

HDFC Standard life

| | |
|-----------------------|--------------------|
| BSE SENSEX | S&P CNX |
| 34,332 | 10562 |
| Bloomberg | HDFCLIFE IN |
| Equity Shares (m) | 2009 |
| M.Cap.(INRb)/(USDb) | 970 / 15 |
| 52-Week Range (INR) | 484 / 290 |
| 1, 6, 12 Rel. Per (%) | 24 / - / - |

Financials & Valuations (INR b)

| Y/E MARCH | FY18E | FY19E | FY20E |
|-----------------|-------|-------|-------|
| Net Premium | 233.7 | 293.7 | 365.7 |
| Total Income | 322.3 | 409.9 | 509.7 |
| Total exp | 42.3 | 48.9 | 60.4 |
| Surplus/Deficit | 10.9 | 12.5 | 15.6 |
| PAT | 11.1 | 13.4 | 16.8 |
| Tot. AUM(INRb) | 1066 | 1336 | 1626 |
| NBP margin (%) | | 23.2 | 23.2 |
| ROE (%) | 26.0 | 26.0 | 26.9 |
| P/EV (X) | 6.4 | 5.3 | 4.4 |

CMP: INR492 TP: INR475 (-3%)
Buy

Steady quarter; business momentum remains strong

HDFC Life Insurance (HDFCLIFE) delivered a strong 4QFY18 performance, with 40% YoY growth in shareholder profits to INR3.47b, significantly ahead of our estimate. Key highlights:

- Individual weighted received premium (WRP) grew 11% YoY, while overall premium rose 24% YoY.
 - For 11M FY18, the market share in individual WRP improved to 13.2%. Group segment (largely protection business) market share stood at 29.5%.
 - Premium mix moved in favor of ULIPs, but the company mentioned that it would look to increase the share of high-margin products over the medium term.
 - Operating expenses stood at 12.3% for the quarter and at 13.5% (v/s 12.6% in FY17) for FY18.
 - New business margin improved to 23.2% for FY18, driving 39% YoY growth in the value of new business (VNB) to INR12.8b.
 - Operating return on EV remained stable at 21.5% (FY17: 21.7%), which, coupled with a stable solvency ratio of 192%, enabled HDFCLIFE to announce a dividend of INR3.3b (30% payout).
- Premium growth healthy; protection business now at 11.3% of total new business APE: HDFCLIFE reported 32% YoY growth in total new business (32% YoY growth in APE terms too), even as renewal premiums increased by a modest 13% YoY in FY18. The company's market share among private players, thus, improved to 19% on the basis of un-weighted premiums (13.2% market share on the basis of individual new business APE). The share of ULIPs in individual new business APE increased to 57% from 53% in FY17, while the composition of the participating segment declined sharply to 28% from 35% in FY17. The company continues to see significant potential in the protection business, and aims to improve the product mix, which should further support profitability.
 - Persistency continues to improve at the shorter end; expect improvement to follow at the long tail: HDFCLIFE continued to improve the persistency rate, with 13M persistency improving to 87% from 84% in FY17. 61st month persistency, however, declined to 51% (FY17: 59%), led by slippages in the business written in FY13, while the trend in the recently written business is much better. New business margins improved to 23.2% (FY17: 22%), helping HDFCLIFE to report VNB of INR12.8b (+39% YoY).
 - Agency channel expanding rapidly; bancassurance partner count increases to 149: HDFCLIFE has been making significant investments to build up its agency channel, and has increased the individual agent count to 77,048. Although the business contribution of this channel to total individual APE stands modest at 11%, we believe increasing channel productivity (24% improvement in agent productivity in FY18) will help improve the contribution of this channel. HDFCLIFE has also increased the bancassurance partner count to 149 by adding 10 more partners in the quarter.

- **Cost-ratios up slightly; mix of direct sales continues to improve:** In FY18, HDFCLIFE reported a 90bp increase in operating expenses to 13.5%, while commission expenses also increased by 50bp to 4.6%. This can be attributed to significant investments made to expand the distribution channel and also rapid growth in new business. We expect the cost-ratios to improve gradually as channel productivity improves further and back book gains size. Contribution of direct sales mix has also increased to 10% (FY17: 7%), while its share in individual new business APE stands at a healthy 14% (FY17: 11%).
- **Return ratios remain steady; dividend payout healthy at 30%:** HDFCLIFE reported operating RoEV and RoE of 21.5% and 26%, respectively, in FY18, while the embedded value increased to INR152.2b (FY18 RoEV: 22%). Strong new business growth has resulted in higher strain. This led to 13% YoY growth in underwriting profits, even as the existing business surplus grew 31% YoY. Healthy internal accruals and a stable solvency ratio have enabled the company to announce a dividend of INR3.3b (30% payout, +27% YoY). We expect the return ratios to improve gradually, backed by an improving business mix and continued benefits from an improvement in the persistency rate and other operating metrics.
- **Valuations to sustain at premium levels; maintain Buy:** We expect HDFCLIFE to deliver a 26% CAGR in new business APE over FY18-20 (aided by expansion in both agency and banca channels), while the improved product mix should further aid return ratios. We value HDFCLIFE using the appraisal value methodology, and estimate new business margin of ~23.2% and new business value of INR20.9b for FY20. We, thus, value HDFCLIFE at INR475 per share, which corresponds to 4.3x FY20E EV. We note that, since its listing in Nov-17, the stock has delivered 70% returns (from issue price). Thus, while near-term upside appears limited, we believe that an enabling macro environment and its strong positioning in the sector will enable HDFCLIFE to deliver healthy returns in the long term. Maintain Buy.

| Policy holder's account (INRm) | FY17 | | | | FY18 | | | | FY17 | FY18 |
|---|---------------|---------------|---------------|----------------|---------------|---------------|---------------|---------------|----------------|----------------|
| | 1QFY17 | 2QFY17 | 3QFY17 | 4QFY17 | 1QFY18 | 2QFY18 | 3QFY18 | 4QFY18 | | |
| Net premium income | 31,751 | 43,866 | 45,348 | 71,784 | 36,615 | 53,894 | 54,200 | 89,000 | 192,749 | 233,710 |
| Income from investments | 31,953 | 36,203 | (5,123) | 48,662 | 27,722 | 25,061 | 42,531 | (9,368) | 111,406 | 85,946 |
| Total income | 64,024 | 80,178 | 40,474 | 120,870 | 64,873 | 79,276 | 96,845 | 81,346 | 305,544 | 322,341 |
| Commission paid | 1,266 | 1,615 | 1,638 | 3,401 | 1,563 | 2,475 | 2,625 | 4,087 | 7,920 | 10,749 |
| Operating expenses | 4,517 | 5,271 | 5,989 | 8,076 | 5,638 | 7,189 | 7,769 | 10,998 | 23,853 | 31,593 |
| Provisions | 453 | 466 | 536 | 770 | 565 | 688 | 637 | 1,071 | 3,394 | 4,292 |
| PBT | 1,798 | 3,335 | 1,961 | 3,903 | 3,198 | 2,206 | 1,941 | 5,356 | 12,870 | 15,239 |
| Tax | 49 | 236 | 163 | 1,071 | 187 | 37 | 144 | 1,388 | 3,394 | 4,292 |
| Surplus/(Deficit) | 1,749 | 3,099 | 1,797 | 2,832 | 3,012 | 2,169 | 1,797 | 3,968 | 9,476 | 10,947 |
| Shareholders' Account | | | | | | | | | | |
| Amounts transferred from Policyholder's account | 2,347 | 1,848 | 1,564 | 2,104 | 2,546 | 2,012 | 1,499 | 3,965 | 7,863 | 10,022 |
| Income From Investments | 399 | 583 | 456 | 830 | 675 | 537 | 618 | 974 | 2,269 | 2,803 |
| Total income | 2,746 | 2,431 | 2,020 | 2,934 | 3,351 | 2,549 | 2,117 | 4,939 | 10,132 | 12,955 |
| PBT | 2,478 | 2,239 | 1,849 | 2,576 | 3,267 | 2,450 | 2,162 | 3,390 | 9,141 | 11,267 |
| Tax | 16 | 56 | 42 | 106 | 103 | 65 | 89 | (79) | 220 | 177 |
| Profit/(Loss) after Tax | 2,462 | 2,183 | 1,806 | 2,470 | 3,164 | 2,385 | 2,073 | 3,468 | 8,921 | 11,090 |

Exhibit 1: HDFC Life: 4QFY18 quarterly performance

| Policy holder's account (INRm) | FY17 | | | | FY18 | | | | Change | |
|---|--------|--------|---------|---------|--------|--------|--------|---------|-----------|-----------|
| | 1QFY17 | 2QFY17 | 3QFY17 | 4QFY17 | 1QFY18 | 2QFY18 | 3QFY18 | 4QFY18 | YoY (%) | QoQ (%) |
| Net premium income | 31,751 | 43,866 | 45,348 | 71,784 | 36,615 | 53,894 | 54,200 | 89,000 | 24 | 64 |
| Income from investments | 31,953 | 36,203 | (5,123) | 48,662 | 27,722 | 25,061 | 42,531 | (9,368) | (119) | (122) |
| Other income | 189 | 70 | 255 | 234 | 512 | 271 | 162 | 173 | (26) | 7 |
| Total income | 64,024 | 80,178 | 40,474 | 120,870 | 64,873 | 79,276 | 96,845 | 81,346 | (33) | (16) |
| Commission paid | 1,266 | 1,615 | 1,638 | 3,401 | 1,563 | 2,475 | 2,625 | 4,087 | 20 | 56 |
| Operating expenses | 4,517 | 5,271 | 5,989 | 8,076 | 5,638 | 7,189 | 7,769 | 10,998 | 36 | 42 |
| Total Expenses | 5,783 | 6,886 | 7,627 | 11,477 | 7,200 | 9,663 | 10,394 | 15,085 | 31 | 45 |
| Provisions | 453 | 466 | 536 | 770 | 565 | 688 | 637 | 1,071 | 39 | 68 |
| PBT | 1,798 | 3,335 | 1,961 | 3,903 | 3,198 | 2,206 | 1,941 | 5,356 | 37 | 176 |
| Tax | 49 | 236 | 163 | 1071 | 187 | 37 | 144 | 1388 | 30 | 866 |
| Surplus/(Deficit) | 1,749 | 3,099 | 1,797 | 2,832 | 3,012 | 2,169 | 1,797 | 3,968 | 40 | 121 |
| | | | | | | | | | | |
| Shareholders' Account | 1QFY17 | 1QFY17 | 1QFY17 | 1QFY17 | 1QFY17 | 1QFY17 | 1QFY17 | 1QFY17 | YoY (%) | QoQ (%) |
| Amounts transferred from Policyholders' | 2347 | 1848 | 1564 | 2104 | 2546 | 2012 | 1499 | 3965 | 88.4 | 164.6 |
| Income From Investments | 399 | 583 | 456 | 830 | 675 | 537 | 618 | 974 | 17.3 | 57.6 |
| Total income | 2,746 | 2,431 | 2,020 | 2,934 | 3,351 | 2,549 | 2,117 | 4,939 | 68 | 133 |
| Other expenses | 139 | 191 | 177 | 174 | 62 | 50 | 7 | 6 | -96.4 | -12.5 |
| Amounts transferred | 130 | 40 | -6 | 190 | 24 | 50 | -49 | 1541 | NM | NM |
| PBT | 2,478 | 2,239 | 1,849 | 2,576 | 3,267 | 2,450 | 2,162 | 3,390 | 32 | 57 |
| Tax | 16 | 56 | 42 | 106 | 103 | 65 | 89 | (79) | NM | NM |
| Profit/(Loss) after Tax | 2,462 | 2,183 | 1,806 | 2,470 | 3,164 | 2,385 | 2,073 | 3,468 | 40 | 67 |
| | | | | | | | | | | |
| Business Ratio (%) | 1QFY17 | 1HFY17 | 9MFY17 | 12MFY17 | 1QFY18 | 1HFY18 | 9MFY18 | 12MFY18 | YoY (bps) | QoQ (bps) |
| Solvency Ratio | 204.0 | 209.0 | 195.0 | 192.0 | 198.0 | 201.0 | 191.0 | 192.0 | 0 | 1 |
| Commission expense ratio | | | 3.7 | 4.1 | | | 4.6 | 4.6 | | |
| Operating expense ratio | | | 13.3 | 12.6 | | | 14.2 | 13.5 | 7 | -5 |
| Profitability Ratio (%) | | | | | | | | | YoY (bps) | QoQ (bps) |
| ROEV | | | 18.4 | 21.7 | | | 20.4 | 21.5 | -1 | 5 |
| VNB | | | 22.0 | 22.0 | | | 22.2 | 23.2 | 5 | 5 |
| Persistency ratios (%) | 1QFY17 | 1HFY17 | 9MFY17 | 12MFY17 | 1QFY18 | 1HFY18 | 9MFY18 | 12MFY18 | YoY (bps) | QoQ (bps) |
| 13th Month | | 80.1 | 80.5 | 80.9 | 82.5 | 86.2 | 86.4 | 87.1 | 8 | 1 |
| 25th Month | | 69.6 | 71.1 | 73.3 | 74.7 | 74.0 | 76.9 | 77.4 | 6 | 1 |
| 37th Month | | 61.5 | 61.7 | 63.9 | 65.7 | 68.2 | 68.9 | 70.9 | 11 | 3 |
| 49th Month | | 61.7 | 59.9 | 58.3 | 59.1 | 60.6 | 60.4 | 62.2 | 7 | 3 |
| 61st Month | | 52.1 | 53.3 | 56.8 | 52.3 | 50.6 | 53.5 | 51.0 | -10 | -5 |
| Key Metrics (INRb) | 1QFY17 | 1HFY17 | 9MFY17 | 12MFY17 | 1QFY18 | 1HFY18 | 9MFY18 | 12MFY18 | YoY (%) | QoQ (%) |
| VNB (INRb) | | | 5.3 | 9.2 | | | 7.8 | 12.8 | 39.1 | 64.1 |
| AUM (INRb) | | | 825.4 | 917.4 | | | 1044.3 | 1066 | 16.2 | 2.1 |
| EV (INRb) | | | 114.6 | 124.7 | | | 144.7 | 152.2 | 22.1 | 5.2 |

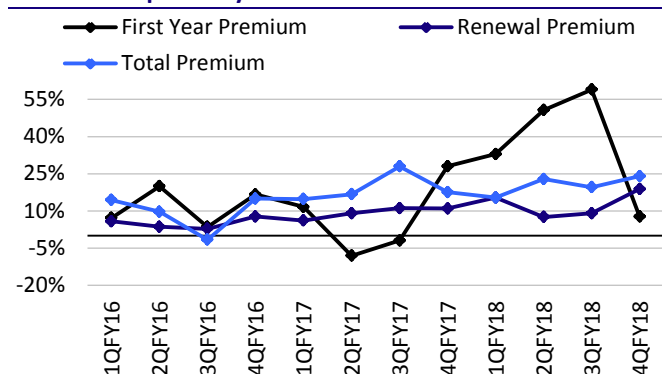
Source: Company, MOSL

Concall Highlights

- Individual protection business forms a substantial part of the reinsurance business compared to group protection.
- Rise in the interest rates will have will impact on the net worth (as debt securities form a significant part of the net worth). Since the share of ULIP is high, any increase in interest rates will adversely impact the fund value, EV and VIF
- Company has ramped up its agency channel in the recent past and the strategy going forward would be to ensure that the agency channel deliver the same margins as other distribution channels. The gestation period in the agency channel is a bit high as compared to direct or banca channel
- Persistency is expected to improve going forward as the trend in the new business underwritten is showing healthy signs. 61st month persistency is going to remain subdued HDFC Bank contributes to a significant portion (~38%) of the total business.
- Management would like to maintain the ULIP share in the range of 50-60%.
- VNB margins might see an improvement going as the proportion of the protection business increases going forward.
- With insurance products offering better post-tax returns and becoming more competitive, the insurance industry will see higher growth in days to come.
- Company is experiencing some pressure on margins due to predatory pricing in certain products. However, it is trying to ease the pressure by taking digital initiatives thereby reducing cost

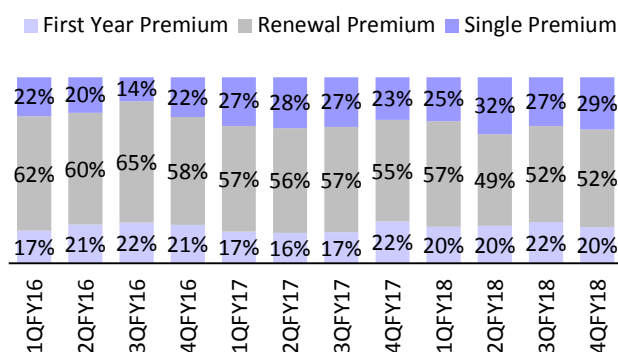
Story in charts

Exhibit 2: Renewal premium and total premium grew 18% & 24% YoY respectively



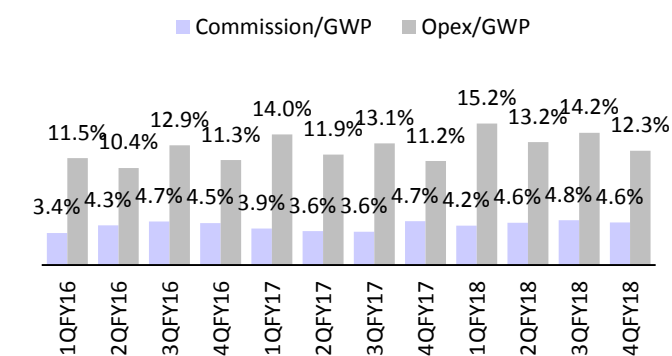
Source: Company, MOSL

Exhibit 3: New business premium accounts for ~49% of total un-weighted premium



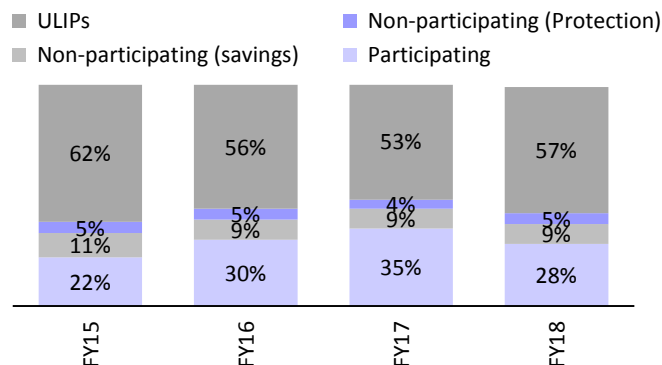
Source: Company, MOSL

Exhibit 4: Total expense ratio decreased to 12.3%



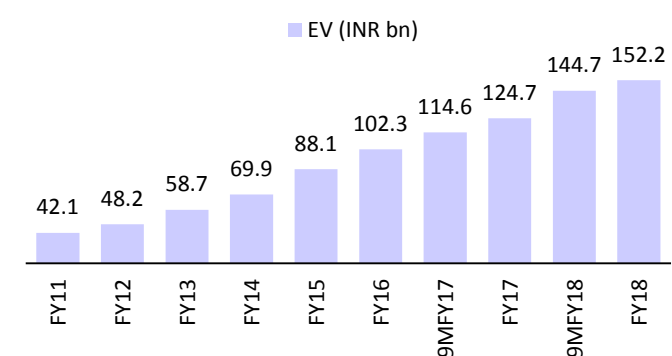
Source: Company, MOSL

Exhibit 5: Individual APE-product segment composition



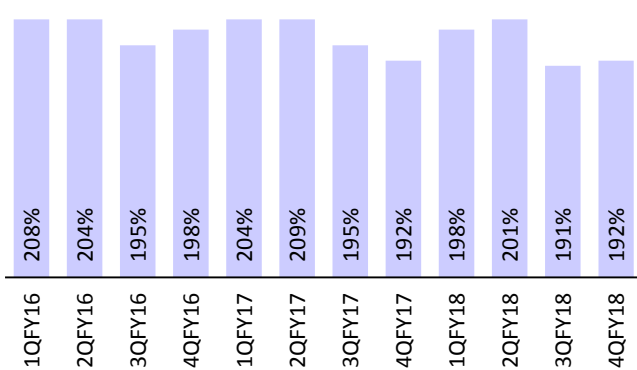
Source: Company, MOSL

Exhibit 6: EV showed healthy growth of 22% for FY18

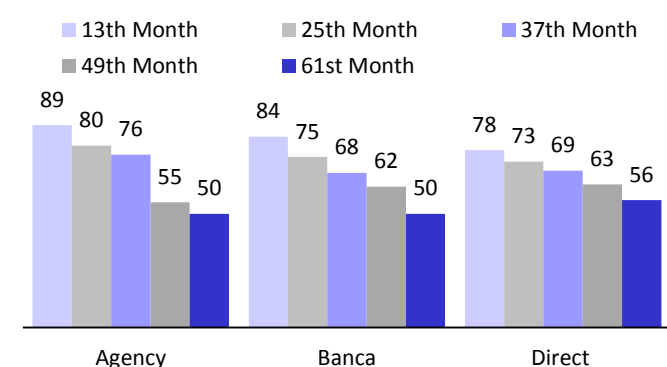


Source: Company, MOSL

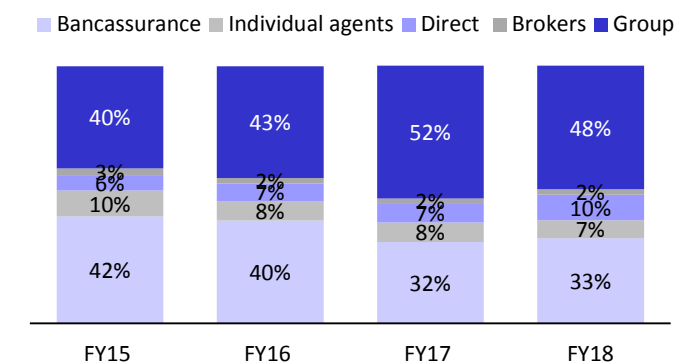
Exhibit 7: Solvency ratio improves slightly



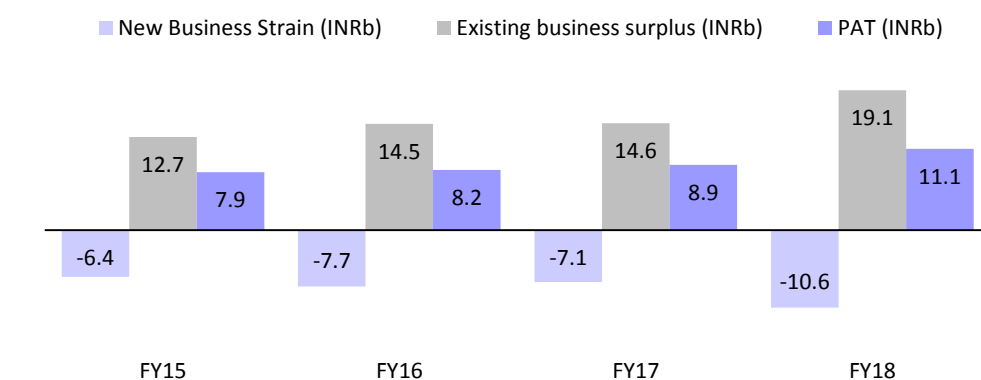
Source: Company, MOSL

Exhibit 8: Persistency across channels

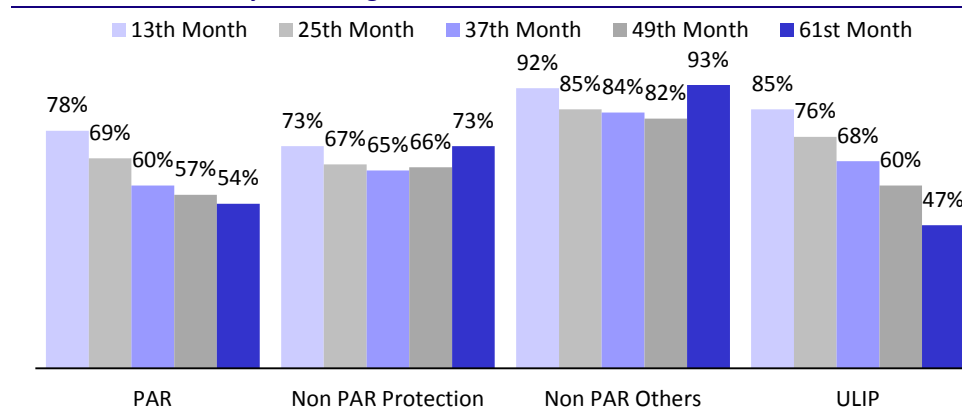
Source: Company, MOSL

Exhibit 9: Channel wise premium mix – share of direct sales has been improving steadily

Source: Company, MOSL

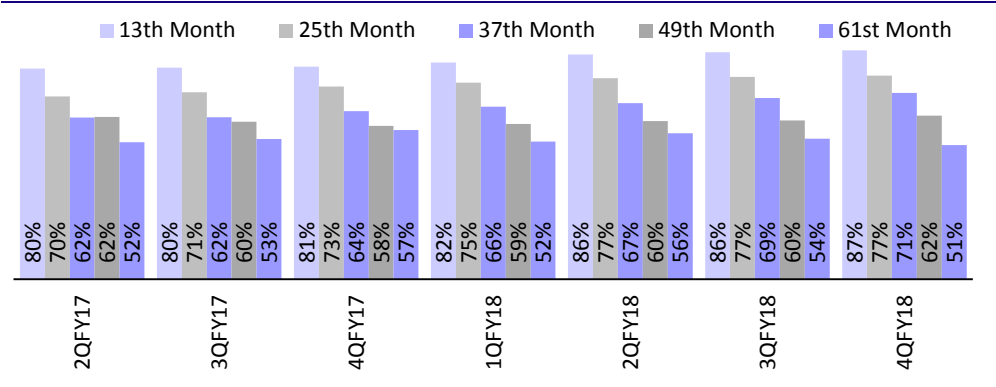
Exhibit 10: New business strain was higher in FY18 due to higher proportion of ULIP

Source: Company, MOSL

Exhibit 11: Persistency across segments

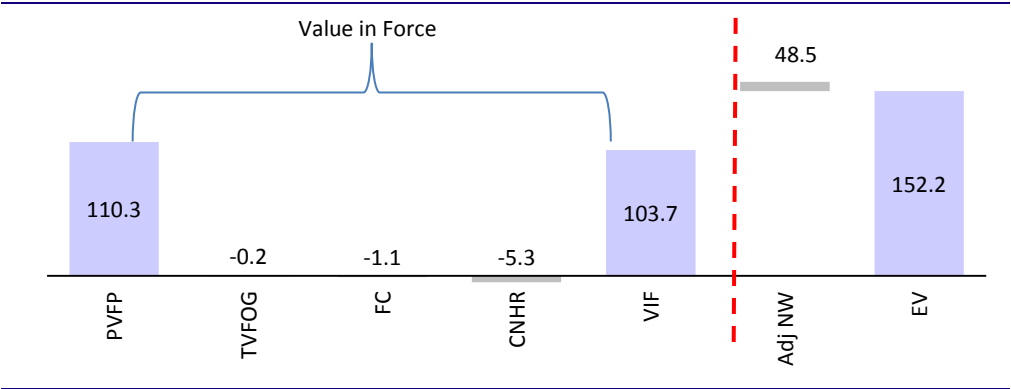
Source: Company, MOSL

Exhibit 12: Over all persistency has improved across the curve



Source: Company, MOSL

Exhibit 13: Market consistent embedded value for FY18



Source: Company, MOSL

Valuations attractive; robust return ratios will drive stock performance

- HDFC Life has delivered strong return ratios with average FY15-17 RoE/RoEV at 15%/18% respectively. We expect return ratios to remain strong on healthy new business margins, quality underwriting, and strong cost control.
- We note that the quality of earnings for HDFC Life has improved over the past few years, as the share of investment income and surrender profits have both declined. The company has wiped out its accumulated losses and is delivering healthy return ratios, with RoE/RoIC of >25% and is thus capable of supporting healthy business growth. We expect RoEV to sustain at an average of ~22% over FY18-20E and estimate FY20E EV at INR223.2b.
- We expect the company to deliver new business margin of ~23% in FY20E and new business value of INR20.9b, while operating RoEV sustains at 22%. This will be aided by further improvement in operating metrics (business mix, persistency and cost).
- We believe that the life insurance sector in India is in a sweet spot, where strong structural potential is now overlapping with buoyant equity markets, rising share of financial savings and higher disposable income. We expect Indian insurers to trade at a premium to global insurers, though trading multiples would vary with economic cycles. Over the medium term, the valuations of life insurers would be a function of operating performance, growth and profitability.
- Valuations to sustain at premium levels; maintain BUY: We expect HDFC Life to deliver 26% CAGR in new business APE over FY18-20E (aided by expansion in both agency and banca channel) while improved product mix will further aid return ratios. We value HDFC Life using appraisal value methodology and estimate the company to deliver FY20E new business margin of ~23.2% and new business value of INR20.9b. We thus value HDFC Life at INR475 per share which corresponds to 4.3x F20E EV. We note that, since listing in Nov-17 the stock has delivered 70% returns (from issue price) and thus while the near term upside looks limited, we believe that enabling macro environment and strong positioning in the sector will enable it to deliver healthy returns in the long term. **Maintain BUY.**

Financials and valuations: HDFC standard life insurance

| Technical account (INRm) | FY16 | FY17 | FY18E | FY19E | FY20E |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|
| Gross Premiums | 163,130 | 194,455 | 235,644 | 296,564 | 369,448 |
| Reinsurance Ceded | (1,342) | (1,706) | (1,934) | (2,909) | (3,742) |
| Net Premiums | 161,788 | 192,749 | 233,710 | 293,654 | 365,706 |
| Income from Investments | 17,906 | 111,406 | 85,946 | 113,802 | 141,060 |
| Other Income | 972 | 1,389 | 2,685 | 2,473 | 2,973 |
| Total income | 180,665 | 305,544 | 322,341 | 409,930 | 509,739 |
| Commission | 7,018 | 7,920 | 10,749 | 13,924 | 16,967 |
| Operating expenses | 18,718 | 23,853 | 31,593 | 34,996 | 43,474 |
| Total commission and opex | 25,737 | 31,773 | 42,342 | 48,920 | 60,441 |
| Benefits Paid (Net) | 82,419 | 100,004 | 131,114 | 142,267 | 173,273 |
| Chg in reserves | 59,281 | 160,548 | 133,223 | 200,865 | 253,778 |
| Total expenses | 167,437 | 292,324 | 306,679 | 392,052 | 487,492 |
| Prov for doubtful debts | 285 | 350 | 423 | 547 | 723 |
| Profit before tax | 12,943 | 12,870 | 15,239 | 17,331 | 21,524 |
| Prov for Tax | 3,347 | 3,394 | 4,292 | 4,827 | 5,895 |
| Surplus / Deficit | 9,597 | 9,476 | 10,947 | 12,504 | 15,629 |
| Shareholder's a/c (INRm) | FY16 | FY17 | FY18E | FY19E | FY20E |
| Transfer from technical a/c | 7,181 | 7,863 | 10,022 | 10,952 | 13,920 |
| Income From Investments | 1,688 | 2,269 | 2,803 | 3,509 | 4,514 |
| Total Income | 8,975 | 10,132 | 12,955 | 14,591 | 18,564 |
| Other expenses | 214 | 680 | 125 | 140 | 162 |
| Contribution to technical a/c | 380 | 354 | 1,567 | 488 | 610 |
| Total Expenses | 626 | 991 | 1,696 | 633 | 776 |
| PBT | 8,349 | 9,141 | 11,267 | 13,958 | 17,787 |
| Prov for Tax | 166 | 220 | 177 | 600 | 978 |
| PAT | 8,183 | 8,921 | 11,090 | 13,358 | 16,809 |
| Premium (INRm) & growth (%) | FY16 | FY17 | FY18E | FY19E | FY20E |
| New business prem - unwtd | 64,872 | 86,964 | 120,010 | 153,612 | 193,552 |
| New business prem - WRP | 36,156 | 40,852 | 55,087 | 70,783 | 87,938 |
| Renewal premium | 98,258 | 107,491 | 120,305 | 142,951 | 175,897 |
| Total premium - unwtd | 163,130 | 194,455 | 240,315 | 296,564 | 369,448 |
| New bus. growth - unwtd | 18.1% | 34.1% | 38.0% | 28.0% | 26.0% |
| New business growth - APE | 13.5% | 13.0% | 34.8% | 28.5% | 24.2% |
| Renewal premium growth | 5.2% | 9.4% | 11.9% | 18.8% | 23.0% |
| Total prem growth - unwtd | 10.0% | 19.2% | 23.6% | 23.4% | 24.6% |
| Premium mix (%) | FY16 | FY17 | FY18E | FY19E | FY20E |
| New business - unwtd | | | | | |
| - Individual mix | 56.4% | 48.3% | 55.0% | 58.0% | 62.0% |
| - Group mix | 43.6% | 51.7% | 45.0% | 42.0% | 38.0% |
| New business mix - WRP | | | | | |
| - Participating | 27.1% | 30.5% | 31.0% | 31.0% | 31.3% |
| - Non-participating | 18.2% | 20.1% | 23.0% | 23.7% | 24.1% |
| - ULIPs | 54.7% | 49.4% | 46.0% | 45.3% | 44.6% |
| Total premium mix - unwtd | | | | | |
| - Participating | 26.8% | 25.9% | 26.0% | 26.1% | 26.9% |
| - Non-participating | 20.5% | 27.4% | 32.0% | 33.8% | 34.9% |
| - ULIPs | 52.8% | 46.7% | 42.0% | 40.2% | 38.2% |
| Individual prem sourcing mix (%) | FY16 | FY17 | FY18E | FY19E | FY20E |
| Individual agents | 13.5% | 15.5% | 17.5% | 19.5% | 22.4% |
| Corporate agents-Banks | 68.1% | 61.1% | 59.6% | 57.3% | 52.6% |
| Direct business | 12.0% | 14.8% | 15.8% | 16.4% | 17.5% |
| Others | 6.4% | 8.6% | 7.1% | 6.8% | 7.5% |

Source:

Financials and valuations: HDFC standard life insurance

| Balance sheet (INRm) | FY16 | FY17 | FY18E | FY19E | FY20E |
|---------------------------------|----------------|----------------|------------------|------------------|------------------|
| Sources of Fund | | | | | |
| Share Capital | 19,953 | 19,985 | 20,117 | 20,090 | 20,090 |
| Reserves And Surplus | 12,046 | 18,278 | 27,235 | 35,877 | 48,455 |
| Shareholders' Fund | 31,586 | 38,263 | 47,353 | 56,290 | 68,868 |
| Policy Liabilities | 244,543 | 323,827 | 423,302 | 558,672 | 744,968 |
| Prov. for Linked Liab. | 457,270 | 508,065 | 545,982 | 674,819 | 742,301 |
| Funds For Future App. | 7,055 | 8,668 | 9,592 | 15,212 | 19,776 |
| Current liabilities & prov. | 26,011 | 37,753 | 57,301 | 84,233 | 113,715 |
| Total | 766,465 | 951,061 | 1,143,325 | 1,389,226 | 1,689,627 |
| Application of Funds | | | | | |
| Shareholders' inv | 26,402 | 32,314 | 40,574 | 53,056 | 72,322 |
| Policyholders' inv | 258,629 | 346,915 | 453,471 | 608,240 | 811,448 |
| Assets to cover linked liab. | 457,270 | 538,005 | 571,854 | 674,819 | 742,301 |
| Loans | 931 | 479 | 187 | 736 | 912 |
| Fixed Assets | 3,964 | 3,535 | 3,417 | 4,150 | 4,773 |
| Current assets | 19,270 | 29,677 | 73,822 | 48,226 | 57,871 |
| Total | 766,465 | 951,061 | 1,143,325 | 1,389,226 | 1,689,627 |
| Operating ratios (%) | FY16 | FY17 | FY18E | FY19E | FY20E |
| Investment yield | 2.5% | 12.6% | 8.1% | 8.9% | 9.1% |
| Commissions / GWP | 4.3% | 4.1% | 4.6% | 4.7% | 4.6% |
| - first year premiums | 17.4% | 18.1% | 18.4% | 18.8% | 18.3% |
| - renewal premiums | 1.2% | 1.3% | 1.3% | 1.4% | 1.4% |
| - single premiums | 0.1% | 0.1% | 0.8% | 0.4% | 0.5% |
| Operating expenses / GWP | 11.5% | 12.3% | 13.4% | 11.8% | 11.8% |
| Total expense ratio | 15.8% | 16.3% | 18.0% | 16.5% | 16.4% |
| Claims / NWP | 50.5% | 51.1% | 49.2% | 47.7% | 46.7% |
| Solvency ratio | 198% | 192% | 192% | 200% | 209% |
| Persistency ratios (%) | FY16 | FY17 | FY18E | FY19E | FY20E |
| 13th Month | 79.0% | 81.0% | 87.1% | 82.1% | 82.2% |
| 25th Month | 67.0% | 73.0% | 77.4% | 75.2% | 75.5% |
| 37th Month | 60.0% | 64.0% | 70.9% | 68.6% | 68.9% |
| 49th Month | 63.0% | 58.0% | 62.2% | 61.0% | 61.4% |
| 61st Month | 50.0% | 57.0% | 51.0% | 56.3% | 56.6% |
| Profitability ratios (%) | FY16 | FY17 | FY18E | FY19E | FY20E |
| NBP margin (%) | 19.9% | 22.0% | 23.2% | 23.0% | 23.2% |
| RoE (%) | 28.5% | 25.5% | 26.0% | 26.0% | 26.9% |
| RoIC (%) | 37.8% | 41.0% | 48.9% | 57.1% | 71.8% |
| EVOP as % of IEV | 20.7% | 21.7% | 21.5% | 22.6% | 22.5% |
| RoEV (%) | 16.1% | 21.1% | 21.7% | 21.7% | 21.7% |
| Valuation datapoints | FY16 | FY17 | FY18E | FY19E | FY20E |
| Total AUMs (INRb) | 742 | 917 | 1,066 | 1,336 | 1,626 |
| - of which equity AUMs (%) | 40% | 41% | 39% | 45% | 45% |
| Dividend % | 9% | 11% | 13% | 15% | 18% |
| Dividend payout ratio (%) | 26% | 30% | 27% | 27% | 25% |
| EPS, INR | 4.1 | 4.5 | 5.5 | 6.6 | 8.4 |
| Value of new business (INRb) | 7.4 | 9.1 | 12.8 | 16.7 | 20.9 |
| Embedded Value (INRb) | 102.3 | 124.7 | 152.2 | 183.4 | 223.2 |
| EV per share (INR) | 50.9 | 62.1 | 75.8 | 91.3 | 111.1 |
| VIF as % of EV | 68% | 67% | 68% | 63% | 61% |
| Mkt. cap/AUM (%) | 133% | 108% | 93% | 74% | 61% |
| P/EV (x) | 9.7 | 7.9 | 6.5 | 5.4 | 4.4 |
| P/EPS (x) | 120.0 | 110.1 | 89.1 | 74.0 | 58.8 |

NOTES

| Explanation of Investment Rating | |
|----------------------------------|--|
| Investment Rating | Expected return (over 12-month) |
| BUY | >=15% |
| SELL | < - 10% |
| NEUTRAL | > - 10 % to 15% |
| UNDER REVIEW | Rating may undergo a change |
| NOT RATED | We have forward looking estimates for the stock but we refrain from assigning recommendation |

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