the norms that followed later. SBI Life's premium valuation has been due to healthy growth in both individual and group business, strong parentage and lower operating costs. LIC of India was listed in May 2022, and trades at a significant discount as compared to their private peers.

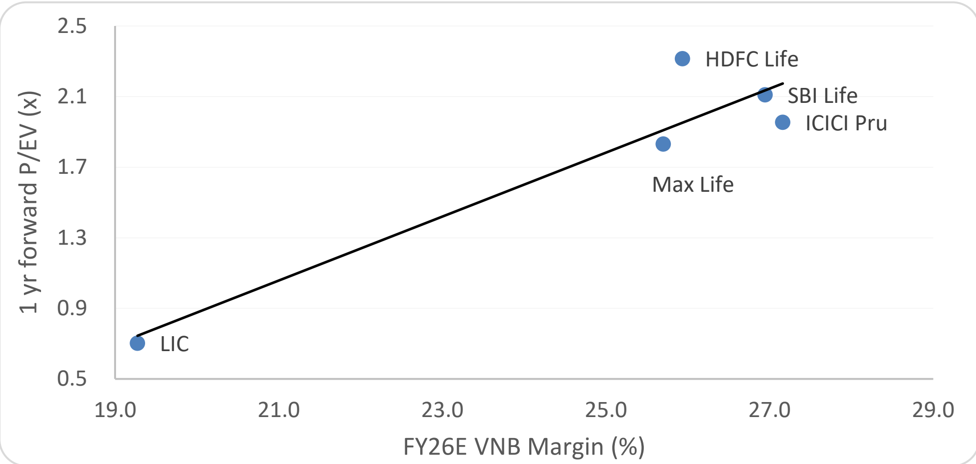
HDFC Life traded at a premium but saw a decline in FY24 due to regulatory norms.

Exhibit 35: 1 yr forward P/EV (x) valuation of life insurers



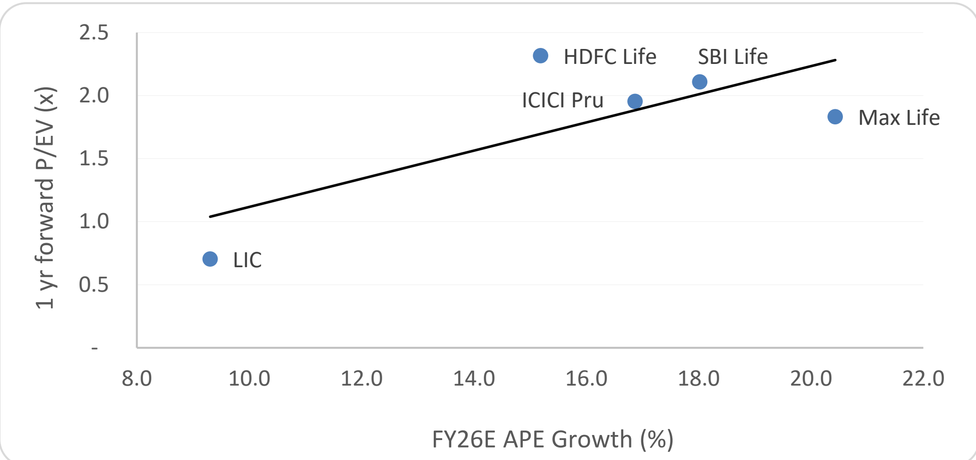
Source: ACMIIL Research

Exhibit 36: VNB margin (%) of insurance companies



Source: ACMIIL Research

Exhibit 37: APE growth (%) of insurance companies



Source: ACMIIL Research

Industry Reforms

Easing of surrender value norms in favor of policyholders

Surrender value is the amount a policyholder is liable to receive if they terminate their policy before maturity. Surrender value is of two types- Guaranteed Surrender Value (GSV) and Special Surrender Value (SSV). According to the circular of IRDAI dated 12th June 2024 on life insurance products, the regulator has given the following guidelines to protect policyholders if they decide to lapse their policy.

Insurers will offer a special surrender value applicable even after one year of premiums, even for short-term and single premium policies.

- The insurance company shall pay a special surrender value provided the policyholder pays the insurance premium for at least one year. Until now, no exit payouts were given for exits in the first year. This also applies to short-term policies of less than 5 years and single premium policies.
- While calculating SSV, the insurer must ensure that it shall at least be equal to the present value of the paid-up sum assured on all contingencies covered, paid-up future benefits (bonuses) and accrued or vested benefits provided in the policy (survival benefits).
- Insurers can offer higher GSV than those specified in the regulations, and these may vary based on the premium size, policy term, duration elapsed at the time of surrender and various other factors.
- Insurers shall improve persistency across all policy distribution channels and durations to provide long-term benefits to policyholders. Insurance companies have been instructed to form diligent practices to curb misleading sales that might lead to the surrender of policies.
- Additionally, the guideline stated that the discounting rate for the paid-up value to calculate SSV would be a maximum of 50 bps higher than the 10-year G-Sec yield. This regulation will be in effect from October 2024.

The above regulation would mean higher liability provisions in the balance sheet of life insurers. Insurance companies shall tackle this by re-designing their products and attaching other collateral benefits along with the policies.

Revision in commission structure for agents

The IRDAI introduced a guideline for agents' commissions to eliminate the upfront commission structure. Earlier, life insurance agents received a substantial portion of their commission in the first year of the policy. IRDAI aims to spread this commission payment evenly throughout the policy's life. This is similar to the 'trail commission' policy in the mutual funds industry.

IRDAI's new guideline eliminates upfront commissions for agents, aiming to distribute payments evenly throughout the policy's life, similar to the mutual funds' 'trail commission' model.

The regulator takes this measure to improve the persistency level and reduce the burden on insurers of paying a high initial cost as commission.

Continuous agent engagement enhances customer service and satisfaction by providing policyholders with continuous advice and support. This ensures their coverage stays relevant and adapts to their changing needs over time.

The regulator has also lifted the commission caps giving insurers more flexibility, however, the commission must now be derived from the total Expense of Management (EoM).

Insurers response to the changing regulations

SBI Life Insurance

- The company expects the minimal impact of the change in surrender value norms owning to the balanced product mix and conservative assumption on surrenders which will help it to get an edge over peers.
- The company estimates that the impact of surrender changes will offset the favourable product mix as protection and annuity products shall see an increase.

HDFC Life Insurance

- The insurance company estimates a decline of ~100bps in its VNB margin due to higher surrender value and early exits. However, increasing product competition among insurers shall increase with new surrender norms and calibration in the IRRs can be expected.

Industry reforms

- The company may opt for deferment and clawback of commissions to offset the impact of new surrender value changes.

ICICI Prudential Life Insurance

- The company anticipates that there will be no material change due to the change in surrender value norms as it forms only 17% of the total product portfolio.
- ICICI Pru launched a product named ICICI Pru GPP Flexi that provides customers with the option to receive the entire money back of the premium paid at any time during the tenure of the policy. The commission structure of the product is level-based thus, the commission will be similar over the lifetime of the product.
- The company is also experimenting trail based commission on the ULIP products which is in line with the new regulator norms. It believes that this move aligns with the interests of the stakeholders such as customers, shareholders and distributors and will absorb the impact that may arise due to changes in regulations.

No material changes for ICICI Pru, SBI Life while Max life and HDFC Life expect an impact of 100-200bps.

Max Financial Services

- Max Financial expects a likely impact of 100-200bps on the company's overall margin. The management has guided that a higher premium growth shall offset the margin hit.
- The company estimates that the life insurance industry will take 3-6 months to settle as the impact of surrender value norms on VNB margin remains dynamic.

LIC of India

- Small ticket size policies are seeing the highest surrendering.
- The management estimates that customer behavior cannot be predicted and hence, taking specific measures is difficult.
- The company shall consider all relevant measures including changing the commission structure to trail-based or clawback of commission and altering the product constructs.

Opportunities in the industry

Reduction in GST rates in policy sales

The GST Group of Ministers (GoM) held on September 25 raised anticipation to slash GST rates on life and health insurance. The committee intends to reduce GST rates on policies for senior citizens, life insurance, term insurance and group insurance. The expected rate cut on GST is expected to be 5% from the current 18%. This step is taken to increase penetration and make insurance more affordable. Reduction of GST would aid in the top-line growth of the insurers. Lower GST could increase the insurance density and would trigger an increase in the volume of policies.

Composite license

Implementation of composite license would mean that life insurance companies would be able to sell health insurance along with life protection. This would prove to be a value proposition for the customers as the policyholder can avail of protection and health benefits in a single policy. Also, the services can be jumbled to the existing health cover. However, this would heat the competition in the health insurance segment but it can be a value addition to the life insurance policies and an increase of the average ticket size of the policies. Life insurers would be able to leverage their distribution network to increase coverage of health insurance as compared to non-life insurers. Even life insurance can collaborate with non-life insurers to bundle their products into single product which would provide all-round protection to the policyholder.

Thematic Report

16th October, 2024

Asit C. Mehta INVESTMENT INTERRMEDIATES LTD. PANTOMATH Financial Services Group

HDFC Life Insurance Company

Growing despite facing sectoral headwinds

BUY | **Target: Rs 844**

Key Data	
Bloomberg code:	HDFCLIFE:IN
Target price (Rs)	844
CMP (Rs)	727
Upside/ (Downside) (%)	16.1
Rating:	Buy
Shares outstanding (mn):	2,151
M.Cap (Rs Bn) :	1,564
52-week H/L (Rs):	761/511

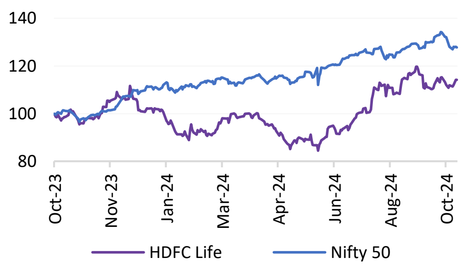
Price Performance (%)	
1 month	3.7
3 months	12.4
12 months	15.4

Shareholding Pattern (%)

	Dec'23	Mar'24	Jun'24
Promoter	50.4	50.4	50.4
FIIs	31.3	30.0	26.6
DIIs	6.6	7.9	11.2
Public/other	11.8	11.7	11.8
Pledge	-	-	-

Source: BSE

HDFCLIFE performance vs. Nifty 50



Source: NSE

We initiate coverage with HDFC Life with a Buy recommendation and a target price of Rs 844, valuing the company at 2.7x of its FY26E embedded value. HDFC Life is the second-largest private life insurer with a market share of 8%/9% in terms of NBP/APE. The company has a strong foothold in the individual insurance segment and has grown at 16% CAGR over FY19-24 with a market share of 10.4% as of FY24. The company continues to invest in diversifying its distribution channel and signing new partnerships. It has access to 8,851 branches of HDFC Bank spread across India.

The insurance company was adversely impacted due to taxation on the maturity of non-par products with premiums above Rs 5 lakhs. Due to this, it witnessed de-growth in the high ticket non-par product segment and higher sales in the volume of ULIP products. The higher sale of ULIP products impacted the margin as during FY24 the company saw a decline in margin by 130bps.

Diverse product offering - HDFC Life's product mix remains diversified as the insurer has a wide range of product offerings to its customers. The company had a high portion of non-par products in its mix which helped it to maintain its margin. In FY24, due to a change in tax regulation, the company saw a decline in the sales of non-par products from 45% in FY23 to 30% in FY24. However, the company will continue to focus on its non-par products and increase its portion of the overall APE mix by incentivizing agents to increase the share of the non-par mix.

Banca led distribution channel – HDFC Life has major dependence on the parent bank HDFC for the sale of policies which is evident as 65% of the APE is derived from the bancassurance channel as of FY24. The company continues to invest in channels to enable deeper penetration in tier 2/3 regions. During Q1FY25, it added 18,500 agents which was the highest in the industry.

Margins expected to moderate in FY25E - We expect a slight decline in margin mainly due to the higher sale of ULIPs and the company's expense outlay due to increased capacity. As we advance, we expect the margin to improve from FY26E onwards, as the company continues its efforts to increase non-par savings products. Along with this, the growth momentum of ULIPs is expected to see a decline by FY25E.

Valuation and outlook - HDFC Life remained focused on improving its product mix towards non-par savings thereby emphasizing product innovation and increasing its distribution reach. The company maintains healthy persistency ratios and its products remain retail-focused. It has maintained a healthy margin historically, and the company expects the margin to improve in the next FY. The company looks to double its APE/VNB in the next four years. The change in surrender value norms and the new commission structure shall be monitored as it aims at improving product reach and adopting agents with the new norms.

On the back of this, we expect APE/VNB to grow by 14.4%/13.8% over FY24-26E as we initiate coverage on HDFC Life with a Buy rating and a target price of Rs 844 valuing the company at 2.7x of its FY26E embedded value

YE March, Rs mn	FY23	FY24	FY25E	FY26E	FY27E
Gross premium	5,75,334	6,30,816	7,29,509	8,53,201	10,08,316
Total revenue	7,08,277	10,09,411	10,25,498	11,59,463	13,41,925
Commission	28,906	52,621	59,775	67,044	75,888
Benefits paid	3,89,715	3,98,049	4,43,014	5,03,109	5,86,771
Profit/(loss) after tax	13,683	15,741	23,657	34,230	43,186
Embedded value (EV)	3,95,270	4,74,680	5,66,643	6,71,784	7,46,100
EV per share (Rs)	183.9	220.8	263.6	312.5	347.1
P/EV (x)	3.9	3.2	2.7	2.3	2.1

Source: Company, ACMIIL Research

HDFC Life Insurance Company

Second largest private insurer with diversified product mix

HDFC Life Insurance Company was incorporated as a joint venture between HDFC and Standard Life Abrdn. As of FY24, HDFC Bank, the promoter of the company, holds a ~50% stake while Abrdn sold its stake. HDFC Life offers a range of individual and group insurance products. The company has two wholly owned subsidiaries, HDFC Pension and HDFC International.

As of FY24, the company had a product portfolio, including both individual and group products, along with optional riders to meet a wide range of customer needs. The insurers offer a wide range of products ranging from protection, savings, investment, annuity and health. HDFC Life benefits from its pan-India presence, with 595 branches and distribution touchpoints established through various tie-ups and partnerships. The company has partnered with various organisations, including traditional partners such as NBFCs, MFIs SFBs, and new ecosystem partners. Additionally, it has built a large network of ~2 lakh agents.

Second-largest private life insurer with a market share of 8%/9% in terms of NBP/APE and strong foothold in the individual insurance segment

HDFC Life has multiple distribution channels including bancassurance, agency, digital alliance, direct and online, broker network and direct-to-customer channels. The company continues to invest in diversifying its distribution channel and signing new partnerships. It has access to 8,851 branches of HDFC Bank spread across India. In FY24, HDFC Life partnered up with Karnataka Bank and Karur Vysya Bank. The company added more than 80,000 agents to build a proprietary franchise. 75 new branches have been added in Tier 2 and Tier 3 markets and APE growth in these markets have outpaced many other companies growth.

It is the second-largest private life insurer with a market share of 8%/9% in terms of NBP/APE. The company has a strong foothold in the individual insurance segment and has grown at 16% CAGR over FY19-24 with a market share of 10.4% as of FY24. In terms of group business, the company saw a comparatively low growth of 5.4% over the 5 years as compared to the private life insurers group rate of 14.4% with a market share of 5%. The higher focus on the individual segment has led to a healthy margin for the company along with a strong brand value for the company.

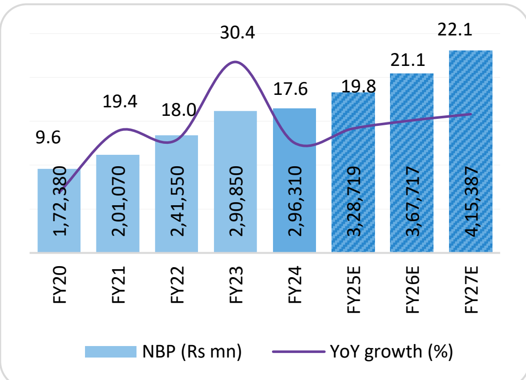
HDFC Life has been valued at a premium over its peers due to 1) Leading VNB margin due to a higher share of non-par products 2) Diversified product mix and 3) Higher persistency ratios as compared to peers. It has grown at a healthy pace in the industry and aims to double its VNB every 4 years. Its premium valuation is also due to the diverse distribution reach due to strong parentage and premium customers with high ticket size being one of the highest in the industry.

Impacted by the taxation regulation and surrender value norms

Impact of taxation on the maturity of non-par products with premiums above Rs. 5 lakhs resulted in de-growth in high ticket non-par products.

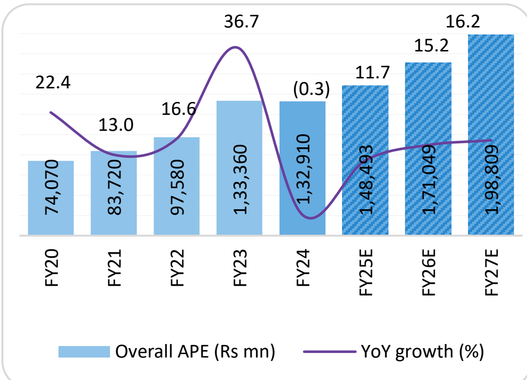
The insurance company was adversely impacted due to taxation on the maturity of non-par products with premiums above Rs 5 lakhs. Due to this, it witnessed de-growth in the high ticket non-par product segment and higher sales in the volume of ULIP products. The higher sale of ULIP products impacted the margin as during FY24 the company saw a decline in margin by 130bps. In line with this, the company will focus on low ticket size non-par products which will have higher yields. Going forward, it expects the margin to be impacted by ~100bps in FY25 due to the change in surrender value norms.

Exhibit 38: NBP expected to see healthy growth



Source: Company, ACMIIL Research

Exhibit 39: APE growth rate expected to be in double digits



Source: Company, ACMIIL Research

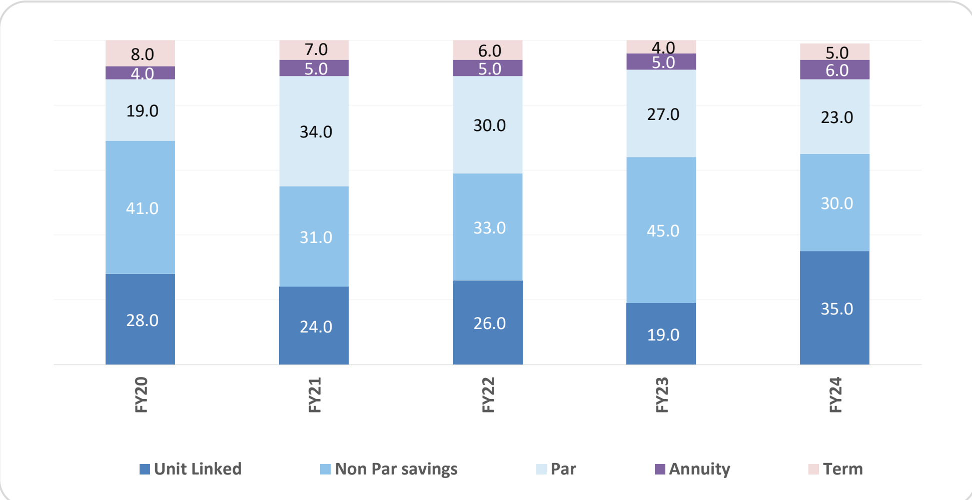
Diversified products and banca led distribution mix

HDFC Life's product mix remains diversified as the insurer has a wide range of product offerings to its customers. The company had a high portion of non-par products in its mix which helped it to maintain its margin. In FY24, due to a change in tax regulation, the company saw a decline in the sales of non-par products from 45% in FY23 to 30% in FY24. However, the company will continue to focus on its non-par products and increase its portion of the overall APE mix by incentivizing agents to increase the share of the non-par mix. During the year, it introduced new products such as 'Click2Achieve' which gained traction in the non-par segment. We expect the company will see a moderation in its ULIP products while the non-par, annuity and term protection plans will see healthy growth. The group insurance segment of the company has remained flat due to increased competition in the segment. The company has seen a rise in competitive intensity due to which it is seeing flattish growth in the segment. Along with protection products, HDFC Life also offer pension products which are seeing healthy growth. During Q1FY25, the pension AUM posted growth of 67% with a market share of 43%.

Strong banca channel with 65% of APE generated from this channel as of FY24.

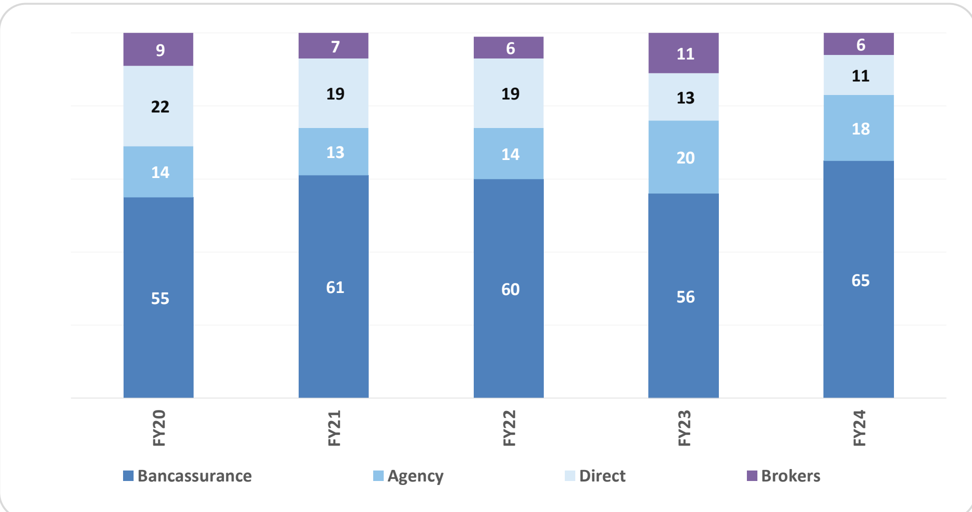
With regards to the distribution, the company has major dependence on the parent bank HDFC for the sale of policies which is evident as 65% of the APE is derived from the bancassurance channel as of FY24. The company continues to invest in channels to enable deeper penetration in tier 2/3 regions. During Q1FY25, it added 18,500 agents which was the highest in the industry. It also partnered with Upstox, and Fino Payments Bank for the distribution of its policies. The company is seeing traction in its credit life products due to its association with the bank and HDFC Life has more than 200 partners across banks, SFBs, NBFCs and MFIs. The distribution channels of HDFC Life remain one of the key differentiators as compared to its peers which has helped the company to grow higher than the industry.

Exhibit 40: Balance product mix with increasing share of ULIP products



Source: Company, ACMIIL Research

Exhibit 41: Bancassurance channel remains a major contributor of APE



Source: Company, ACMIIL Research

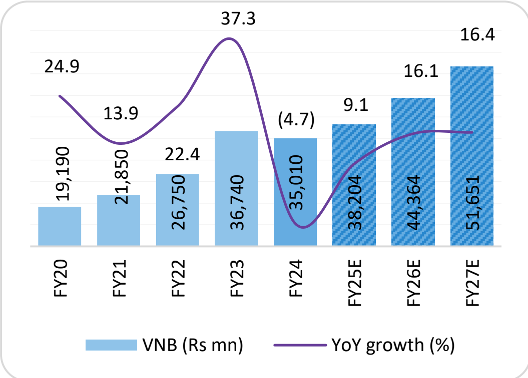
HDFC Life Insurance Company

Profitability and margin

We expect that the commission costs will remain moderate which will aid margins.

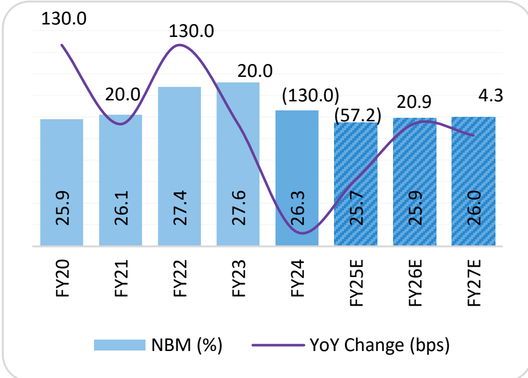
Historically, HDFC Life has maintained a healthy VNB margin while its VNB has grown at 18% CAGR over FY19-24. The insurer's margin and profitability decreased in FY24 as the margin declined by 130bps YoY while VNB declined by 5% YoY due to a decline in high ticket size non-par savings policies and increasing ULIP sales. In FY25E, we expect a slight decline in margin mainly due to the higher sale of ULIPs and the company's expense outlay due to increased capacity. As we advance, we expect the margin to improve from FY26E onwards, as the company continues its efforts to increase non-par savings products. Along with this, the growth momentum of ULIPs is expected to see a decline by FY25E. During FY24, HDFC Life saw an increase in commission costs due to a change in commission structure. However, we expect that the commission costs will remain moderate which will aid margins. The company maintains that going forward, it shall look to capture market share even if the margin gets slightly affected.

Exhibit 42: VNB will continue to grow at healthy pace



Source: Company, ACMIIL Research

Exhibit 43: Margin will continue to remain under pressure



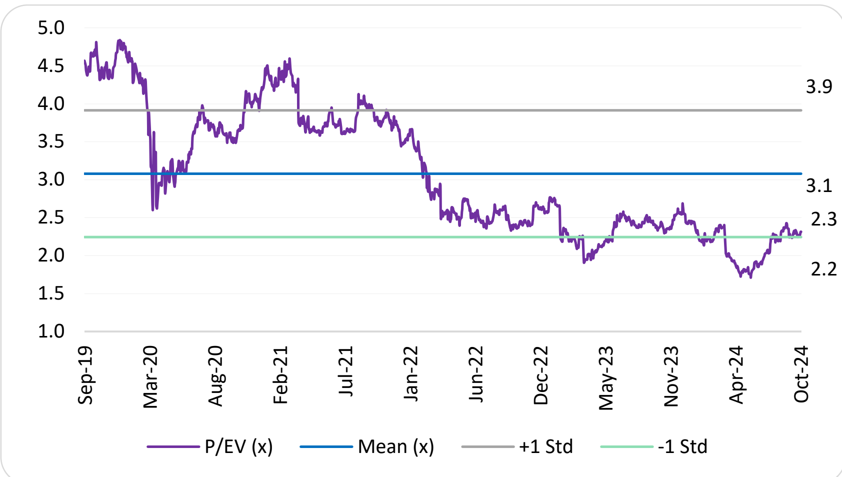
Source: Company, ACMIIL Research

Valuation and outlook

HDFC Life remained focused on improving its product mix towards non-par savings thereby emphasizing product innovation and increasing its distribution reach. The company maintains healthy persistency ratios and its products remain retail-focused. It has maintained a healthy margin historically, and the company expects the margin to improve in the next FY. The company looks to double its APE/VNB in the next four years. The change in surrender value norms and the new commission structure shall be monitored as it aims at improving product reach and adopting agents with the new norms.

On the back of this, we expect APE/VNB to grow by 14.4%/13.8% over FY24-26E as we initiate coverage on HDFC Life with a Buy rating and a target price of Rs 844 valuing the company at 2.7x of its FY26E embedded value

Exhibit 44: 1 year forward P/EV (x)



Source: Company, ACMIIL Research

HDFC Life Insurance Company

Q2FY25 Quarterly performance:

HDFC Life reported healthy growth in its top line with APE/NBP growth of 27%/14%. PAT increased by 16% YoY to Rs 433cr. VNB growth was slightly lower than the street expectation of 17% YoY to Rs 938cr. Also, VNB margin missed street expectation by ~80-100bps to 24.3%. Earlier, management guided VNB margin of 25-26% and in Q2FY25 it came in lower than what management had guided. The company has revised their premium growth guidance to 18-20% in FY25 from 15% earlier. The management expects that the ULIPs in the company's product mix is likely to remain at 30% of the APE mix (currently at 31% of the APE).

Concall highlights -

Financial Performance:

APE Growth: Individual APE increased by 31% YoY, driven by a 22% rise in the number of policies sold. Ticket size grew by 7%, and market share among private players increased by 60 bps to 16.3%. In the overall market, the company's market share reached a record high of 11%.

VNB: The Value of New Business (VNB) increased by 17.4% YoY to Rs. 1,656 crores. The company is targeting VNB growth of 15-17% for the full year, with some flexibility.

VNB increased by 17.4% and the company is targeting VNB growth of 15-17% for the full year, with some flexibility.

PAT and Embedded Value: Profit after tax (PAT) increased by 15% YoY to Rs. 911 crores. Embedded value crossed Rs. 52,114 crores with an operating return of 16%.

Solvency: The solvency ratio stood at 181%, increasing to 192% after the issuance of Rs. 1,000 crores in subordinated debt.

Operational Performance:

Product Mix: A significant shift was observed in the product mix, with ULIP contributing 36% to individual APE (down from 38% in Q1), non-par savings contributing 38%, participating policies 15%, term insurance 6%, and annuities 5%. The company reported strong growth in non-par savings (up by 76% YoY).

Customer Retention: Customer retention rates improved to 88% in the 13th month and 60% in the 61st month, demonstrating stable customer retention and engagement.

Channels and Distribution: Bancassurance remained the dominant channel, contributing 65%, with strong growth in agency (27% growth), direct (11% contribution), and proprietary channels.

Bancassurance & Online: The bancassurance channel grew by 32% YoY, while the company's online and direct channels performed solidly, driven by new digital initiatives and deeper penetration into Tier 2 and Tier 3 markets.

Annuities and Protection: Despite competitive pricing pressures, annuities contributed 5% to overall APE, with protection and annuities together accounting for 44% of the new business premium.

Key Concerns:

Price competition in the credit protection and annuity segments continues to impact growth, despite management expressing confidence in the long-term profitability strategies for these segments.

Margins under Pressure: Margins decreased to 24.6%, primarily due to changes in the product mix and delays in repricing certain non-par products ahead of the October 1st regulatory compliance deadline.

Competitive Landscape: Price competition in the credit protection and annuity segments continues to impact growth, despite management expressing confidence in the long-term profitability strategies for these segments.

Surrender Regulations: There may be short-term disruption due to the new surrender regulations. However, the company expects to adapt over time through recalibrated distribution economics (such as commission clawbacks and deferrals).

Outlook:

Focus on Growth: Management is targeting 18-20% individual APE growth for FY25, emphasizing new customer acquisition and maintaining VNB growth, despite some margin trade-offs.
Sector-Wide Considerations: The overall tone was neutral to optimistic, with management confident about navigating the evolving regulatory environment and maintaining a strong competitive position.

HDFC Life Insurance Company

Q2FY25 Quarterly performance:

Policyholders account

Commission expense continue to increase for HDFC Life. In Q2FY25, it increased by 56.1% YoY

Particulars, Rs mn	Q2FY25	Q2FY24	Y-o-Y (%)	Q1FY25	Q-o-Q (%)
Net premium income	1,66,137	1,47,972	12.3	1,25,484	32.4
Income from investments (Net)	1,16,133	81,065	43.3	1,41,271	(17.8)
Other income	692	1,008	(31.4)	669	3.3
Total	**2,84,893**	**2,30,178**	**23.8**	**2,67,501**	**6.5**
Net commission	18,546	11,885	56.1	14,718	26.0
Employees remuneration and welfare expenses	8,153	8,310	(1.9)	6,979	16.8
Other operating expenses	8,734	9,137	(4.4)	5,755	51.8
Expenses of Management	**35,433**	**29,331**	**20.8**	**27,452**	**29.1**
Provisions and taxes	(4,707)	(6,115)	-	(984)	-
Benefits Paid	1,03,392	93,567	10.5	88,531	16.8
Change in actuarial liability	1,44,488	1,10,328	31.0	1,45,741	(0.9)
Surplus/Deficit	**5,124**	**2,304**	**122.4**	**5,642**	**(9.2)**
Bonus paid	7,769	6,525	19.1	5,672	37.0
Total Surplus	**12,893**	**8,828**	**46.0**	**11,313**	**14.0**

Source: Company, ACMIIL research

Shareholders account

Particulars, Rs mn	Q2FY25	Q2FY24	Y-o-Y (%)	Q1FY25	Q-o-Q (%)
Transfer from Policyholders' Account	**3,874**	**1,366**	**183.7**	**2,679**	**44.6**
Investment Income	2,700	2,379	13.5	2,583	4.5
Other income	172	209	(17.8)	151	13.6
Expenses other than insurance business	**410**	**364**	**12.6**	**346**	**18.5**
Transfer of funds to policyholders account	1,931	132	1,359.8	76	2,444.5
Profit before tax	**4,405**	**3,322**	**32.6**	**4,992**	**(11.8)**
Provisions for tax	53	(460)	(111.5)	202	(73.9)
Profit after tax	**4,352**	**3,782**	**15.1**	**4,790**	**(9.1)**

Source: Company, ACMIIL research

HDFC Life Insurance Company

Q2FY25 Quarterly performance:

ULIP products increased on an YoY basis in APE and NBP mix

Product and channel mix

Particulars	Q2FY25	Q2FY24	Y-o-Y (bps)	Q1FY25	Q-o-Q (bps)
Product mix - APE (%)					
Participating	14.0	25.0	-1100bps	14.0	0bps
Non Participating	33.0	24.0	900bps	30.0	300bps
ULIP	**31.0**	**24.0**	**700bps**	**32.0**	**-100bps**
Protection	13.0	17.0	-400bps	14.0	-100bps
Annuity	5.0	8.0	-300bps	5.0	0bps
Group	4.0	4.0	0bps	4.0	0bps
Product mix - NBP (%)					
Participating	6.0	10.0	-400bps	6.0	0bps
Non Participating	15.0	11.0	400bps	14.0	100bps
ULIP	**16.0**	**11.0**	**500bps**	**16.0**	**0bps**
Protection	29.0	35.0	-600bps	32.0	-300bps
Annuity	15.0	18.0	-300bps	15.0	0bps
Group	18.0	15.0	300bps	17.0	100bps
Channel mix - APE (%)					
Bancassurance	**65.0**	**65.0**	**0bps**	**65.0**	**0bps**
Direct	11.0	11.0	0bps	11.0	0bps
Agency	17.0	18.0	-100bps	17.0	0bps
Brokers	7.0	7.0	0bps	2.0	500bps

Source: Company, ACMIIL research

Business parameters

Particulars, Rs mn	Q2FY25	Q2FY24	Y-o-Y (%)	Q1FY25	Q-o-Q (%)
Individual APE	33,970	25,960	30.9	24,670	37.7
Total APE	**38,580**	**30,450**	**26.7**	**28,660**	**34.6**
New Business Premium	80,970	71,010	14.0	64,000	26.5
Renewal Premium	88,310	78,390	12.7	64,110	37.7
Assets Under Management	**32,49,420**	**26,48,700**	**22.7**	**31,02,440**	**4.7**
Indian Embedded Value	5,21,140	4,29,080	21.5	4,96,110	5.0
Value of new business	**9,380**	**8,010**	**17.1**	**7,180**	**30.6**
VNB Margin (%)	24.3	26.3	-199bps	25.1	-74bps

Source: Company, ACMIIL research

HDFC Life Insurance Company

Quarterly performance:

Technical account

YE March (Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
First year premium	17,087	24,231	27,249	44,673	18,514	25,660	26,805	40,180	23,617	32,599
Renewal premium	51,005	69,366	71,870	92,542	58,041	78,389	83,892	1,14,060	64,106	88,311
Single premium	32,405	39,528	46,632	59,047	40,173	45,358	44,505	55,170	40,424	48,430
Gross premium	1,00,497	1,33,126	1,45,750	1,96,261	1,16,728	1,49,407	1,55,271	2,09,409	1,28,147	1,69,340
Net premium income	98,701	1,31,379	1,44,022	1,94,266	1,15,079	1,47,972	1,52,733	2,05,337	1,25,484	1,66,137
Investments and other income	(31,899)	98.643	53,160	19,998	1,17,350	82,206	1,14,618	74,116	1,42,016	1,18,756
Total income	66,802	2,30,022	1,97,182	2,14,264	2,32,429	2,30,178	2,67,351	2,79,453	2,67,501	2,84,893
Commission on -										
First year premium	2,633	4,088	4,887	8,683	4,088	7,032	6,760	13,485	8,398	12,662
Renewal premium	745	1,939	1,177	1,361	830	1,217	1,275	1,896	1,069	1,384
Single premium	533	685	699	850	1,593	3,566	4,435	6,240	5,236	4,482
Rewards	93	109	165	221	106	54	63	-	-	-
Gross commission	4,004	6,822	6,928	11,114	6,617	11,869	12,533	21,621	14,703	18.528
Net commission	4,007	6,830	6,935	11,114	6,629	11,885	12,470	21,638	14,718	18,546
Employees remuneration	6,652	6,924	7,994	8,973	8,992	8,310	7,929	7,294	6,979	8,153
Other operating expenses	10,262	12,732	12,916	23,699	8,078	3,786	10,505	11,582	5,890	5,190
Benefits paid	72,968	1,17,568	86,918	1,12,051	80,950	93,567	98,947	1,24,585	88,531	1,03,392
Change in reserves	(29,565)	83,484	79,123	52,709	1,25,652	1,10,328	1,36,861	1,11,596	1,45,741	1,44,488
Surplus/Deficit	2,478	2,485	3,297	5,718	2,128	2,304	638	2,759	5,642	5,124

Source: Company, ACMIIL Research

Shareholders account

YE March (Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Transfer from policyholder's account	2,614	2,196	4,158	5,839	2,327	1,366	1,314	3,063	2,679	3,874
Investment Income	1,272	1,678	2,526	2,592	2,424	2,588	2,941	2,703	2,734	2,871
Other expenses	293	432	393	315	457	364	398	470	346	410
Transfer of funds to policyholders account	290	137	3,137	5,418	113	132	193	791	76	1,931
Profit before tax	3,304	3,305	3,153	2,698	4,181	3,322	3,694	4,500	4,992	4,405
Provisions for tax	16	15	(6)	(889)	14	(460)	19	383	202	53
Profit after tax	3,288	3,290	3,159	3,587	4,167	3,782	3,675	4,116	4,790	4,352

Source: Company, ACMIIL research

Metrics

YE March (Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25
APE	20,640	28,500	32,600	51,620	23,280	30,450	31,910	47,270	28,660	38,580
NBP	49,490	63,760	73,880	1,03,720	58,690	71,010	71,300	95,310	64,000	80,970
VNB	5,180	7,700	8,750	15,110	6,100	8,010	8,560	12,340	7,180	9,380
Embedded Value	3,24,710	3,60,160	3,77,020	3,95,270	4,18,430	4,29,080	4,51,730	4,74,680	4,96,110	5,21,140
NBM (%)	25.1	26.2	26.5	29.3	26.2	26.2	26.5	26.1	25.0	24.3

Source: Company, ACMIIL research

HDFC Life Insurance Company

Financials

Policyholder's funds

YE March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Gross premium	**5,75,334**	**6,30,816**	**7,29,509**	**8,53,201**	**10,08,316**
Net premium	5,68,788	6,21,121	7,20,755	8,44,669	9,92,183
Investment income	1,26,044	3,83,632	3,00,468	3,13,761	3,48,889
Other income	13,445	4,659	4,275	1,033	852
Total revenue	**7,08,277**	**10,09,411**	**10,25,498**	**11,59,463**	**13,41,925**
Commission	28,906	52,621	59,775	67,044	75,888
Operating expenses	90,133	66,475	84,402	97,232	1,10,199
Benefits paid	3,89,715	3,98,049	4,43,014	5,03,109	5,86,771
Change in reserves	**1,85,902**	**4,84,437**	**4,22,863**	**4,64,791**	**5,33,049**
Surplus/(Deficit)	**13,621**	**7,829**	**16,079**	**27,288**	**36,017**

Source: Company, ACMIIL Research

Shareholder's funds

YE March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Transfers from policyholders account	**14,722**	**8,069**	**16,609**	**27,818**	**36,547**
Interest, dividends & rent	6,759	8,343	8,794	9,392	10,147
Profit/(loss) from sale of investments	480	1,723	1,809	1,680	1,715
Other income	928	590	-	-	-
Operating expenses	10,067	3,027	2,823	2,859	2,950
Profit/(loss) before tax	**12,822**	**15,697**	**24,388**	**36,031**	**45,459**
Provision for taxation	**(861)**	**(44)**	**732**	**1,802**	**2,273**
Profit/(loss) after tax	13,683	15,741	23,657	34,230	43,186
EPS - Diluted (Rs)	**6.4**	**7.3**	**11.0**	**15.9**	**20.1**

Source: Company, ACMIIL Research

EV Movement

YE March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Opening IEV	**3,29,580**	**3,95,270**	**4,74,680**	**5,66,643**	**6,71,784**
Unwind	26,200	32,400	38,909	46,047	54,491
Change in operating assumptions	450		-	-	-
VNB	**36,740**	**35,010**	**38,204**	**44,364**	**51,651**
Operating variances	1,500	15,300	15,300	15,300	15,300
Economic variances	(15,900)				
Dividend and capital injection	16,700	(3,300)	(450)	(571)	(641)
Closing IEV	**3,95,270**	**4,74,680**	**5,66,643**	**6,71,784**	**7,46,100**

Source: Company, ACMIIL Research

Balance Sheet

YE March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	21,526	21,509	21,509	21,509	21,509
Reserves and surplus	1,08,209	1,20,649	1,37,209	1,61,170	1,91,400
Fair value change account	197	4,505	5,030	5,789	6,747
Shareholder's equity	**1,29,931**	**1,46,664**	**1,63,748**	**1,88,468**	**2,19,656**
Borrowings	9,500	9,500	9,500	9,500	9,500
Fair value change account	19,759	60,257	68,902	79,999	89,521
Policy liabilities	14,33,448	17,54,443	20,06,150	23,29,238	26,06,496
Linked liabilities	7,92,015	9,55,469	10,19,324	11,04,463	12,22,977
Funds for future appropriations	12,354	12,115	(6,859)	(44,307)	(78,432)
Total liabilities	**22,67,076**	**27,91,784**	**30,97,018**	**34,78,894**	**38,50,063**
Total liabilities and shareholders equity	**23,97,008**	**29,38,447**	**32,60,766**	**36,67,362**	**40,69,719**
Shareholders investments	1,29,319	1,46,847	1,59,206	1,77,570	1,98,052
Policyholders investments	14,67,093	18,20,526	20,54,564	23,49,629	26,18,175
Unit linked investments	**7,92,015**	**9,55,469**	**10,31,746**	**11,28,195**	**12,48,951**
Loans	15,853	18,972	20,569	22,941	25,588
Fixed assets	3,824	4,203	4,485	4,584	4,720
Net current assets/(liabilities)	**(11,097)**	**(7,571)**	**(9,804)**	**(15,556)**	**(25,767)**
Total assets	**23,97,008**	**29,38,447**	**32,60,766**	**36,67,362**	**40,69,719**

Source: Company, ACMIIL Research

Metrics

YE March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
AuM	**23,87,820**	**29,22,200**	**32,45,516**	**36,55,393**	**40,65,178**
Indian Embedded Value	3,95,270	4,74,680	5,66,643	6,71,784	7,46,100
APE	**1,33,360**	**1,32,910**	**1,48,493**	**1,71,049**	**1,98,809**
VNB	**36,740**	**35,010**	**38,204**	**44,364**	**51,651**
NBP	**2,90,850**	**2,96,310**	**3,28,719**	**3,67,717**	**4,15,387**
VNB margin (%)	**27.5**	**26.3**	**25.7**	**25.9**	**26.0**
EV per share (Rs)	**183.9**	**220.8**	**263.6**	**312.5**	**347.1**
VNB per share (Rs)	17.1	16.3	17.8	20.6	24.0
BVPS (Rs)	60.5	68.2	76.2	87.7	102.2
EPS (Rs)	6.4	7.3	11.0	15.9	20.1

Source: Company, ACMIIL Research

Valuation

YE March (x)	FY23	FY24	FY25E	FY26E	FY27E
P/EV	3.9	3.2	2.7	2.3	2.1
P/VNB	41.8	43.9	40.2	34.6	29.7
P/B	11.8	10.5	9.4	8.1	7.0
P/E	111.4	97.7	64.9	44.9	35.5

Source: Company, ACMIIL Research

ICICI Prudential Life Insurance Company

Diversification is key forward

BUY | **Target: Rs 893**

Key Data	
Bloomberg code:	IPRU
Target price (Rs)	893
CMP (Rs)	745
Upside/ (Downside) (%)	19.9
Rating:	Buy
Shares outstanding (mn):	1,442
Mcap (Rs bn) :	1,077
52-week H/L (Rs):	797/463

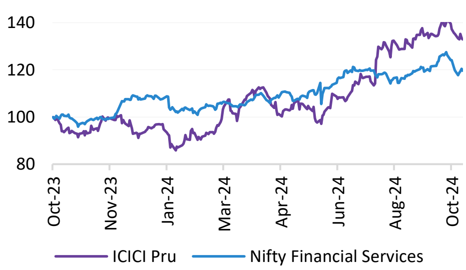
Price Performance (%)	
1 month	(0.7)
3 months	13.9
12 months	40.3

Shareholding Pattern (%)

	Dec'23	Mar'24	Jun'24
Promoter	73.3	73.2	73.2
FIIs	14.7	13.4	13.2
DIIs	6.9	8.5	8.8
Public/other	5.1	4.9	4.8
Pledge	-	-	-

Source: BSE

IPRU performance vs. Nifty Financial Services



Source: NSE

We initiate coverage on ICICI Prudential with a Buy recommendation and a target price of Rs 893, valuing the company at 2.3x of its FY26E embedded value. ICICI Prudential is the third largest private insurance company with a market share of 5%/7% in the NBP/APE mix. It has a market share of 7% in the individual APE and 11% in the group APE mix. Over the last 5 years (FY19-24), ICICI Pru has seen healthy growth in the group APE (27%), however, its individual APE has grown at a mere 1.3%.

The company has a high ticket size in the individual non-single premium segment as compared to peers and the industry. However, its ticket size concerning the life covered in the group insurance remains lower. The company had guided earlier to double its VNB from FY19-24 which was achieved. However, going forward it believes the VNB shall be driven by better persistency ratios, cost structure and product mix.

Aiming for a balanced product mix – It has a diversified product mix with a relatively higher proportion of ULIPs. In FY24, it saw an increase in the demand for ULIP products due to changes in taxation regulation and optimism in the equity markets. However, it is seeing momentum in the protection products and the company expects to see growth in the protection segment. However, it has no specific target for the product mix and aims to respond as per the market requirement.

Diversification of channels - The company has banca partners in the form of ICICI Bank and other banks for the distribution of its products. However, the share of APE from ICICI Bank has declined in the overall APE mix, thus, resulting in the decline of the banca portion in the APE. The company has diversified its distribution network by tying with 42 banks, 1,150 non-bank partnerships and an agency network of more than 2,16,000.

Stable profit expected going forward - We expect that the company will continue to see stable profits going forward along with stable margins. The VNB growth will be largely a product of improving product mix towards savings products or making alterations to the existing products such as the inclusion of additional features/riders. Since the company has a lower portion of non-linked products (17%), the impact of surrender value regulations shall be minimal.

Valuation and outlook - We remain positive on ICICI Prudential's growth prospects in the individual business while its group business continues to grow at a healthy pace. The company is investing in products, channels and technology which shall result in healthy premium growth and lead to protection of margins. It is expected to grow higher than the industry which will lead to market share capture in both the individual and group business. We expect its APE/VNB to grow at 13%/17% CAGR over FY24-27E. It is currently trading at a P/EV multiple of 2.2/2.0/1.7x of its FY25/26/27E EV which seems reasonable. We initiate coverage on ICICI Prudential with a Buy rating valuing the company at a multiple of 2.3x of its FY26E embedded value to arrive at a target price of Rs 893.

YE March, Rs mn	FY23	FY24	FY25E	FY26E	FY27E
Gross premiums	3,99,328	4,32,357	4,91,864	5,54,178	6,28,633
Total Income	**5,04,781**	**9,03,073**	**9,34,120**	**9,46,950**	**10,03,999**
Total Benefits	4,06,056	8,06,450	8,29,800	8,32,828	8,78,713
Surplus/(Deficit) after tax	23,021	10,892	24,495	25,857	25,954
APE	**86,400**	**90,460**	**96,350**	**1,12,603**	**1,30,628**
VNB	27,650	22,270	25,668	30,583	35,523
New business premium (NBP)	1,69,220	1,80,810	2,12,458	2,38,469	2,68,594
Embedded value (EV)	**3,56,390**	**4,19,890**	**4,77,798**	**5,48,190**	**6,29,507**
EV per share (Rs)	**247.0**	**291.0**	**331.1**	**379.9**	**436.3**
P/EV (x)	**2.4**	**2.0**	**1.8**	**1.6**	**1.4**

Source: Company, ACMIIL Research

Banking on its strong retail franchise

ICICI Prudential provides life insurance, pension and health insurance services to individuals and groups. Its business is conducted in participating, non-participating and unit-linked product lines. The company's wholly-owned subsidiary, ICICI Prudential Pension Funds Management Company, is a registered pension fund manager that distributes products under the National Pension System (NPS). ICICI Prudential is jointly promoted by ICICI Bank Limited and Prudential Corporation Holding, a part of the Prudential PLC group of the United Kingdom. ICICI Bank holds a 51% stake while Prudential Corporation holds 22% of ICICI Prudential. ICICI Prudential commenced its operations in FY01 and has consistently been amongst the top private-sector life insurance companies in India.

ICICI Prudential offers various products across life stages including health, retirement and long-term savings categories. Their product mix includes 43% Linked savings products, 26% Non-Linked savings, 17% Protection, 11% Annuity and 4% Group products.

ICICI Prudential has a pan-India presence with a multi-channel network. The Company's distribution includes a network of agency, direct, group, bancassurance and partnership distribution. In FY24, the company added 204 new partnerships expanding it to more than 1,100. Under bancassurance, five new bank tie-ups were made, expanding its partnerships to 44 and gaining access to more than 21,000 partner bank branches. ICICI Prudential will continue enhancing its distribution network with tech-enabled platforms to offer the right product to customers.

The company plans to grow its premium by enhancing its distribution by building capacity, especially in proprietary channels; growing the annuity line of business by catering to the retirement savings needs of customers while managing the investment risk appropriately; and deepening its penetration in underserved customer segments through initiatives across both distribution and products.

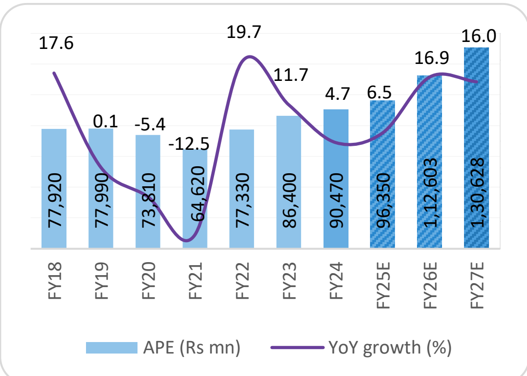
Third largest private insurance company with a market share of 5%/7% in the NBP/APE mix. Has a market share of 7% in the individual APE and 11% in the group APE mix.

ICICI Prudential is the third largest private insurance company with a market share of 5%/7% in the NBP/APE mix. It has a market share of 7% in the individual APE and 11% in the group APE mix. Over the last 5 years (FY19-24), ICICI Pru has seen healthy growth in the group APE (27%), however, its individual APE has grown at a mere 1.3%. However, group APE forms a marginally lower part of the APE mix (4% of the total APE as of FY24). The company has a high ticket size in the individual non-single premium segment as compared to peers and the industry. However, its ticket size concerning the life covered in the group insurance remains lower.

ICICI Pru was less impacted by the change in taxation regulation in the budget 2023, as it has a lower portion of non-par savings in its product mix. With the new surrender value norms, the company has already geared and launched a few products (ICICI Pru GPP Flexi) which are in line with the new surrender value norms. The company is also moving gradually towards the trail-based commission structure which is in line with the new commission norms. The management believes that the impact of early surrender can be offset by high growth and altered commission structure (trail-based commission and claw-back clauses).

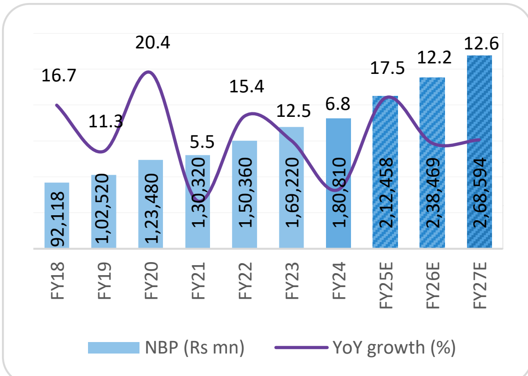
The company had guided earlier to double its VNB from FY19-24 which was achieved. However, going forward it believes the VNB shall be driven by better persistency ratios, cost structure and product mix.

Exhibit 45: APE growth shall be led by individual and group APE



Source: Company, ACMIIL Research

Exhibit 46: NBP expected to see healthy growth



Source: Company, ACMIIL Research

Diversifying channels with the aim of balancing product mix

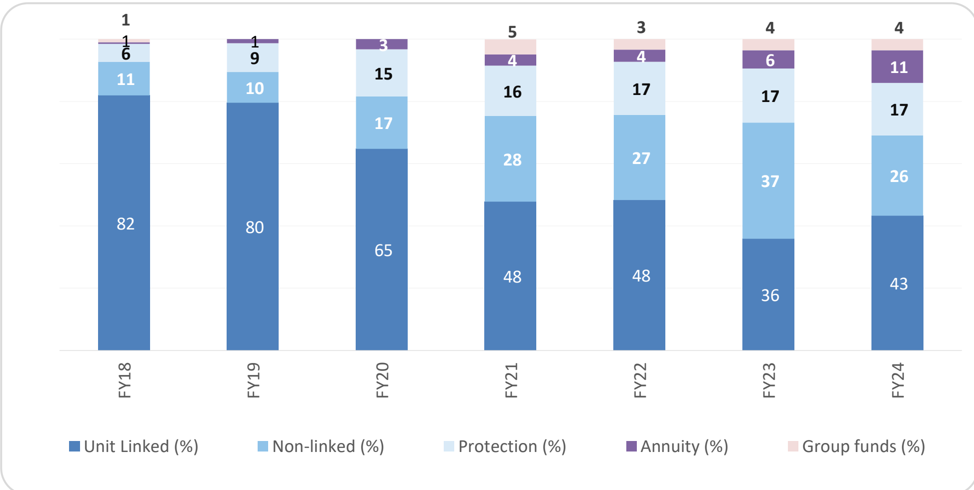
ICICI Pru has a diversified product mix with a relatively higher proportion of ULIPs. In FY24, it saw an increase in the demand for ULIP products due to changes in taxation regulation and optimism in the equity markets. However, it is seeing momentum in the protection products and the company expects to see growth in the protection segment. However, it has no specific target for the product mix and aims to respond as per the market requirement. The company has introduced a 3C framework of customer centricity, competency and catalyst. It aims to give customers a seamless onboarding experience. In terms of competency, it is building tools to provide the right product at the right time to meet the dynamic needs of customers and is competent with other products in the market. It is investing in learning and development programs for upskilling its reSource which will act as a catalyst for growth.

Diversified distribution network by tie-up with 42 banks, 1,150 non-bank partnerships and an agency network of more than 2,16,000

The company has banca partners in the form of ICICI Bank and other banks for the distribution of its products. However, the share of APE from ICICI Bank has declined in the overall APE mix, thus, resulting in the decline of the banca portion in the APE. The company has diversified its distribution network by tying with 42 banks, 1,150 non-bank partnerships and an agency network of more than 2,16,000. The insurer has focused on increasing its capacity to increase its retail market share. It aims to focus on growing its share of direct, partnership channels at a faster pace. In the direct channel, the product mix is dominated by the ULIP products which the company will be looking to change and increase a portion of other savings and protection products.

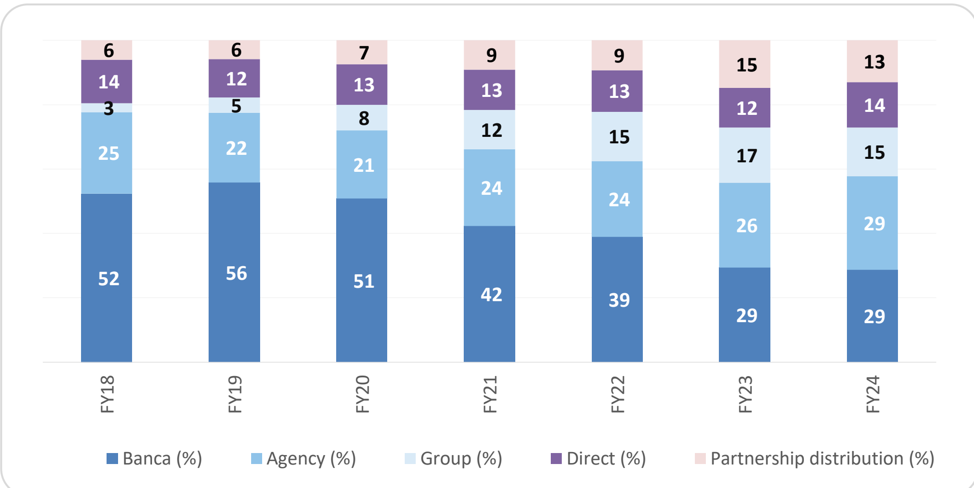
We expect that the diversification strategy will bode well for the company given that the company is looking to expand its segment. The company has adopted the changing norms and launched a product that fits the requirements of the norms. The growing agency network shall help the company expand in tier 2/3 regions. We remain optimistic about the growth strategies of the company and product diversification. The company has invested in its channels in the last 2 years and expects to see benefits from diversified channels.

Exhibit 47: Product mix of ICICI Pru saw increasing non-linked products over the years



Source: Company, ACMIIL Research

Exhibit 48: Diversifying distribution channel while reducing dependence on Banca channel



Source: Company, ACMIIL Research

ICICI Prudential Life Insurance Company

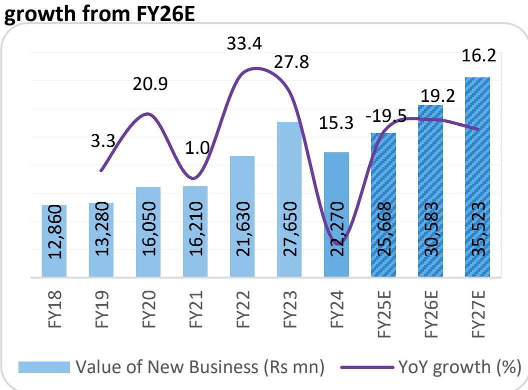
Stable profitability expected going forward

We expect that the company will continue to see stable profits going forward along with stable margins. The VNB growth will be largely a product of improving product mix towards savings products or making alterations to the existing products such as the inclusion of additional features/riders. Since the company has a lower portion of non-linked products (17%), the impact of surrender value regulations shall be minimal. We expect that the VNB growth shall be driven by the normalized commission costs, lower acquisition costs and higher ticket size of products.

We expect VNB growth of 17% over FY24-27E with a margin to remain at 27% in FY27E.

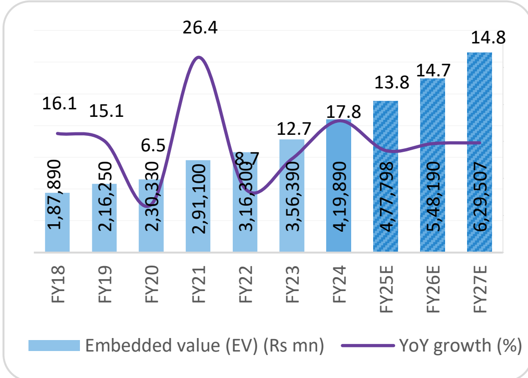
We expect that the VNB growth shall be driven by the normalized commission costs, lower acquisition costs and higher ticket size of products.

Exhibit 49: We expect VNB to see healthy growth from FY26E



Source: Company, ACMIIL Research

Exhibit 50: Steady growth expected in EV

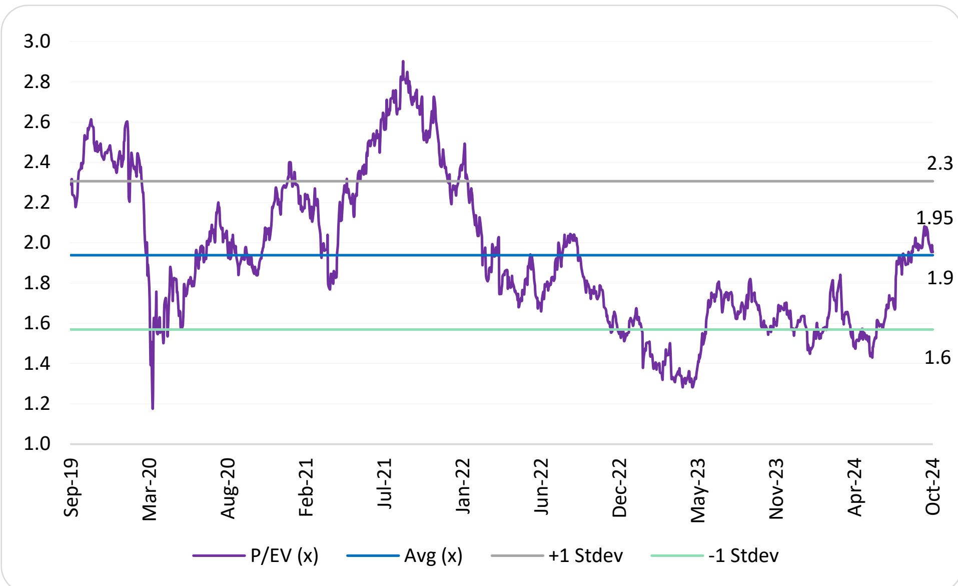


Source: Company, ACMIIL Research

Valuation and outlook

We remain positive on ICICI Prudential's growth prospects in the individual business while its group business continues to grow at a healthy pace. The company is investing in products, channels and technology which shall result in healthy premium growth and lead to protection of margins. It is expected to grow higher than the industry which will lead to market share capture in both the individual and group business. We expect its APE/VNB to grow at 13%/17% CAGR over FY24-27E. It is currently trading at a P/EV multiple of 2.2/2.0/1.7x of its FY25/26/27E EV which seems reasonable. We initiate coverage on ICICI Prudential with a Buy rating valuing the company at a multiple of 2.3x of its FY26E embedded value to arrive at a target price of Rs 893.

Exhibit 51: 1 year forward P/EV (x) valuation



Source: Company, ACMIIL Research

ICICI Prudential Life Insurance Company

Quarterly performance:

Technical account

YE March (Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
First year premium	10,385	14,444	13,781	26,328	10,227	15,290	15,334	29,464	15,221
Renewal premium	38,941	56,426	57,533	72,303	41,575	58,917	60,796	84,281	43,350
Single premium	23,322	28,086	26,491	31,289	21,946	30,052	26,719	37,756	24,267
Gross premium	72,647	98,956	97,805	1,29,920	73,748	1,04,259	1,02,850	1,51,500	82,837
Net premium income	68,842	95,817	94,645	1,26,291	70,200	1,00,224	99,288	1,47,885	78,747
Investment and other income	-83,454	1,33,226	80,706	-11,293	1,65,212	75,044	1,67,190	78,030	1,75,838
Total income	-14,612	2,29,044	1,75,351	1,14,998	2,35,412	1,75,269	2,66,478	2,25,915	2,54,584
Commission									
First year premium	1,801	2,357	2,201	5,306	2,211	3,679	3,363	6,166	2,660
Renewal premium	714	1,075	1,086	1,403	752	1,114	1,122	1,662	868
Single premium	368	385	411	410	713	1,634	3,732	4,895	4,555
Gross commission	2,883	3,817	3,698	7,119	3,676	6,427	8,217	12,723	8,083
Net commission	3,059	4,131	3,914	7,535	3,835	7,709	10,017	15,659	9,456
Employees remuneration	3,434	3,502	3,635	3,887	4,097	4,005	3,704	4,439	4,908
Other operating expenses	7,819	9,100	9,225	14,307	8,636	9,496	7,105	7,030	7,262
Benefits paid	55,125	80,219	87,091	87,607	79,458	94,643	1,00,797	1,25,162	95,226
Change in actuarial liability	-87,999	1,26,860	66,239	-6,930	1,37,380	56,408	1,41,037	71,566	1,34,891
Surplus/(deficit)	3,950	5,232	5,247	8,593	2,007	3,008	3,818	2,059	2,842

Source: Company, ACMIIL research

Shareholders account

YE March (Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Transfer from policyholders account	2,960	4,861	4,119	8,223	3,796	3,647	4,098	3,178	2,891
Investment and other income	1,788	2,075	2,434	2,642	3,336	4,312	2,019	4,337	1,676
Expenses other than those related to insurance business	258	277	290	327	232	345	300	345	204
Other expenses	2,921	4,657	4,001	7,365	4,815	5,137	3,505	4,828	1,761
Profit/(loss) before tax	1,568	2,002	2,261	3,172	2,085	2,477	2,313	2,341	2,603
Provision for taxes	3	1	45	819	16	38	44	605	349
PAT	1,566	1,995	2,216	2,353	2,069	2,439	2,269	1,737	2,254

Source: Company, ACMIIL research

Metrics

YE March (Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Annualised premium equivalent (APE)	15,200	19,990	18,210	33,000	14,610	20,620	19,070	36,160	19,630
New business premium (NBP)	31,840	41,750	39,280	56,350	30,510	43,590	41,170	65,540	37,690
Protection APE	3,300	3,800	3,400	4,540	3,440	3,900	3,580	4,330	3,550
Value of new business (VNB)	4,710	6,210	6,180	10,550	4,380	5,770	4,360	7,760	4,720
VNB Margin (%)	31.0	31.1	33.9	32.0	30.0	28.8	22.9	21.5	24.0

Source: Company, ACMIIL research

ICICI Prudential Life Insurance Company

Financials

Policyholder's funds

YE March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Gross premiums	**3,99,328**	**4,32,357**	**4,91,864**	**5,54,178**	**6,28,633**
Net premiums	**3,85,595**	**4,17,597**	**4,75,108**	**5,35,299**	**6,12,967**
Investment income	1,01,162	4,67,550	4,45,230	4,03,538	3,83,983
Contribution from the Shareholders account	18,024	17,926	13,781	8,114	7,049
Total Income	**5,04,781**	**9,03,073**	**9,34,120**	**9,46,950**	**10,03,999**
Commissions	18,639	37,220	38,010	42,618	47,785
Operating expenses	53,068	47,433	50,404	54,713	60,647
Benefits paid	3,07,887	4,00,060	4,74,200	4,94,413	5,18,822
Change in valuation of life reserves	98,170	4,06,391	3,55,600	3,38,416	3,59,891
Total Benefits	**4,06,056**	**8,06,450**	**8,29,800**	**8,32,828**	**8,78,713**
Tax	1,842	1,078	859	907	910
Surplus/(Deficit) after tax	**23,021**	**10,892**	**24,495**	**25,857**	**25,954**

Source: Company, ACMIIL Research

Shareholder's funds

YE March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Transfer from policyholder's a/c	**20,162**	**14,719**	**15,088**	**15,042**	**14,921**
Investment income	8,800	13,721	7,054	7,667	8,366
Other income	139	283	373	441	534
Total income	**29,100**	**28,723**	**29,319**	**29,445**	**29,408**
Operating expenses	1,152	1,222	1,333	1,364	1,410
Contribution to the policyholders a/c	18,024	17,926	14,851	14,805	14,684
Profit before tax	**9,003**	**9,216**	**9,858**	**13,239**	**13,863**
Tax	868	702	705	587	563
Profit after tax	**8,135**	**8,514**	**9,153**	**12,652**	**13,299**

Source: Company, ACMIIL Research

EV Movement

YE March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Opening EV	**3,16,300**	**3,56,390**	**4,19,890**	**4,77,798**	**5,48,190**
Value of New Business (VNB)	**27,650**	**22,270**	**25,668**	**30,583**	**35,523**
Unwind	27,080	30,710	32,332	40,135	46,048
Operating assumption changes	-1,610	700	825	938	1,077
EVOP	**54,880**	**50,170**	**58,824**	**71,657**	**82,647**
Economic assumption change	-14,490	16,910	-	-	-
Net capital injection	-300	-60	-915	-1,265	-1,330
Embedded value (EV)	**3,56,390**	**4,19,890**	**4,77,798**	**5,48,190**	**6,29,507**
Return on embedded value (ROEV)	**17.4**	**14.1**	**14.0**	**15.0**	**15.1**

Source: Company, ACMIIL Research

Balance Sheet

YE March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	14,388	14,406	14,406	14,406	14,406
Reserves and surplus	83,707	92,183	1,00,421	1,11,808	1,23,777
Fair value change account	2,801	3,453	3,761	4,188	4,636
Shareholder's equity	**1,00,895**	**1,10,046**	**1,18,589**	**1,30,402**	**1,42,820**
Borrowings	12,000	12,000	12,000	12,000	12,000
Fair value change account	28,327	50,273	50,514	51,791	53,852
Policy liabilities	23,43,654	27,50,045	28,94,376	31,35,930	34,64,233
Funds for future appropriations	16,693	12,866	13,527	14,638	16,149
Total liabilities	**24,00,674**	**28,25,183**	**29,70,417**	**32,14,359**	**35,46,234**
Total liabilities and shareholders equity	**25,01,569**	**29,35,229**	**30,89,006**	**33,44,761**	**36,89,054**
Shareholders investments	98,468	1,05,673	1,14,375	1,20,236	1,27,598
Policyholders investments	9,43,110	11,43,182	12,77,352	14,76,919	17,40,157
Unit linked investments	14,40,581	16,48,424	16,56,323	16,98,198	17,65,771
Loans	13,141	17,606	19,927	22,744	26,083
Fixed assets	5,963	7,194	7,076	6,947	6,795
Net current assets/(liabilities)	304	13,137	13,944	19,704	22,636
Total assets	**25,01,569**	**29,35,229**	**30,89,010**	**33,44,760**	**36,89,054**

Source: Company, ACMIIL Research

Metrics

YE March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
VNB	**27,650**	**22,270**	**25,668**	**30,583**	**35,523**
VNB growth (%)	32.0	24.6	26.6	27.2	27.2
VNB margin (%)	**32.0**	**24.6**	**26.6**	**27.2**	**27.2**
APE	**86,400**	**90,460**	**96,350**	**1,12,603**	**1,30,628**
APE growth (%)	11.7	4.7	6.5	16.9	16.0
NBP	**1,69,220**	**1,80,810**	**2,12,458**	**2,38,469**	**2,68,594**
NBP growth (%)	12.5	6.8	17.5	12.2	12.6

Source: Company, ACMIIL Research

Valuation

YE March (x)	FY23	FY24	FY25E	FY26E	FY27E
P/EV	3.0	2.5	2.2	1.9	1.7
P/VNB	38.3	47.6	41.3	34.7	29.8
P/B	10.5	9.6	8.9	8.1	7.4
P/E	130.3	124.5	115.8	83.8	79.7

Source: Company, ACMIIL Research

Life Insurance Corporation of India

Execution of strategies will be the key

HOLD | Target: Rs 1,083

Key Data	
Bloomberg code:	LICI:IN
Target price (Rs)	1,083
CMP (Rs)	943
Upside/ (Downside) (%)	14.8
Rating:	Hold
Shares outstanding (mn):	6,325
Mcap (Rs bn) :	5,964
52-week H/L (Rs):	1,222/597

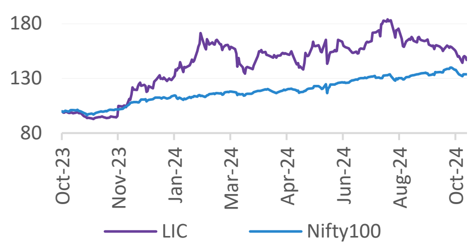
Price Performance (%)	
1 month	(8.3)
3 months	(15.0)
12 months	48.1

Shareholding Pattern (%)

	Dec'23	Mar'24	Jun'24
Promoter	96.5	96.5	96.5
FIIs	0.0	0.1	0.2
DIIs	1.0	0.9	0.9
Public/other	2.4	2.5	2.4
Pledge	-	-	-

Source: BSE

LICI performance vs. Nifty 100



Source: NSE

We initiate coverage on LIC of India with a Hold recommendation with a target price of Rs 1,083, valuing the public insurer at 0.8x of its FY26E embedded value. LIC is the largest life insurer in India with a market share of 58%/39% on an NBP/APE basis. It is a major player in group insurance with a market share of 63% in terms of APE. While the public insurer has lost its market share in individual insurance, its group insurance business remains healthy. While LIC drives volume in the industry, its ticket size in terms of individual insurance remains the lowest in the industry. However, group insurance, has the highest ticket size per life covered.

LIC aims to have a dominant position in the life insurance business and aims to increase its market share in the individual business. The insurance company plans to leverage tech to increase its footprint in the urban regions. It launched the Ananda app through which LIC aims to achieve digital transformation. As of Q1FY25, it sold 1mn+ policies with the app. However, we believe that the company has long way to compete with the private insurers in the urban regions as the private players are better placed to capture market.

Par dominant product mix - The majority of the LIC's products belong to the par category which are market linked. Its product mix has been led by the par product segment while it has limited products in the non-par segment. LIC aims to increase its footprint in the non-par segment and hence in FY24, it launched 6 products in the non-par category. Also, the company introduced four products that were modified from the existing ones. During FY25E, plans to increase more products in the protection category to diversify its product mix.

Margin improvement expected in the near term - LIC has the lowest margin in the industry due to the nature of the product mix and lower ticket-size products. Its VNB margin saw an improvement in FY24 due to an increase in the proportion of non-par savings products. The margin improvement also led to marginal VNB growth. Going forward, we expect that an increasing portion of non-par products could be the driver of the margin improvement. Also, the new surrender regulations are expected to impact the margin and the payout structure could lead to potential adjustments in the commission structure which will put a potential dent in the margin going forward.

Valuation and outlook - LIC of India has experienced a loss of market share in the individual premium segment. While it remains a dominant insurer in the group premium segment. The increase in the portion of non-par savings products has been lower than expected and that has led to a potential loss of market share in the urban region. In the rural region, LIC continues to be a dominant insurer due to its footprint in the tier 2/3 regions and brand recall value.

While we expect the margin to improve in the near term due to the changing product mix, in the long run margin will remain flat. We expect APE/VNB to grow at 10%/14% CAGR over FY24-27E with a margin to remain at 18.6% in FY26E. It is currently trading at 0.7/0.7/0.6x P/EV over FY25/26/27E. We initiate coverage on LIC with a Hold rating and a target price of 1,083, valuing the stock at 0.8x of its FY26E embedded value.

YE March, Rs mn	FY23	FY24	FY25E	FY26E	FY27E
Net premium income	**47,59,569**	**47,50,696**	**50,57,455**	**54,13,219**	**58,23,036**
Total income	**47,66,328**	**47,57,519**	**52,07,614**	**56,89,976**	**62,39,197**
Surplus/deficit	4,16,166	3,47,405	3,78,617	4,26,238	4,77,286
APE	5,66,820	5,69,700	6,33,024	6,91,938	7,62,242
VNB	91,560	95,830	1,21,190	1,33,351	1,42,007
Embedded Value (EV)	**58,22,430**	**72,73,440**	**83,57,197**	**90,10,900**	**95,28,320**
EV per share (Rs)	**921**	**1,150**	**1,321**	**1,425**	**1,506**
P/EV (x)	1.1	0.9	0.8	0.7	0.7

Source: Company, ACMIIL Research

Largest public insurer in India

Life Insurance Corporation of India (LIC) is owned by the Government of India with ~97% stake. It is engaged in the business of life insurance in and outside India; and is the largest insurance provider company in India. The extensive network of LIC covers 91% of the districts in India. The company also has overseas branches located in Fiji, Mauritius and the United Kingdom. During FY24, the overseas branches put together issued 10,951 policies. Its overseas subsidiaries are located in GCC, Nepal, Lanka and Bangladesh.

LIC offers a range of individual and group insurance solutions including participating, non-participating and unit-linked lines of business. Its product portfolio includes various insurance and investment products including protection, pension, savings, investment, annuity, health and variable schemes. The company launched new non-participating products to strengthen its product basket and to increase its share of business in these products. By the end of FY24, LIC had 41 Individual Products, 12 Group Products, seven Individual Riders and one Group Riders.

LIC, India's largest life insurer with a 58%/39% market share in NBP/APE, dominates group insurance with a 63% APE share, despite losing ground in individual insurance.

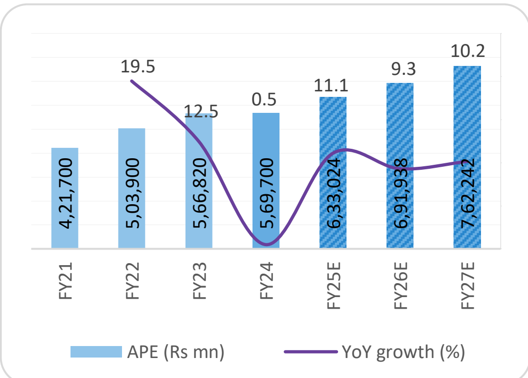
LIC has an Omni channel distribution platform with 1.4 mn individual agents, 83 corporate agents, 280 brokers, 3,636 branch and satellite offices, 153 insurance marketing firms and 87 bancassurance partners covering 92% of districts in India. This extensive network provides widespread reach across urban and rural India. LIC has the largest individual agent network among life insurance entities in India.

LIC is the largest life insurer in India with a market share of 58%/39% on an NBP/APE basis. It is a major player in group insurance with a market share of 63% in terms of APE. While the public insurer has lost its market share in individual insurance, its group insurance business remains healthy. While LIC drives volume in the industry, its ticket size in terms of individual insurance remains the lowest in the industry. However, group insurance, has the highest ticket size per life covered.

LIC has a strong agency network with ~49% of the total agents being associated with LIC. The company derives 96% of APE via the agency network. This agency network has enabled the company to penetrate deeper into tier 2/3 cities and generate recall value amongst policyholders. The company aims to be in every panchayat by FY25. It is also foraying into banca partnerships with various banking institutions. It has tied up IDBI Bank to leverage the banca channel and aspired to derive 5-6% of the total APE from the banca channel (currently 3% of the total APE is derived from the banca channel).

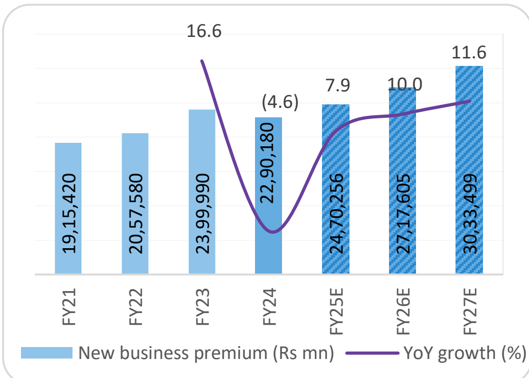
LIC aims to have a dominant position in the life insurance business and aims to increase its market share in the individual business. The insurance company plans to leverage tech to increase its footprint in the urban regions. It launched the Ananda app through which LIC aims to achieve digital transformation. As of Q1FY25, it sold 1mn+ policies with the app. However, we believe that the company has long way to compete with the private insurers in the urban regions as the private players are better placed to capture market.

Exhibit 52: APE expected to grow at steady pace



Source: Company, ACMIIL Research

Exhibit 53: NBP will see double digit growth from FY26E onwards



Source: Company, ACMIIL Research

Life Insurance Corporation of India

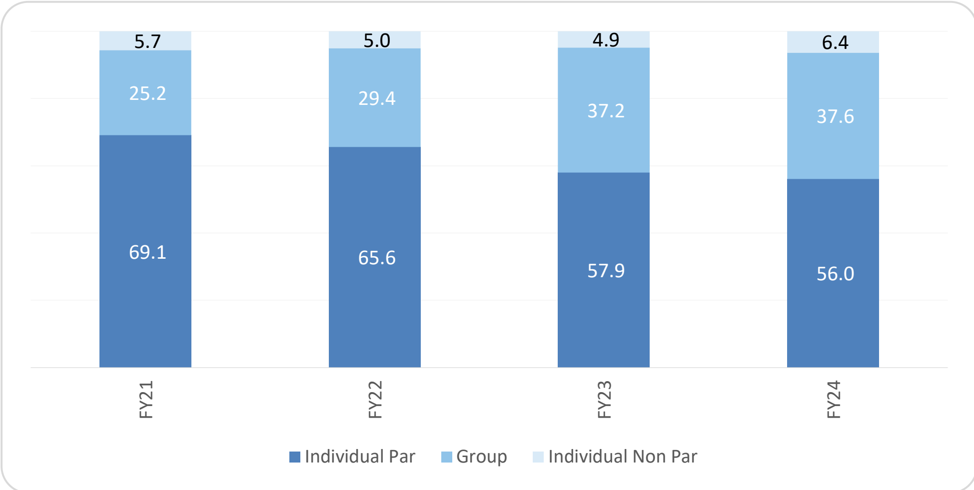
Agency led Par dominant business model

The majority of the LIC's products belong to the par category which are market linked. Its product mix has been led by the par product segment while it has limited products in the non-par segment. LIC aims to increase its footprint in the non-par segment and hence in FY24, it launched 6 products in the non-par category. Also, the company introduced four products that were modified from the existing ones. During FY25E, the company plans to increase more products in the protection category to diversify its product mix.

We expect that the insurance company will see healthy growth in the non-par segment going forward mainly due to the low base. Till now, the expansion has been slower than expected due to its lower ticket size customers and limited exposure in the urban demography.

Expansion has been slower than expected due to lower ticket size customers and limited exposure. Healthy growth in non par segment will be seen going forward due to low base.

Exhibit 54: Par products contribute the most in APE mix

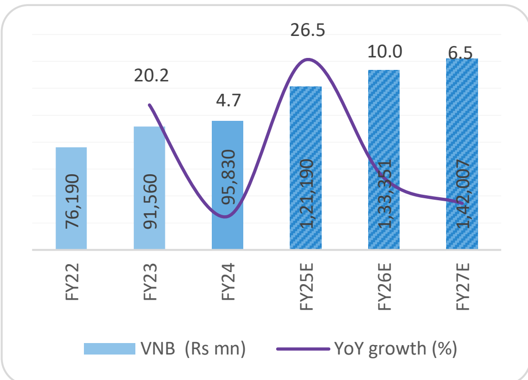


Source: Company, ACMIIL Research

Margins expected to see improvement in the near term

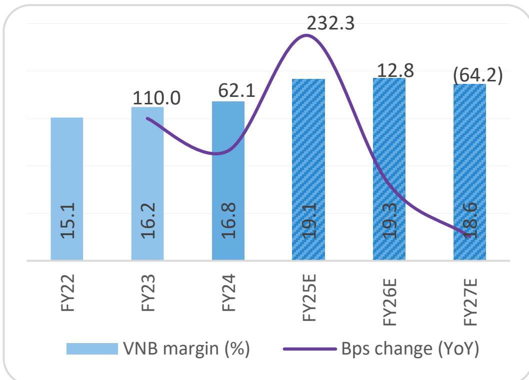
LIC has the lowest margin in the industry due to the nature of the product mix and lower ticket-size products. Its VNB margin saw an improvement in FY24 due to an increase in the proportion of non-par savings products. The margin improvement also led to marginal VNB growth. Going forward, we expect that an increasing portion of non-par products could be the driver of the margin improvement. Also, the new surrender regulations are expected to impact the margin and the payout structure could lead to potential adjustments in the commission structure which will put a potential dent in the margin going forward. We remain positive about the margin in the near-term, however, the margin would be flattish in the long run.

Exhibit 55: VNB expected to see growth in near term



Source: Company, ACMIIL Research

Exhibit 56: Margin expected to expand in FY25E



Source: Company, ACMIIL Research

Valuation and outlook

LIC of India has experienced a loss of market share in the individual premium segment. While it remains a dominant insurer in the group premium segment. The increase in the portion of non-par savings products has been lower than expected and that has led to a potential loss of market share in the urban region. In the rural region, LIC continues to be a dominant insurer due to its footprint in the tier 2/3 regions and brand recall value.

While we expect the margin to improve in the near term due to the changing product mix, in the long run margin will remain flat. We expect APE/VNB to grow at 10%/14% CAGR over FY24-27E with a margin to remain at 18.6% in FY26E. It is currently trading at 0.7/0.7/0.6x P/EV over FY25/26/27E. We initiate coverage on LIC with a Hold rating and a target price of Rs 1,083; valuing the stock at 0.8x of its FY26E embedded value.

Exhibit 57: 1 year forward P/EV (x) valuation

Source: Company, ACMIIL Research

Life Insurance Corporation of India

Quarterly performance:

Technical account

YE March (Rs in mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
First year premium	74,758	91,759	97,650	1,28,522	68,488	1,00,320	84,688	1,38,102	74,704
Renewal premium	5,05,302	5,65,146	6,04,973	7,63,283	5,39,178	5,99,607	6,27,186	7,73,681	5,64,292
Single premium	4,09,347	6,70,219	4,22,851	4,32,516	3,81,492	3,79,547	4,64,515	6,13,645	5,00,006
Gross premium income	9,89,407	13,27,125	11,25,474	13,24,322	9,89,157	10,79,474	11,76,389	15,25,427	11,39,002
Net premium income	9,88,053	13,26,317	11,22,967	13,22,232	9,87,552	10,78,768	11,74,319	15,22,931	11,37,701
Income from investments and other income	7,07,955	9,03,171	8,53,663	6,87,987	9,08,506	9,45,184	9,57,275	9,86,301	9,71,397
Total income	16,96,007	22,29,489	19,76,630	20,10,219	18,96,058	20,23,952	21,31,594	25,09,232	21,09,098
Commission on									
First year premium	20,783	24,255	25,925	37,358	19,829	24,931	25,292	34,204	20,182
Renewal premium	26,003	28,959	31,894	38,850	27,389	30,908	33,092	40,212	29,173
Single premium	878	1,232	1,438	1,716	812	1,326	1,244	1,524	916
Rewards	2,855	3,996	4,232	6,588	3,397	3,878	5,813	6,518	630
Net commission	50,520	58,441	63,489	84,600	51,588	60,877	65,440	82,457	50,901
Employees remuneration	76,822	1,64,748	55,909	1,03,871	57,397	1,05,671	95,543	1,37,499	65,366
Other operating expenses	16,921	18,859	19,136	26,631	18,443	19,127	21,577	27,135	18,946
Expenses of management	1,44,262	2,42,047	1,38,533	2,15,102	1,27,428	1,85,676	1,82,561	2,47,091	1,35,213
Other expenses	28,801	(23,097)	(35,836)	(1,15,546)	(25,442)	274	(147)	(2,371)	(1,038)
Provision for taxes	14,526	54,247	(24,859)	9,907	13,628	10,839	13,618	21,144	15,891
Benefits paid	6,91,341	8,47,026	7,97,908	11,21,240	7,53,628	8,39,339	9,72,426	13,51,032	8,18,643
Change in actuarial liability	7,81,899	9,60,880	9,72,035	7,17,601	9,64,123	9,14,232	8,77,910	7,64,011	10,31,515
Surplus/(deficit)	35,179	1,48,385	1,28,849	61,915	62,693	73,594	85,227	1,28,324	1,08,874

Source: Company, ACMIIL research

Shareholders account

YE March (Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Transfer from policyholders a/c	12,696	1,49,257	60,966	1,31,472	90,804	73,096	84,579	1,27,937	1,07,799
Income from investments	1,899	1,892	3,219	6,125	6,745	9,260	11,008	11,240	11,767
Expenses other than related to insurance business	119	120	228	71	162	187	199	2,460	2,278
Other expenses	8,163	(7,791)	188	5,616	51	892	78	335	12,677
Profit/(loss) before tax	6,312	1,58,819	63,768	1,31,909	97,336	81,277	95,309	1,36,382	1,04,611
Provisions for tax	284	276	281	2	986	974	619	(1,244)	-
Profit/(loss) after tax	6,028	1,58,544	63,487	1,31,908	96,350	80,303	94,690	1,37,626	1,04,611

Source: Company, ACMIIL research

Metrics

YE March (Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
APE	1,02,700	1,49,580	1,23,170	1,91,370	95,320	1,30,950	1,31,630	2,11,800	1,15,600
VNB	13,970	22,800	18,010	36,780	13,020	20,020	26,340	36,450	16,100
Individual new business premium	1,09,380	1,35,970	1,42,930	1,99,290	1,04,620	1,47,220	1,34,950	1,90,370	1,18,920
Group business premium	3,83,450	6,43,730	3,90,970	3,94,270	3,55,900	3,53,870	4,20,800	5,82,450	4,65,780
New business premium	4,92,830	7,79,700	5,33,900	5,93,560	4,60,520	5,01,090	5,55,750	7,72,820	5,84,700
Assets Under Management (Rs bn)	41,020	42,938	44,349	43,972	46,111	47,434	49,664	51,219	53,588
VNB margin (%)	13.6	14.6	14.6	19.2	13.7	15.3	20.0	17.2	13.9

Source: Company, ACMIIL research

Life Insurance Corporation of India

Financials

Policyholder's funds

YE March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
First year premium	3,92,690	3,90,380	4,28,887	4,66,864	5,09,880
Renewal premium	24,38,704	25,30,805	27,37,358	29,72,371	32,05,698
Single premium	19,34,934	18,36,335	20,41,369	22,50,742	25,23,619
Total premium	**47,66,328**	**47,57,519**	**52,07,614**	**56,89,976**	**62,39,197**
Net premium income	47,59,569	47,50,696	50,57,455	54,13,219	58,23,036
Income from investments	30,74,883	36,39,439	37,89,526	41,37,590	44,73,719
Other income	76,592	1,46,484	32,045	32,726	33,748
Transfer of funds from shareholders a/c	1,301	449	467	504	543
Total	**79,12,345**	**85,37,068**	**88,79,493**	**95,84,038**	**1,03,31,046**
Commission					
First year premium	1,08,322	1,03,975	1,07,753	1,17,346	1,27,416
Renewal premium	1,25,706	1,31,156	1,61,358	1,70,138	1,85,759
Single premium	5,264	4,856	7,349	8,103	9,085
Rewards	17,671	19,605	20,830	22,760	24,957
Net commission	**2,57,049**	**2,59,591**	**2,97,290**	**3,18,347**	**3,47,217**
Employees remuneration	4,01,349	3,95,836	4,04,305	4,21,041	4,42,613
Other operating expenses	81,547	85,381	86,348	89,123	91,906
Expenses of management	**7,39,944**	**7,40,808**	**7,87,943**	**8,28,510**	**8,81,736**
Provisions	(1,46,773)	(29,194)	(13,817)	1,616	18,354
GST charge on linked charges	1,095	1,344	1,593	1,730	1,878
Provision for taxes	53,820	58,252	60,115	64,946	69,936
Benefits paid	34,57,514	38,88,093	40,09,971	43,45,559	47,09,232
Change in actuarial liability	34,32,416	35,30,361	36,55,071	39,15,439	41,72,623
Total	**75,38,016**	**81,89,663**	**85,00,876**	**91,57,800**	**98,53,760**
Surplus/(deficit)	**3,74,329**	**3,47,405**	**3,78,617**	**4,26,238**	**4,77,286**

Source: Company, ACMIIL Research

Shareholder's funds

YE March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Transfer from policyholders a/c	3,54,390	3,74,554	4,08,206	4,59,549	5,14,586
Investment income	11,824	36,946	39,209	40,829	42,111
Other income	1,310	-	-	-	-
Expenses other than insurance business	539	2,463	2,761	3,179	3,724
Transfer of funds to policyholders a/c	1,301	449	488	546	607
Provisions	4,875	717	-	-	-
Profit/(loss) before tax	3,60,809	4,07,872	4,44,165	4,96,653	5,52,366
Provisions for tax	843	1,114	1,213	1,357	1,509
Profit/(loss) after tax	3,59,966	4,06,758	4,42,952	4,95,296	5,50,857

Source: Company, ACMIIL Research

Balance Sheet

YE March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	63,250	63,250	63,250	63,250	63,250
Reserves and surplus	3,99,079	7,64,219	12,06,144	17,00,293	22,49,874
Minority Interest (shareholders)	1,171	1,527	1,527	1,527	1,527
Sub-total	**4,63,500**	**8,28,996**	**12,70,921**	**17,65,070**	**23,14,651**
Credit/(debit) fair value change account	34,82,976	69,26,954	76,44,391	84,35,554	93,07,987
Policy liabilities	4,06,87,347	4,41,15,973	4,80,17,909	5,23,53,058	5,71,27,788
Minority interest (policyholders)	18	87	87	87	87
Discontinued due to non payment of premium	1,628	3,938	4,234	4,552	4,895
Others	144	141	141	141	141
Insurance reserves	2,52,079	2,85,271	3,10,502	3,38,535	3,69,410
Provision for linked liabilities	2,61,789	3,49,015	3,79,885	4,14,181	4,51,956
Sub-total	**4,46,85,982**	**5,16,81,378**	**5,63,57,148**	**6,15,46,109**	**6,72,62,264**
Funds for future appropriations	39,187	12,147	13,246	14,466	15,809
Total liabilities and shareholders equity	**4,51,88,669**	**5,25,22,521**	**5,76,41,316**	**6,33,25,645**	**6,95,92,724**
Shareholders	2,81,767	6,26,084	6,66,511	7,13,396	7,67,405
Policyholders	4,20,54,736	4,89,52,390	5,39,61,009	5,94,82,090	6,55,68,068
Assets held to cover linked liabilities	2,63,259	3,52,810	3,88,908	4,28,699	4,72,562
Loans	11,70,055	12,17,448	12,57,934	12,99,768	13,42,993
Fixed assets	38,367	40,748	44,674	48,978	53,697
Cash and bank balances	4,54,986	4,18,245	4,04,442	4,16,951	4,34,557
Advances and other assets	15,21,743	15,52,748	15,83,310	16,30,307	16,78,698
Current assets	**19,76,729**	**19,70,993**	**19,87,753**	**20,47,258**	**21,13,255**
Current liabilities	4,46,783	4,88,488	5,16,011	5,45,084	5,75,795
Provisions	1,49,462	1,49,461	1,49,461	1,49,461	1,49,461
Current liabilities	**5,96,245**	**6,37,950**	**6,65,472**	**6,94,545**	**7,25,256**
Net current assets	**13,80,484**	**13,33,043**	**13,22,280**	**13,52,713**	**13,87,999**
Total assets	**4,51,88,669**	**5,25,22,521**	**5,76,41,316**	**6,33,25,645**	**6,95,92,724**

Source: Company, ACMIIL Research

Valuation

YE March (x)	FY23	FY24	FY25E	FY26E	FY27E
P/EV	1.0	0.8	0.7	0.7	0.6
P/VNB	65.5	62.6	49.5	45.0	42.2
P/B	12.93	7.23	4.72	3.40	2.59

Source: Company, ACMIIL Research

Life Insurance Corporation of India

Financials

Metrics

YE March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Annualized premium equivalent (APE)	5,66,820	5,69,700	6,33,024	6,91,938	7,62,242
YoY (%)	12.5	0.5	11.1	9.3	10.2
Value of new business (VNB)	91,560	95,830	1,21,190	1,33,351	1,42,007
YoY (%)	20.2	4.7	26.5	10.0	6.5
VNB margin (%)	16.2	16.8	19.1	19.3	18.6

Source: Company, ACMIIL Research

EV Movement

YE March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Opening IEV	**54,14,920**	**58,22,430**	**72,73,440**	**83,57,197**	**90,10,900**
VoNB	**91,560**	**95,830**	**1,21,190**	**1,33,351**	**1,42,007**
Unwinding	4,15,770	5,21,980	1,19,503	1,04,749	80,382
Operating experience variance	60,900	3,680	10,337	17,617	24,735
Change in operating assumptions	20,600	48,290	65,754	80,982	92,746
Economic assumption change and variance	(1,71,830)	9,54,640	9,28,296	5,02,364	3,77,409
Dividend paid		(1,29,140)	(1,61,323)	(1,85,360)	(1,99,859)
Closing IEV	**58,22,430**	**72,73,440**	**83,57,197**	**90,10,900**	**95,28,320**

Source: Company, ACMIIL Research

Max Financial Services

HOLD | Target: Rs 1,318

Growth intact but margin contraction remains a key risk

We initiate coverage on Max Financial Service with a Hold rating and a target price of Rs 1,318, valuing the company at 2.1x of its FY26E embedded value. Max Life Insurance has a market share of 3%/5% in NBP/APE terms. In terms of individual APE, it has grown by 13% CAGR over FY19-24 (in line with the industry growth) with a market share of 6.6%. It remains a retail-focused insurer as 97% of its APE is derived from individual APE. Its average ticket size per individual loan remains higher than the industry ticket size.

Max Life Insurance has a multi-channel distribution strategy. Its products are distributed by e-commerce, direct selling teams, agencies and third-party distribution partners. It has expanded its bancassurance partnership and broker network to widen its distribution reach. Striving for leadership in online acquisition, Max Life continues to lead in online protection and ranks second in the online savings market.

Balanced product mix - Max Life Insurance product mix remains balanced in the APE mix with ULIPs, Non-par and par savings having the majority portion. The insurer focused on increasing its non-par savings due to higher margins and ticket size, however, the ULIP portion saw an increase in FY24 due to higher demand for the product. Along with ULIP products, annuity products are also seeing traction for the insurance company.

Banca channel remains the key - With regards to distribution, Max Life has Axis Bank as its bancassurance partner which forms a majority portion of its APE mix and is continuing to see healthy growth. Its proprietary distribution consists of agency, direct and e-com. The company continues to grow its agency network as onboarded ~19,000 agents in the last year.

Margin contraction remains the key risk - Max Life Insurance saw a VNB margin decline especially in Q1FY25 due to the increased portion of ULIP products along with higher commission costs. Going forward, we expect that the margin will see improvement owing to normalizing commission costs and regulatory guidelines materializes. The company estimates that the margin will be impacted by 100-200bps due to the new surrender regulations. The new product launches will be compliant with the new surrender value will be attractive for the policyholders but a put a dent in the insurer's margin.

Valuation and outlook - Max Financial continues to see healthy growth in its top-line which is mainly driven by the individual premium segment. Its product mix remains balanced with ULIPs, non-par savings and par savings having a majority portion of the product mix. It is also seeing healthy growth in its credit life policies courtesy of its banking partner. While the insurance company is supported by a strong banca partner in the form of Axis Bank it is also investing in its proprietary channel to diversify its distribution channel. The margin, however, remains a concern as the insurance saw a decline in its margin in Q1FY25 and is expected to see a marginal decline going forward in FY25. The company expect a margin decline of 100-200bps going forward. The company is currently trading a multiple of 2.2/1.8/1.5x over FY25/26/27E. We expect its APE/VNB to grow at 21% CAGR each over FY24-27E. We initiate coverage on Max Financial Service with a Hold rating and a target price of Rs 1,318, valuing the company at 2.1x its FY26E embedded value. We apply a 20% holding discount on the company.

Key Data	
Bloomberg code:	MAXF
Target price (Rs)	1,318
CMP (Rs)	1,196
Upside/ (Downside) (%)	10.2
Rating:	Hold
Shares outstanding (mn):	345
Mcap (Rs bn) :	413
52-week H/L (Rs):	1,213/854

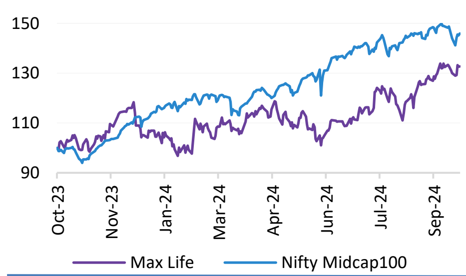
Price Performance (%)	
1 month	5.5
3 months	15.1
12 months	29.8

Shareholding Pattern (%)

	Dec'23	Mar'24	Jun'24
Promoter	6.5	6.5	6.5
FIIs	50.9	47.7	46.6
DIIs	36.9	39.9	40.7
Public/other	5.7	5.8	6.1
Pledge	59.6	69.2	72.6

Source: BSE

MAXF performance vs. Nifty Midcap 100



Source: NSE

YE March, Rs mn	FY23	FY24	FY25E	FY26E	FY27E
Net premium income	2,48,818	2,89,847	3,34,392	3,90,269	4,53,398
Net commission	16,138	23,983	27,850	31,680	36,591
Benefits Paid (net)	99,792	1,33,212	1,46,742	1,71,023	1,96,221
Surplus/(deficit) for the period	**7,996**	**5,537**	**8,157**	**11,893**	**13,370**
Provisions for tax	694	152	773	1,125	1,257
Annualized premium equivalent	**62,480**	**74,330**	**89,539**	**1,07,833**	**1,31,932**
Value of new business	19,490	19,730	21,087	27,676	35,094
Embedded value	**1,62,630**	**1,94,940**	**2,32,851**	**2,82,004**	**3,36,292**
EV per share (Rs)	**377.0**	**451.9**	**539.9**	**653.8**	**779.7**
P/EV (x)	**3.2**	**2.7**	**2.2**	**1.8**	**1.5**

Source: Company, ACMIIL Research

Retail focused insurer

Max Financial Services Limited (MFSL) is a part of the Max Group conglomerate. MFSL primarily focuses on Life Insurance and actively manages Max Life Insurance Company Limited, India's largest non-bank private life insurer and the fifth-largest private life insurance company. Max Life Insurance is a joint venture between MFSL and Axis Bank Limited. MFSL holds an 81% stake while Axis Entities collectively hold 19% in Max Life Insurance. Its operations are majorly concentrated in states like Maharashtra, West Bengal, Haryana, Uttar Pradesh and Delhi.

Max Life Insurance offers comprehensive protection and long-term savings life insurance solutions. These include participating, non-participating and linked products that cover life insurance, pension and health benefits including riders for individual and group segments. Max Life aspires to lead Protection and Health and wellness propositions, retirement solutions and non-par savings. Their strategy of offering products with longer-term offerings and improving protection in pure protection and health segments has improved their margins. In FY24, Max Life introduced 37 product interventions, contributing to 45% of new business. Their total protection and health APE saw a 50% YoY increase. Their focus on retirement plans in FY24 has led to 59% growth in their annuity business.

Max Life has maintained its market leadership in protection through superior claims management, expedited underwriting processes, and innovative product development, all supported by strategic pricing. To preserve and enhance margins, the company focuses on adding more Group Credit Life (GCL) policies, expanding its agency network, and optimising its product mix across multiple channels. To strengthen its market leadership, Max Life is enhancing its underwriting and onboarding capabilities, improving claims diligence through advanced technology and robust process controls and strategically aligning with reinsurance partners. The company's focus on product innovation and strategic pricing drives significant shifts towards under-penetrated customer segments, positioning it for sustained growth and margin enhancement.

Holds a 3%/5% market share in NBP/APE terms, with individual APE growing 13% CAGR over FY19-24, and 97% of its APE is derived from individual policies. Average ticket size exceeds industry.

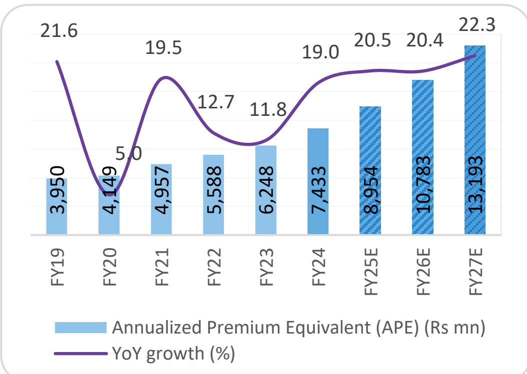
Max Life Insurance has a multi-channel distribution strategy. Its products are distributed by e-commerce, direct selling teams, agencies and third-party distribution partners. It has expanded its bancassurance partnership and broker network to widen its distribution reach. Striving for leadership in online acquisition, Max Life continues to lead in online protection and ranks second in the online savings market. The company has also on-boarded over 40 new partners, including one bank, six corporate agents, 14 brokers (online and offline), and 20 Group Credit Life (GCL) relationships.

Max Life Insurance has a market share of 3%/5% in NBP/APE terms. In terms of individual APE, it has grown by 13% CAGR over FY19-24 (in line with the industry growth) with a market share of 6.6%. It remains a retail-focused insurer as 97% of its APE is derived from individual APE. Its average ticket size per individual loan remains higher than the industry ticket size (~Rs 98,355).

The product mix of the company remains diversified as the company has the combination of ULIPs, par, protection and group savings insurance. The company has been a leader in the protection segment. In line with the industry, Max Life has seen increasing demand for ULIPs while other segments has seen moderation.

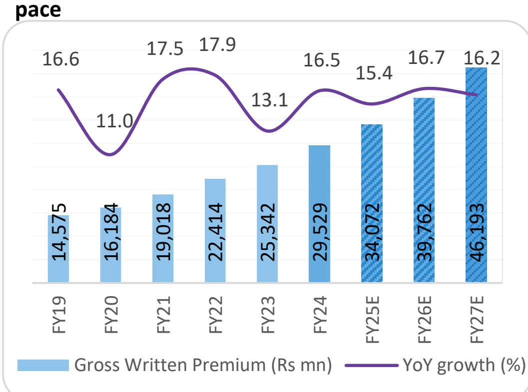
The insurance company has an association with Axis Bank for the sale of policies. Apart from the Banca partnership, it has built a strong proprietary channel which contributes ~49% of the APE. The insurer has built diversified channels for the distribution of its policies as the proprietary consistent of agency, direct and E-com.

Exhibit 58: Strong growth in APE going forward



Source: Company, ACMIIL Research

Exhibit 59: Premium expected to grow at healthy pace



Source: Company, ACMIIL Research

Balanced product mix aided by banca channel

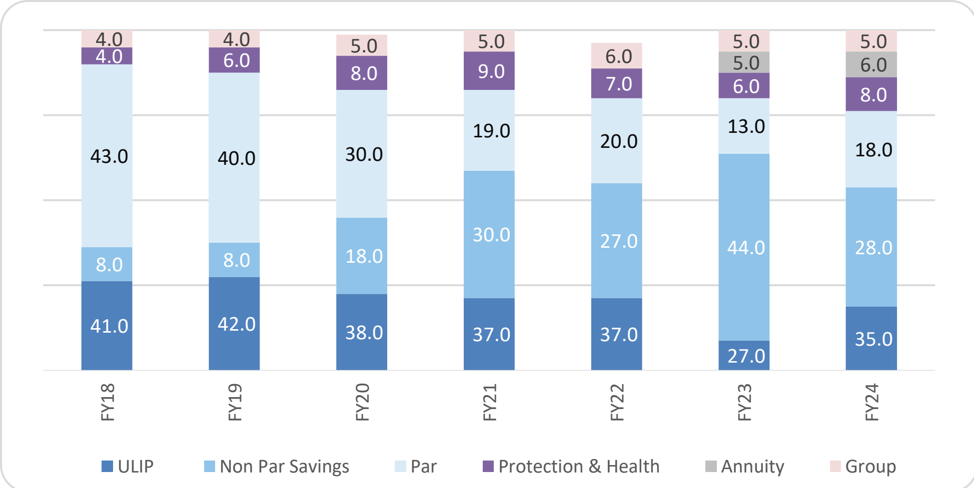
We expect that the company will continue to see a higher portion of ULIP products in the coming quarters which will put a cap on the margins

Max Life Insurance product mix remains balanced in the APE mix with ULIPs, Non-par and par savings having the majority portion. The insurer focused on increasing its non-par savings due to higher margins and ticket size, however, the ULIP portion saw an increase in FY24 due to higher demand for the product. Along with ULIP products, annuity products are also seeing traction for the insurance company. The company has launched new products in this segment which is seeing healthy growth. During Q1FY25, it launched the Smart Wealth Annuity Guaranteed Pension Plan which grew by 42% YoY. Even in the ULIP segment, the company launched Flexi Cap Fund which saw 100% YoY growth. The management iterated that they will continue to grow in the segment where they see an opportunity. From a long-term perspective, the company has grown its non-par savings product at 31% CAGR over FY20-24 followed by protection & health and group credit life at 18%/19% over FY20-24 while par growth has been muted at 2% CAGR.

With regards to distribution, Max Life has Axis Bank as its bancassurance partner which forms a majority portion of its APE mix and is continuing to see healthy growth. Its proprietary distribution consists of agency, direct and e-com. The company continues to grow its agency network as onboarded ~19,000 agents in the last year.

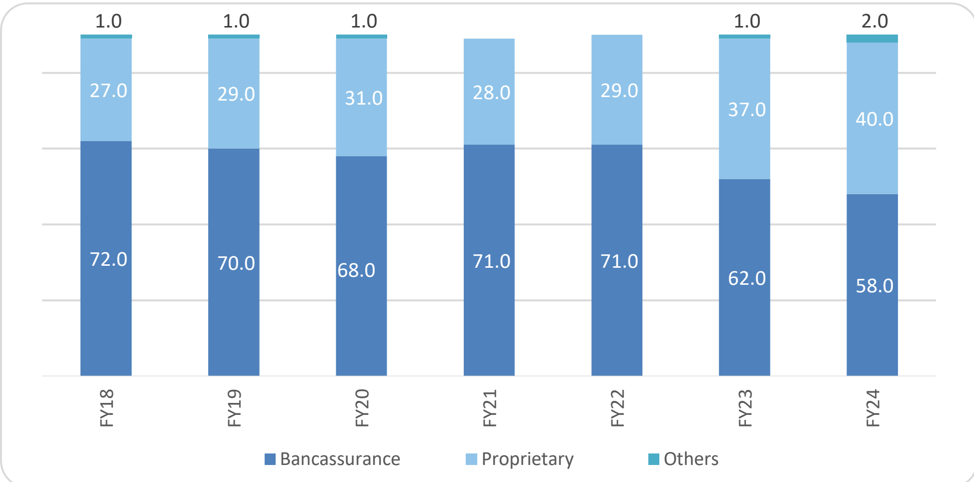
We expect that the company will continue to see a higher portion of ULIP products in the coming quarters which will put a cap on the margins. On the distribution front, the banca channel will continue to be a major contributor to the APE as the insurance company continues to invest in other channels.

Exhibit 60: Product mix of Max Life saw increase in ULIP products in line with industry trend



Source: Company, ACMIIL Research

Exhibit 61: Growing share of proprietary in the distribution mix



Source: Company, ACMIIL Research

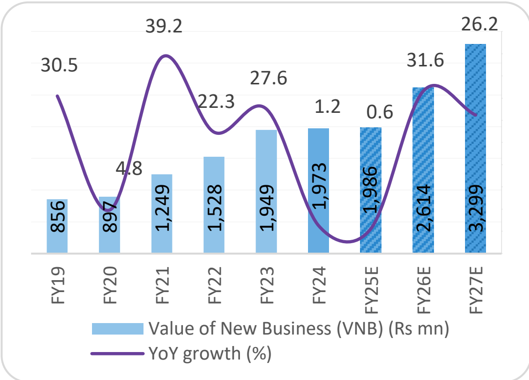
Margin will continue to remain subdued

Max Life Insurance saw a VNB margin decline especially in Q1FY25 due to the increased portion of ULIP products along with higher commission costs. Going forward, we expect that the margin will see improvement owing to normalizing commission costs and regulatory guidelines materializes. The company estimates that the margin will be impacted by 100-200bps due to the new surrender regulations. The new product launches will be compliant with the new surrender value will be attractive for the policyholders but a put a dent in the insurer's margin.

We expect the company's margin to remain subdued in FY25E, however, going forward in FY26E the margins shall improve as the product mix shifts towards higher margin products.

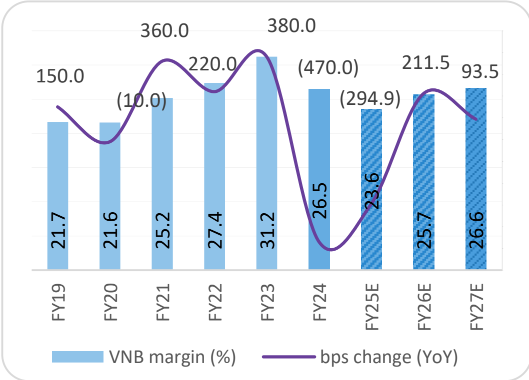
We expect the company's margin to remain subdued in FY25E, however, going forward in FY26E the margins shall improve as the product mix shifts towards higher margin products

Exhibit 62: VNB will remain moderate in FY25E



Source: Company, ACMIIL Research

Exhibit 63: Margin will remain under pressure in FY25E

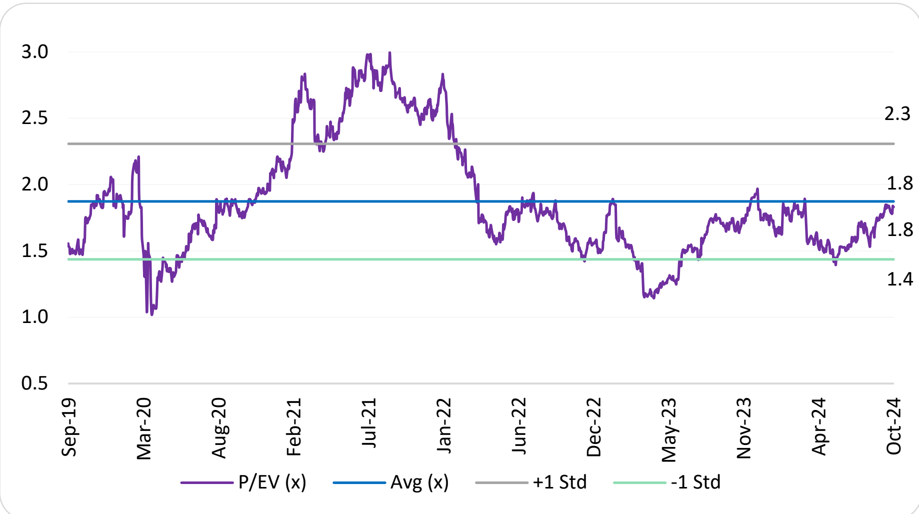


Source: Company, ACMIIL Research

Valuation and outlook

Max Financial continues to see healthy growth in its top-line which is mainly driven by the individual premium segment. Its product mix remains balanced with ULIPs, non-par savings and par savings having a majority portion of the product mix. It is also seeing healthy growth in its credit life policies courtesy of its banking partner. While the insurance company is supported by a strong banca partner in the form of Axis Bank it is also investing in its proprietary channel to diversify its distribution channel. The margin, however, remains a concern as the insurance saw a decline in its margin in Q1FY25 and is expected to see a marginal decline going forward in FY25. The company expect a margin decline of 100-200bps going forward. The company is currently trading a multiple of 2.2/1.8/1.5x over FY25/26/27E. We expect its APE/VNB to grow at 21% CAGR each over FY24-27E. We initiate coverage on Max Financial Service with a Hold rating and a target price of Rs 1,318, valuing the company at 2.1x its FY26E embedded value. We apply a 20% holding discount on the company.

Exhibit 64: 1 year forward P/EV valuation (x)



Source: Company, ACMIIL Research

Max Financial Services

Quarterly performance:

Technical account

YE March (Rs in mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
First Year Premium	9,183	11,136	14,576	24,101	9,916	15,286	17,639	26,053	12,475
Renewal Premium	26,188	39,074	40,218	58,344	30,139	42,007	46,085	66,828	33,233
Single Premium	5,661	7,802	8,040	9,098	8,652	8,956	9,251	14,478	8,278
Gross premium income	41,031	58,012	62,835	91,542	48,708	66,249	72,975	1,07,359	53,985
Reinsurance ceded	1,262	1,189	1,003	1,147	1,469	1,411	1,272	1,291	1,689
Net premium income	39,769	56,823	61,831	90,395	47,239	64,837	71,703	1,06,068	52,296
Investment and other income	(7,563)	36,485	25,994	8,813	43,916	36,188	51,126	42,096	64,141
Total	32,206	93,308	87,825	99,208	91,155	1,01,025	1,22,829	1,48,164	1,16,438
Commission on:									
First Year Premium	1,702	2,134	2,824	4,343	2,245	4,349	4,885	7,465	3,568
Renewal Premium	581	947	978	1,581	675	983	1,103	1,639	766
Single Premium	100	130	120	149	102	137	165	236	191
Rewards	92	124	123	213	-	-	-	-	-
Net commission	2,475	3,335	4,044	6,285	3,022	5,469	6,152	9,340	4,525
Employees remuneration and welfare expenses	3,917	4,382	5,037	7,051	5,134	5,364	5,721	7,283	5,576
Other operating expenses	9,924	11,711	11,215	18,377	11,811	13,139	14,394	18,882	13,771
Benefits Paid (net)	19,894	22,547	26,515	30,837	28,314	29,719	31,380	43,800	36,258
Change in actuarial liability	337	56,952	45,626	47,678	49,055	54,560	72,790	81,082	63,895
Other expenses	490	602	501	618	476	503	498	613	549
Surplus/(deficit) for the period	2,090	1,826	3,013	1,077	1,816	1,523	1,951	247	1,537

Source: Company, ACMIIL research

Shareholders account

YE March (Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Transfer from policyholders account	574	1,046	2,158	785	1,069	961	1,546	(964)	634
Investment and other income	733	791	837	934	1,069	1,190	942	1,045	1,359
Shareholders expenses	172	208	179	150	203	78	307	155	140
Other expenses	229	1,099	(124)	899	905	498	(196)	536	345
Profit/ (loss) before tax	906	531	2,940	670	1,030	1,575	2,377	(609)	1,508
Provisions for tax	127	75	414	79	141	(125)	231	(96)	204
Profit after tax	779	455	2,526	592	888	1,700	2,146	(513)	1,303

Source: Company, ACMIIL research

Metrics

YE March (Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Total APE	10,090	11,910	15,100	25,380	11,130	16,530	17,950	28,720	14,530
Value of New Business	2,130	3,730	5,930	7,700	2,470	4,160	4,890	8,210	2,540
New Business Margin	21.1	31.3	39.3	30.3	22.2	25.2	27.2	28.6	17.5
Gross Written Premium	41,030	58,010	62,840	91,540	48,710	66,250	72,970	1,07,360	53,990
Assets Under Management (AUM)	10,71,400	11,33,520	11,84,000	12,28,570	12,91,270	13,41,610	14,26,210	15,08,360	16,11,530

Source: Company, ACMIIL research

Financials

Policyholder's funds

YE March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Gross premium income	2,52,422	2,95,290	3,40,716	3,97,623	4,61,928
Reinsurance ceded	3,603	5,443	6,323	7,354	8,530
Net premium income	**2,48,818**	**2,89,847**	**3,34,392**	**3,90,269**	**4,53,398**
Income from investments (net)	60,886	1,70,071	1,76,959	1,83,214	1,82,999
Other income	739	881	975	1,022	1,109
Total	3,12,546	4,63,173	5,14,039	5,75,838	6,38,551
Net commission	**16,138**	**23,983**	**27,850**	**31,680**	**36,591**
Employee expenses	20,388	23,503	30,004	33,874	39,582
Operating expenses	35,834	40,861	51,050	57,277	64,952
Expenses of management	51,972	64,844	78,899	88,957	1,01,543
Benefits Paid (net)	99,792	1,33,212	1,46,742	1,71,023	1,96,221
Change in reserves	1,50,603	2,57,486	2,78,017	3,01,652	3,25,007
GST charge on linked assets	1,992	2,108	2,224	2,313	2,409
Surplus/(deficit) for the period	**7,996**	**5,537**	**8,157**	**11,893**	**13,370**

Source: Company, ACMIIL Research

Balance Sheet

YE March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	19,188	19,188	20,627	20,627	20,627
Reserves and surplus	16,281	20,794	41,704	69,118	1,01,824
Shareholders fund	35,469	39,983	62,331	89,746	1,22,452
Policy liabilities	8,05,354	9,73,550	11,19,915	13,51,567	15,33,194
Provision for linked liabilities	3,03,656	3,87,991	4,55,498	4,62,072	5,05,866
Current Liabilities	38,674	36,177	39,458	43,038	46,943
Other liabilities	98,076	1,36,682	1,15,950	1,17,692	1,17,424
Total liabilities and equity	**12,81,228**	**15,74,382**	**17,93,153**	**20,64,114**	**23,25,879**
Shareholders	55,060	58,451	75,722	1,00,366	1,30,021
Policyholders	8,21,021	10,08,078	11,61,443	13,61,368	15,41,253
Assets held to cover Linked Liabilities	3,52,502	4,41,793	4,78,305	5,17,834	5,60,631
Loans	9,248	10,605	14,439	16,767	19,973
Fixed assets	3,452	4,157	4,887	5,667	6,487
Current Assets	39,944	51,298	58,358	62,111	67,514
Total Assets	**12,81,228**	**15,74,382**	**17,93,153**	**20,64,114**	**23,25,879**

Source: Company, ACMIIL Research

Shareholder's funds

YE March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Transfer from Policyholders' Account	4,563	2,612	3,357	4,895	5,503
Investment Income	3,143	3,943	4,271	4,328	4,386
Other income	152	303	320	338	356
Total income	7,858	6,858	7,949	9,560	10,244
Expenses other than those related to insurance business	708	743	701	784	879
Transfer of funds to Policyholders' A/c	2,103	1,743	1,713	1,333	1,044
Profit/ (loss) before tax	5,046	4,372	5,535	7,443	8,321
Provisions for tax	694	152	773	1,125	1,257
PAT	**4,352**	**4,220**	**4,762**	**6,317**	**7,064**

Source: Company, ACMIIL Research

Metrics

YE March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Annualized premium equivalent	**62,480**	**74,330**	**89,539**	**1,07,833**	**1,31,932**
Value of new business	19,490	19,730	21,087	27,676	35,094
New business margin	**31.2**	**26.5**	**23.6**	**25.7**	**26.6**
Gross written premium	2,53,420	2,95,290	3,40,716	3,97,623	4,61,928
Renewal premium	1,63,820	1,85,060	2,10,790	2,42,598	2,75,857
Assets under management	12,28,570	15,08,360	17,15,469	19,79,569	22,31,905
Embedded value	**1,62,630**	**1,94,940**	**2,32,851**	**2,82,004**	**3,36,292**

Source: Company, ACMIIL Research

Valuation

YE March (x)	FY23	FY24	FY25E	FY26E	FY27E
P/EV	**3.1**	**2.6**	**2.2**	**1.8**	**1.5**
P/VNB	21.0	20.7	19.4	14.8	11.6
P/B	11.5	10.2	6.6	4.6	3.3
P/E	93.9	96.8	85.8	64.7	57.8

Source: Company, ACMIIL Research

Thematic Report

16h October, 2024

Asit C. Mehta INVESTMENT INTERRMEDIATES LTD. PANTOMATH Financial Services Group

SBI Life Insurance Company

Leading on all fronts

BUY | **Target: Rs 2,015**

We initiate coverage on SBI Life Insurance with a Buy rating and a target price of Rs 2,015, valuing the company at 2.5x of its FY26E embedded value. It is the largest private-sector life insurer with a market share of 9%/13% in terms of NBP/APE. It has been one of the fastest-growing life insurance companies in India having grown at 15.5% CAGR over FY19-24 (as against industry growth of 10.5%) while VNB has grown at 23.7% over the same period. It has outpaced the industry both in terms of individual and group insurance and has gained market share in both segments. Its market share in individual and group business is 15.6%/4.5%.

The company has maintained a healthy persistency ratio in most of the cohorts as the 13th month persistency stood at 86.8% in FY24 as against 85.5% in FY23. Even the 61st month persistency saw an improvement from 55.6% in FY23 to 58.6% in FY24. The healthy persistency indicates that the policyholders have managed to hold on to the policies for a longer duration.

Higher proportion of ULIPs in product mix - SBI Life has the highest portion of ULIP products (60% as of FY24). Along with the ULIP products, the company has an increasing trend in non-par products as the non-par products which form ~19% of the overall APE mix have grown at 177% CAGR over FY19-24.

Banca led distribution channel - The company's distribution strength lies in its partner i.e., SBI. With SBI, the company has been able to penetrate into the tier 2/3 regions. As of FY24, the Banca channel contributed 62% of the total APE mix. Along with the Banca channel, the company has a strong agency network with a market share of 8.5%.

Margin expected to remain under pressure in near term - SBI Life's VNB has grown at 23.7% CAGR over FY19-24 as the margin continues to see improvement. In FY24, the margin saw a dip due to the industry-wide phenomenon of increasing the share of ULIP products at the expense of non-par savings products. The margin improvement has been due to the increasing share of non-par products in the product mix, low-cost operating margins and the low commission expense of SBI Life which is amongst the lowest in the industry. The management believed that the company's margin would be least affected by the new surrender value norms and the margin would remain near 28%. We expect that the margin will see a marginal decline in FY25E as compared to FY24 and remain flat in FY26E.

Valuation and outlook - SBI Life is the market leader among private insurance companies. The company APE/VNB is growing at a healthy rate driven by growth in both individual and group segments. It has a strong banca partner along with the highest agency count amongst the private insurers. Further, the company expects its margin to remain stable in the surrender value norms. The company's product mix has a higher portion of ULIP products, however, the company is focused on increasing its protection and non-par savings products. We expect its APE/VNB to grow at a CAGR of 17%/16% over FY24-27E with a VNB margin of 27.1% in FY26E. It is currently trading at a P/EV multiple of 2.5/2.1/1.8x over FY25/26/27E. We initiate coverage SBI Life Insurance with a Buy rating with a target price of Rs 2,015 valuing SBI Life at 2.5x based on FY26E embedded value.

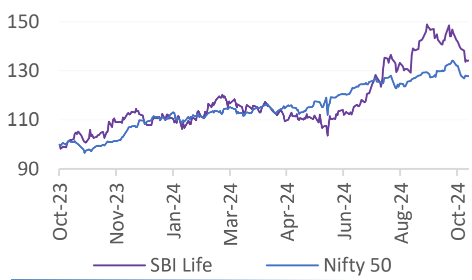
Key Data	
Bloomberg code:	SBILIFE:IN
Target price (Rs)	2,015
CMP (Rs)	1,734
Upside/ (Downside) (%)	16.2
Rating:	Buy
Shares outstanding (mn):	1,002
Mcap (Rs bn) :	1,737
52-week H/L (Rs):	1,936/1,291

Price Performance (%)	
1 month	(4.8)
3 months	7.0
12 months	31.2

Shareholding Pattern (%)	Dec'23	Mar'24	Jun'24
Promoter	55.4	55.4	55.4
FIIs	25.9	25.2	24.7
DIIs	14.6	15.4	15.9
Public/other	4.0	4.0	4.0
Pledge	-	-	-

Source: BSE

SBILIFE performance vs. Nifty 50



Source: NSE

YE March, Rs mn	FY23	FY24	FY25E	FY26E	FY27E
Net premium	6,65,810	8,05,871	9,49,145	11,16,352	13,19,744
Total Income	8,15,985	13,26,314	13,50,133	15,15,664	17,43,424
Total Benefits	7,12,906	12,15,388	12,27,330	13,72,035	15,82,273
Surplus/(Deficit) for the period	28,562	27,915	25,750	27,493	32,175
APE	**1,68,100**	**1,97,200**	**2,30,383**	**2,71,904**	**3,19,882**
VNB	**50,700**	**55,500**	**63,573**	**73,267**	**86,637**
New business premium (NBP)	2,95,900	3,82,400	4,65,627	5,60,506	6,77,286
Embedded value (EV)	4,60,600	5,82,600	6,99,111	8,23,171	9,61,737
EV per share (Rs)	**460.1**	**582.0**	**698.4**	**822.3**	**960.8**
P/EV (x)	3.5	2.8	2.3	2.0	1.7

Source: Company, ACMIIL Research

Leader in private insurance industry

SBI Life Insurance Company offers insurance and annuity services in India. The largest and oldest bank in India, the State of India (SBI) holds a 55% share in SBI Life. SBI Life has a pan-India presence with products catering to a wide demographic range, income level and needs of different life stages. SBI Life offers a range of products under protection, savings, pension and annuity. It provides both traditional and unit-linked plans for individual and group customers. It is a leading private life insurer in terms of Individual New Business Premiums.

SBI Life's insurance business includes both individual and group segments, offering participating, non-participating, pension, group gratuity, group leave encashment, group superannuation, group immediate annuity, unit-linked insurance products, variable insurance products, health, and micro-insurance. Some of these policies come with riders like accident and disability benefits, level term, and critical illness coverage. It continues to benefit from its strong industry expertise, having been in the business for the last two decades.

SBI Life, the largest private life insurer with a 9%/13% market share in NBP/APE, has grown at 15.5% CAGR over FY19-24, outpacing the industry.

SBI Life is the largest private-sector life insurer with a market share of 9%/13% in terms of NBP/APE. It has been one of the fastest-growing life insurance companies in India having grown at 15.5% CAGR over FY19-24 (as against industry growth of 10.5%) while VNB has grown at 23.7% over the same period. It has outpaced the industry both in terms of individual and group insurance and has gained market share in both segments. Its market share in individual and group business is 15.6%/4.5%. Its ticket size per policyholder remains marginally lower than industry due to a higher portion of ULIP products in the APE mix as compared to peers.

SBI holds a 15.6%/4.5% share in individual/group business, though its ticket size is slightly lower due to a higher ULIP share in the APE mix.

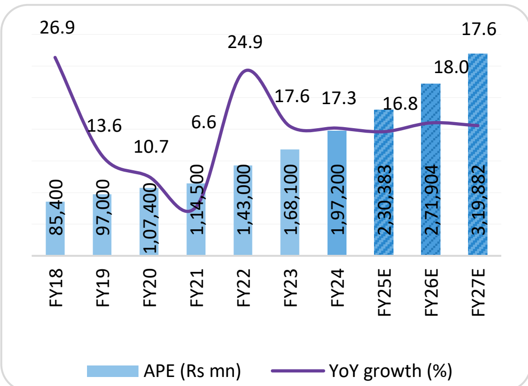
The company has a multi-channel insurance distribution network including 2.5 lakh individual agents, 77 corporate agents, 14 bancassurance partners, around 59,000 Certified Insurance Facilitators (CIF), 40,000 partner branches and 143 brokers across India. This has helped SBI Life to cater to a larger customer base pan-India. The company's banca share which forms ~60% of the APE has grown at 14% CAGR over FY19-24. Along with SBI, the insurer has banca partners like Indian Bank, UCO Bank, South Indian Bank, Punjab & Sind Bank, Yes Bank, etc. for the sale of policies.

It further plans to strengthen its distribution network and digital technology to widen accessibility to customers. The insurance company has the largest agency network amongst private life insurance companies. It leverages the extensive branch network and customer presence of SBI which has a wide pan-India presence. It also acts as a corporate agent of SBI Life to sell insurance products to its customers.

The company has maintained a healthy persistency ratio in most of the cohorts as the 13th month persistency stood at 86.8% in FY24 as against 85.5% in FY23. Even the 61st month persistency saw an improvement from 55.6% in FY23 to 58.6% in FY24. The healthy persistency indicates that the policyholders have managed to hold on to the policies for a longer duration.

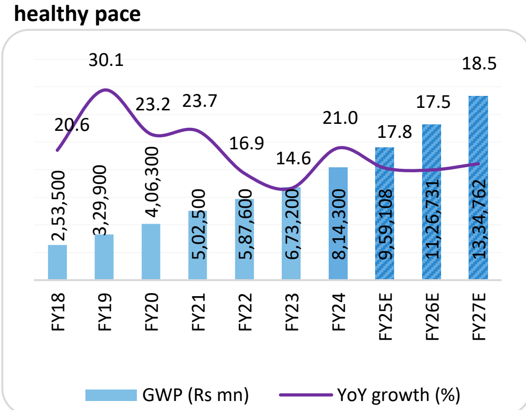
The company's commission payout remains the lowest in the industry. As it remains a low-cost operator, the management believes that the insurance company will be least impacted by the surrender value norms introduced by the IRDAI, also, the company expects that the commission structure shall remain the same for the agents.

Exhibit 65: Steady growth expected in APE going forward



Source: Company, ACMIIL Research

Exhibit 66: GWP shall continue to grow at a healthy pace



Source: Company, ACMIIL Research

SBI Life Insurance Company

ULIP heavy product mix and bancassurance led APE

The company's distribution strength lies in its partner i.e., SBI. With SBI, the company has been able to penetrate into the tier 2/3 regions. As of FY24, the Banca channel contributed 62% of the total APE mix.

In the APE mix, SBI Life has the highest portion of ULIP products (60% as of FY24). Along with the ULIP products, the company has an increasing trend in non-par products as the non-par products which form ~19% of the overall APE mix have grown at 177% CAGR over FY19-24.

The protection segment remains an important segment for the insurers as in FY24, it saw a moderation due to rising demand for ULIPs. To increase the portion of protection products, the insurer has engaged with its parent bank SBI to introduce simple protection products on its YONO platform which will be offered at competitive rates. Along with this, the company also plans to launch a high-sum assured protection plan for HNIs. The protection plans for the insurer have grown at 26% CAGR over FY19-24. The credit life business has grown at a sluggish pace of 5%, however, the management expects healthy growth as its peers such as HDFC Life are seeing healthy growth in the credit life product.

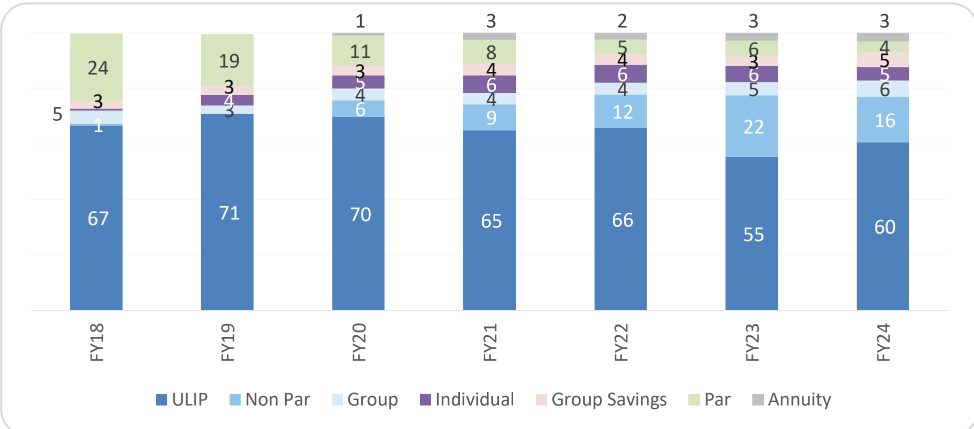
The group insurance segment also remains one of the key focus areas of the company. The company is seeing growth in the group protection business. In APE terms, the group insurance segment has grown at 28% CAGR over FY19-24. The growth in group insurance is a function of growing business activity and the management has guided that the growth momentum will continue in the group insurance segment. The ticket size per live coverage remains healthy for SBI Life.

The company's distribution strength lies in its partner i.e., SBI. With SBI, the company has been able to penetrate into the tier 2/3 regions. As of FY24, the Banca channel contributed 62% of the total APE mix. Along with the Banca channel, the company has a strong agency network with a market share of 8.5%. The insurance company recently launched a strategic initiative 'Agency 2.0' which has seen a growth of 27% in this initiative.

For other channels, the bank has partnered with banking partners, online channels and other partners, online partners and other financial entities. The other channel has grown at a healthy pace at 42% CAGR over FY19-24.

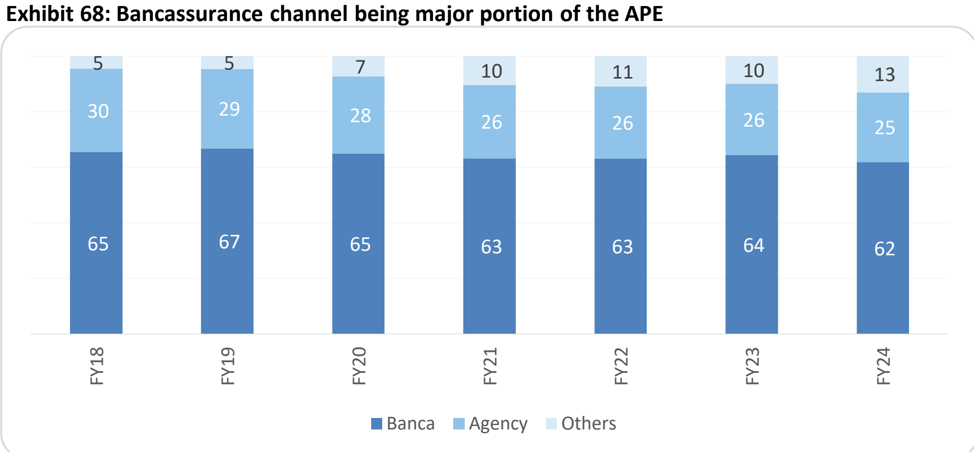
We expect that the company will continue to leverage its agency/banca networks as it acts as a moat for the insurance company and a key differentiating factor for the insurer. The management stated that ~40-50% of the business is sourced from tier 2/3 cities.

Exhibit 67: ULIP products form a major part of the APE mix



Source: Company, *ACMIIL* Research

Exhibit 68: Bancassurance channel being major portion of the APE



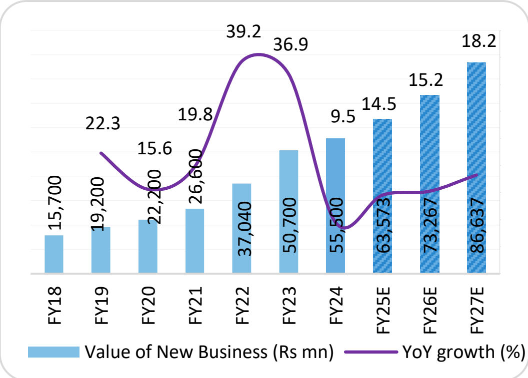
Source: Company, ACMIIL Research

Margin expected to see improvement in next FY

Management believes that the company's margin would be least affected by the surrender value norms and margins would remain near 28%.

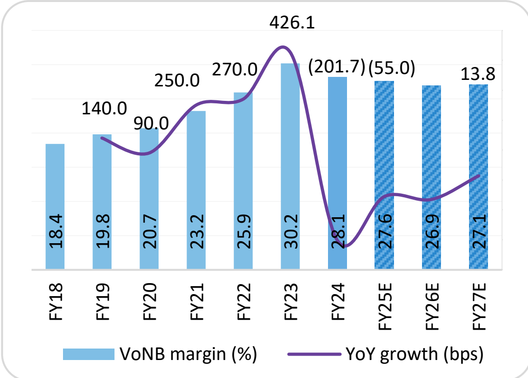
SBI Life's VNB has grown at 23.7% CAGR over FY19-24 as the margin continues to see improvement. In FY24, the margin saw a dip due to the industry-wide phenomenon of increasing the share of ULIP products at the expense of non-par savings products. The margin improvement has been due to the increasing share of non-par products in the product mix, low-cost operating margins and the low commission expense of SBI Life which is amongst the lowest in the industry. The management believes that the company's margin would be least affected by the new surrender value norms and the margin would remain near 28%. We expect that the margin will see a marginal decline in FY25E as compared to FY24 and remain flat in FY26E.

Exhibit 69: VNB growth saw a moderation in FY24



Source: Company, ACMIIL Research

Exhibit 70: VNB Margin will continue to see moderation in FY25E

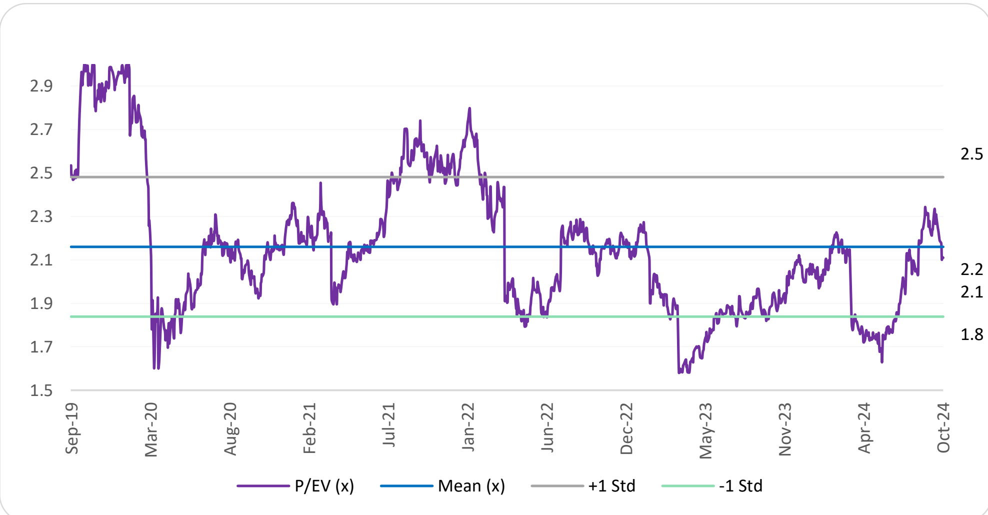


Source: Company, ACMIIL Research

Valuation and outlook

SBI Life is the market leader among private insurance companies. The company APE/VNB is growing at a healthy rate driven by growth in both individual and group segments. It has a strong banca partner along with the highest agency count amongst the private insurers. Further, the company expects its margin to remain stable in the surrender value norms. The company's product mix has a higher portion of ULIP products, however, the company is focused on increasing its protection and non-par savings products. We expect its APE/VNB to grow at a CAGR of 17%/16% over FY24-27E with a VNB margin of 27.1% in FY26E. It is currently trading at a P/EV multiple of 2.5/2.1/1.8x over FY25/26/27E. We initiate coverage SBI Life Insurance with a Buy rating with a target price of Rs 2,015 valuing SBI Life at 2.5x based on FY26E embedded value.

Exhibit 71: 1 year forward P/EV (x) valuation



Source: Company, ACMIIL Research

SBI Life Insurance Company

Quarterly performance:

Technical account

YE March (Rs in mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
First year premium	25,704	34,819	50,552	40,896	26,374	46,333	56,767	45,283	31,464
Renewal premium	57,577	91,240	1,09,083	1,19,370	73,480	1,01,211	1,27,200	1,30,033	85,387
Single premium	30,210	40,152	33,684	39,869	35,697	54,214	40,620	77,096	38,870
Gross premium	1,13,491	1,66,211	1,93,319	2,00,136	1,35,551	2,01,758	2,24,586	2,52,411	1,55,721
Net premium income	1,10,360	1,64,773	1,91,708	1,98,969	1,31,045	2,00,497	2,23,165	2,51,165	1,51,055
Investment and other income	(63,949)	1,10,480	74,559	29,085	1,45,875	85,189	1,64,869	1,24,510	1,92,866
Total income	46,411	2,75,253	2,66,267	2,28,054	2,76,920	2,85,686	3,88,034	3,75,675	3,43,921
Commission on -									
First Year Premium	3,437	4,226	5,271	5,127	3,208	4,852	5,725	4,689	3,472
Renewal Premium	1,277	2,347	2,599	3,031	1,547	2,536	3,046	3,277	1,748
Single Premium	361	545	582	556	457	571	596	548	469
Gross commission	5,076	7,118	8,452	8,714	5,212	7,959	9,366	8,514	5,689
Net Commission	5,076	7,118	8,452	8,714	5,212	7,959	9,366	8,514	5,689
Rewards	200	235	398	432	225	2,210	1,923	(2,855)	1,198
Operating Expenses related to insurance business	7,457	8,311	8,741	9,586	9,173	8,953	10,588	11,105	9,517
Employees remuneration and welfare expenses	4,778	4,995	5,322	5,369	5,489	6,030	6,478	5,986	6,252
Other operating expenses	2,679	3,317	3,419	4,217	3,684	2,923	4,110	5,119	3,264
Other expenses	1,946	2,452	2,774	2,625	2,279	2,773	2,779	2,810	2,718
Benefits Paid (Net)	51,717	76,367	83,559	91,232	71,034	1,00,445	1,11,361	1,48,233	98,292
Change in actuarial liability	(22,711)	1,77,323	1,59,375	96,043	1,85,197	1,59,708	2,48,641	1,90,769	2,20,325
Surplus/(Deficit)	2,726	3,446	2,968	19,423	3,801	3,639	3,375	17,099	6,181

Source: Company, ACMIIL research

Shareholders account

YE March (Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Transfer from policyholders account	1,003	1,903	1,138	23,028	1,890	1,665	848	21,573	2,752
Investment and other income	1,762	2,032	2,031	2,128	2,120	2,476	2,474	3,270	2,649
Expenses other than those related to insurance business	82	88	85	118	79	251	67	118	84
Other expenses	9	(20)	(24)	17,102	34	20	(34)	16,362	(38)
Profit/ (loss) before tax	2,674	3,866	3,108	7,936	3,897	3,870	3,290	8,364	5,355
Provisions for tax	46	99	67	167	87	68	73	256	160
Profit after tax	2,629	3,767	3,041	7,769	3,810	3,802	3,218	8,108	5,195

Source: Company, ACMIIL research

Metrics

YE March (Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Annualized premium equivalent	29,000	39,200	54,400	45,700	30,300	52,400	61,300	53,300	36,400
New business premium	55,900	75,000	84,100	81,000	62,100	1,00,700	97,300	1,22,300	70,300
Gross written premium	1,13,500	1,66,200	1,93,300	2,00,200	1,35,600	2,01,800	2,24,500	2,52,400	1,55,700

Source: Company, ACMIIL research

SBI Life Insurance Company

Financials

Policyholder's funds

YE March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Gross premium	**6,73,156**	**8,14,306**	**9,59,108**	**11,26,731**	**13,34,762**
Net premium	**6,65,810**	**8,05,871**	**9,49,145**	**11,16,352**	**13,19,744**
Investment income	1,32,601	5,03,666	3,83,865	3,81,156	4,04,241
Contribution from shareholders' A/c	17,075	16,276	16,614	17,631	18,887
Other Income	499	501	509	524	552
Total Income	**8,15,985**	**13,26,314**	**13,50,133**	**15,15,664**	**17,43,424**
Commissions	30,625	32,553	36,218	42,539	49,962
Operating expenses	40,422	43,193	49,425	58,706	66,267
Total expenses	**74,517**	**83,012**	**97,053**	**1,16,136**	**1,28,976**
Benefits paid	3,02,875	4,31,074	5,16,545	6,27,321	7,32,871
Change in valuation of life reserves	4,10,031	7,84,313	7,10,785	7,44,714	8,49,401
Total Benefits	**7,12,906**	**12,15,388**	**12,27,330**	**13,72,035**	**15,82,273**
Surplus/(Deficit) for the period	**28,562**	**27,915**	**25,750**	**27,493**	**32,175**

Source: Company, ACMIIL Research

Shareholder's funds

YE March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Transfer from policyholder's a/c	**27,071**	**25,976**	**23,175**	**24,743**	**28,958**
Investment income	7,945	10,341	14,848	19,701	22,704
Other income	7	0	0	0	0
Operating expenses	372	506	464	438	425
Contribution to the policyholders a/c	17,075	16,276	16,614	17,631	18,887
Profit before tax	**17,584**	**19,429**	**20,881**	**26,337**	**32,326**
Tax	379	483	519	655	804
Profit after tax	**17,206**	**18,946**	**20,362**	**25,682**	**31,522**

Source: Company, ACMIIL Research

EV Movement

YE March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Opening EV	**3,96,300**	**4,60,600**	**5,82,600**	**6,99,111**	**8,23,171**
VoNB	**50,700**	**55,500**	**63,573**	**73,267**	**86,637**
Unwinding	34,100	38,100	22,721	22,372	26,341
Operating experience variance	5,100	6,100	6,516	6,619	6,593
Change in operating assumptions	700	700	885	1,062	1,251
Economic assumption change & variance	(24,200)	23,900	25,230	23,276	20,407
Dividend paid	(2,100)	(2,300)	(2,415)	(2,536)	(2,663)
Closing EV	**4,60,600**	**5,82,600**	**6,99,111**	**8,23,171**	**9,61,737**

Source: Company, ACMIIL Research

Balance Sheet

YE March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	10,009	10,015	10,015	10,015	10,015
Reserves and surplus	1,19,237	1,35,900	1,53,188	1,75,727	2,04,033
Fair value change account	929	3,169	3,545	4,034	4,649
Shareholder's equity	**1,30,175**	**1,49,084**	**1,66,748**	**1,89,776**	**2,18,697**
Borrowings	-	-	-	-	-
Fair value change account	20,389	47,191	66,663	87,012	99,908
Policy liabilities	13,01,319	15,58,085	17,96,333	20,72,078	22,95,114
Linked liabilities	16,32,555	21,60,103	24,90,405	30,82,694	36,24,511
Funds for future appropriations	11,427	13,366	15,453	18,606	21,367
Total liabilities	**29,65,691**	**37,78,744**	**43,68,854**	**52,60,390**	**60,40,899**
Total liabilities and equity	**30,95,866**	**39,27,830**	**45,35,602**	**54,50,166**	**62,59,597**
Shareholders investments	1,12,087	1,30,364	1,49,634	1,68,304	1,90,963
Policyholders investments	12,98,702	15,65,436	17,95,278	23,24,470	26,60,664
Unit linked investments	**16,32,555**	**21,60,103**	**24,90,405**	**28,82,694**	**33,24,511**
Loans	3,889	3,888	3,932	4,055	4,222
Fixed assets	5,215	5,570	5,934	6,241	6,587
Net current assets/(liabilities)	43,416	62,470	90,419	64,401	72,649
Total assets	**30,95,866**	**39,27,830**	**45,35,602**	**54,50,166**	**62,59,597**

Source: Company, ACMIIL Research

Metrics

YE March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
VNB	**50,700**	**55,500**	**63,573**	**73,267**	**86,637**
VNB growth (%)	36.9	9.5	14.5	15.2	18.2
VNB margin (%)	**30.2**	**28.1**	**27.6**	**26.9**	**27.1**
APE	**1,68,100**	**1,97,200**	**2,30,383**	**2,71,904**	**3,19,882**
APE growth (%)	17.6	17.3	16.8	18.0	17.6
NBP	**2,95,900**	**3,82,400**	**4,65,627**	**5,60,506**	**6,77,286**
NBP growth (%)	16.2	29.2	21.8	20.4	20.8
Embedded Value (EV)	**4,60,600**	**5,82,600**	**6,99,111**	**8,23,171**	**9,61,737**

Source: Company, ACMIIL Research

Valuation

YE March (x)	FY23	FY24	FY25E	FY26E	FY27E
P/EV	3.7	3.0	2.5	2.1	1.8
P/VNB	34.1	31.1	27.2	23.6	19.9
P/B	13.3	11.6	10.4	9.1	7.9
P/E	100.4	91.2	84.8	67.2	54.8

Source: Company, ACMIIL Research

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	<-10%
HOLD	>-10% to 15%

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