

# HDFC Life Insurance

BSE SENSEX 37,983  
 S&P CNX 11,331

**CMP: INR509**

**TP: INR535 (+5%)**

**Buy**

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	HDFCLIFE IN
Bloomberg Equity Shares (m)	2,005
M.Cap.(INRb)/(USD\$b)	1026.1 / 14.9
52-Week Range (INR)	512 / 345
1, 6, 12 Rel. Per (%)	19/36/2
12M Avg Val (INR M)	#N/A
Free float (%)	#N/A

## Financials & Valuations (INR b)

Y/E MARCH	FY19	FY20E	FY21E
Net Premiums	289.2	363.7	447.8
Surplus / Deficit	13.5	12.5	18.5
Sh. PAT	12.8	14.7	17.7
New bus.gr- unwt'd (%)	31.9	35.0	25.0
New bus gr - APE (%)	12.0	33.0	27.3
Premium gr - unwt'd (%)	23.9	26.0	23.1
NBP margin (%)	24.6	27.5	28.1
RoE (%)	24.5	23.8	24.1
RoEV (%)	20.3	21.9	19.8
Total AUMs (INRb)	1256	1596	1977
VNB(INRb)	15.4	22.1	28.8
EV per share	91.2	111.2	133.2
<b>Valuations</b>			
P/EV (x)	5.6	4.6	3.8
P/EPS (x)	80.3	69.7	58.0

## Business momentum remains strong; VNB growth accelerates

- HDFCLIFE reported strong ~29% YoY growth in net premium income, led by a 47% YoY increase in new business premium. Shareholder earnings increased 12% YoY to INR4.3b, which is 4% below our estimate due to higher new business strain, though back-book surplus increased 27% YoY.
- **Individual APE** increased 64% YoY, led by term/annuity APE growth of 63%/69% YoY. The share of the non-par savings business in individual APE increased sharply to 63% from 11% last year due to the success of the 'Sanchay Plus' product. The composition of ULIPs/PAR, thus, declined to 26%/6% (54%/28% in 1QFY19). Renewal premium growth moderated to 10% YoY (v/s 17% YoY in FY19), though the persistency ratio improved across both the 13M/61M cohorts.
- **New business margin** improved sharply to 29.8% (v/s 24.6% in FY19), while operating ROEV stood at 19.9%. VNB, thus, grew by a robust 104% YoY to INR5.1b. HDFCLIFE made additional disclosure highlighting that, in the non-par business, while the VNB margin is not sensitive to the interest rate, the impact on EV in case of a 100bp decline in interest rate will be only 0.5%.
- The share of the term protection business increased to 18% in total APE (5.5% on an individual APE basis), while the annuity business contributed 4% of total APE (1% in FY17). On an un-weighted basis, annuity and term together accounted for 44% of total NBP v/s 26% in FY17.
- Total commission expense increased by 63% YoY (in-line), while operating expenses were up by 22% YoY. Total expense ratio, thus, stood at 18.4% v/s 16.9% in FY19. Share of direct channel in individual APE increased further to 20%, while the cross-sell rate improved to 9.6%.
- **Other highlights:** (i) AUM grew 18% YoY to INR1.3t and the equity proportion was flat QoQ at 38%. (ii) Solvency ratio improved to 193% from 188% in FY19. (iii) Credit protect grew 21% on an NBP basis, despite NBFC slowdown.
- **Valuations and view:** HDFCLIFE has reported strong acceleration in business growth, while the improving asset mix has driven a sharp improvement in the VNB margin. The company sees significant potential in the annuity/protection business and expects a further improvement in product mix, which should support profitability. We revise our new business growth estimate, and expect HDFCLIFE to deliver ~30% CAGR in new business APE over FY19-21, while margins are likely to sustain at healthy levels of 28%. We, thus, estimate 37% CAGR in VNB over FY19-21, with operating RoEV/RoEV improving to 23%/20%. We value HDFCLIFE at INR535 per share (4x FY21E EV). Maintain **Buy**.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

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## Quarterly performance (INR m)

Policy holder's A/c	FY19				FY20E				FY19	FY20e	1QFY20E	V/s estimate
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Net premium inc.	49,947	67,776	68,977	102,475	64,512	84,470	84,299	130,410	289,240	363,691	68,594	-6.0
Growth (%)	36.4%	25.8%	27.3%	15.1%	29.2%	24.6%	22.2%	27.3%	23.8%		37.3%	
Commission paid	1,982	2,637	2,623	3,935	3,222	3,662	3,825	5,567	11,177	16,277	3,224	0.0
Operating expense	7,246	9,458	9,243	12,189	8,808	10,252	10,708	13,627	38,136	43,395	8,271	6.5
<b>Surplus/(Deficit)</b>	<b>3,388</b>	<b>1,946</b>	<b>2,217</b>	<b>5,956</b>	<b>3,765</b>	<b>1,692</b>	<b>2,349</b>	<b>4,697</b>	<b>13,507</b>	<b>12,502</b>	<b>3,539</b>	<b>6.4</b>
<b>Shareholders' Account</b>												
<b>Total income</b>	<b>4,081</b>	<b>3,073</b>	<b>2,604</b>	<b>6,605</b>	<b>4,491</b>	<b>2,934</b>	<b>2,684</b>	<b>7,074</b>	<b>16,364</b>	<b>17,183</b>	<b>4,796</b>	<b>-6.4</b>
<b>PBT</b>	<b>3,918</b>	<b>2,963</b>	<b>2,565</b>	<b>3,453</b>	<b>4,369</b>	<b>2,825</b>	<b>2,559</b>	<b>5,843</b>	<b>12,899</b>	<b>15,596</b>	<b>4,599</b>	<b>-5.0</b>
<b>PAT</b>	<b>3,802</b>	<b>2,869</b>	<b>2,456</b>	<b>3,640</b>	<b>4,246</b>	<b>2,654</b>	<b>2,361</b>	<b>5,477</b>	<b>12,768</b>	<b>14,738</b>	<b>4,426</b>	<b>-4.1</b>
Growth (%)	20.2%	20.3%	18.5%	5.0%	11.7%	-7.5%	-3.9%	50.5%	15.1%	15.4%	16%	

## Exhibit 1: Quarterly snapshot

P/H A/c - Technical	FY18				FY19				FY20	Change (%)		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	YoY	QoQ	
<b>Net premium income</b>	<b>36,615</b>	<b>53,894</b>	<b>54,200</b>	<b>89,000</b>	<b>49,947</b>	<b>67,776</b>	<b>68,977</b>	<b>102,475</b>	<b>64,512</b>	<b>29</b>	<b>-37</b>	
First year premium	7,051	10,837	12,024	17,356	8,124	12,064	12,524	17,869	13,266	63	-26	
Renewal premium	20,519	26,525	28,052	46,722	23,801	32,308	33,090	52,947	26,098	10	-51	
Single premium	9,467	17,004	14,601	25,487	18,652	24,033	24,000	32,449	25,994	39	-20	
<b>Investment income</b>	<b>27,722</b>	<b>25,061</b>	<b>42,531</b>	<b>-9,368</b>	<b>17,967</b>	<b>10,902</b>	<b>23,849</b>	<b>37,557</b>	<b>20,514</b>	<b>14</b>	<b>-45</b>	
<b>Total income</b>	<b>64,874</b>	<b>79,276</b>	<b>96,845</b>	<b>81,346</b>	<b>68,509</b>	<b>79,004</b>	<b>93,031</b>	<b>143,746</b>	<b>85,348</b>	<b>25</b>	<b>-41</b>	
<b>Commission paid</b>	<b>1,563</b>	<b>2,475</b>	<b>2,625</b>	<b>4,087</b>	<b>1,982</b>	<b>2,637</b>	<b>2,623</b>	<b>3,935</b>	<b>3,222</b>	<b>63</b>	<b>-18</b>	
First year premium	1,291	2,032	2,126	3,253	1,418	1,874	1,778	2,769	2,585	82	-7	
Renewal premium	251	349	361	588	340	444	555	798	335	-1	-58	
Single premium	20	94	138	245	223	319	289	368	303	35	-18	
<b>Operating expense</b>	<b>5,638</b>	<b>7,189</b>	<b>7,769</b>	<b>10,998</b>	<b>7,246</b>	<b>9,458</b>	<b>9,243</b>	<b>12,189</b>	<b>8,808</b>	<b>22</b>	<b>-28</b>	
<b>Total commission &amp; Opex</b>	<b>7,200</b>	<b>9,663</b>	<b>10,394</b>	<b>15,085</b>	<b>9,228</b>	<b>12,094</b>	<b>11,866</b>	<b>16,124</b>	<b>12,030</b>	<b>30</b>	<b>-25</b>	
<b>Benefits paid</b>	<b>26,154</b>	<b>29,649</b>	<b>31,200</b>	<b>44,111</b>	<b>29,425</b>	<b>33,625</b>	<b>29,940</b>	<b>46,899</b>	<b>36,618</b>	<b>24</b>	<b>-22</b>	
<b>Total Expenses</b>	<b>61,110</b>	<b>76,382</b>	<b>94,267</b>	<b>74,920</b>	<b>64,061</b>	<b>75,628</b>	<b>89,801</b>	<b>137,789</b>	<b>79,845</b>	<b>25</b>	<b>-42</b>	
<b>PBT</b>	<b>3,198</b>	<b>2,206</b>	<b>1,941</b>	<b>5,356</b>	<b>3,623</b>	<b>1,910</b>	<b>2,389</b>	<b>4,781</b>	<b>3,813</b>	<b>5</b>	<b>-20</b>	
Tax	187	37	144	1,388	235	-36	173	1,897	48	-79	-97	
<b>Surplus/(Deficit)</b>	<b>3,012</b>	<b>2,169</b>	<b>1,797</b>	<b>3,968</b>	<b>3,388</b>	<b>1,946</b>	<b>2,217</b>	<b>5,956</b>	<b>3,765</b>	<b>11</b>	<b>-37</b>	
<b>Sh. a/c - Non- Technical</b>												
<b>Trf from P/H A/c</b>	<b>2,546</b>	<b>2,012</b>	<b>1,499</b>	<b>3,965</b>	<b>3,200</b>	<b>2,340</b>	<b>1,769</b>	<b>4,759</b>	<b>3,503</b>	<b>9</b>	<b>-26</b>	
Invnt Income	675	537	618	974	788	733	835	1,728	988	25	-43	
Other income	130	0	0	0	93	0	0	118	0			
<b>Total income</b>	<b>3,351</b>	<b>2,549</b>	<b>2,117</b>	<b>4,939</b>	<b>4,081</b>	<b>3,073</b>	<b>2,604</b>	<b>6,605</b>	<b>4,491</b>	<b>10</b>	<b>-32</b>	
Other expenses	62	50	7	6	24	54	20	180	20	-17	-89	
Amounts trf to P/H account	24	50	-49	1,541	135	41	-68	2,981	0	-100	-100	
<b>PBT</b>	<b>3,267</b>	<b>2,450</b>	<b>2,162</b>	<b>3,390</b>	<b>3,918</b>	<b>2,963</b>	<b>2,565</b>	<b>3,453</b>	<b>4,369</b>	<b>12</b>	<b>27</b>	
Tax	103	65	89	-79	116	93	109	-187	123	5	-165	
<b>PAT</b>	<b>3,164</b>	<b>2,385</b>	<b>2,073</b>	<b>3,468</b>	<b>3,802</b>	<b>2,869</b>	<b>2,456</b>	<b>3,640</b>	<b>4,246</b>	<b>12</b>	<b>17</b>	
<b>APE Data (Reported)</b>												
Individual APE	7,300	11,200	12,300	12,300	8,400	12,600	12,600	18,400	13,780	64	-25	
Group APE	900	1,900	1,460	7,940	1,900	2,200	2,800	3,700	3,320	75	-10	
New Business APE	8,200	13,100	13,760	20,240	10,300	14,800	15,400	22,100	17,100	66	-23	

Source: Company, MOFSL

Exhibit 2: Quarterly snapshot (contd)

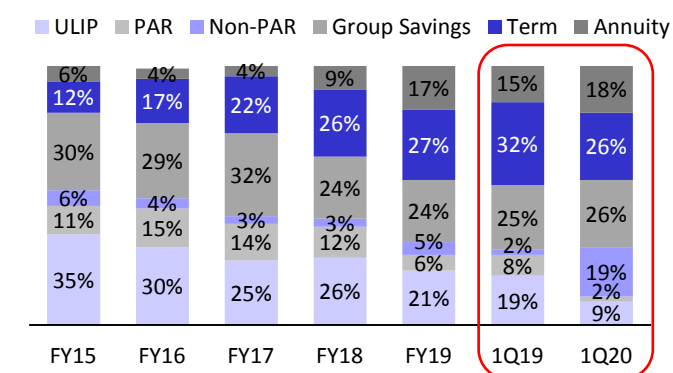
Ratios (%)	FY18				FY19				FY20	Change (bp)	
	1Q	1H	9M	12M	1Q	1H	9M	12M	1Q	YoY	QoQ
Solvency ratio	198	201	191	192	197	193	191	188	193	-400	500
Op. ROEV	NA	21.2	20.4	21.5	18.4	19.6	19.7	20.1	19.9	150	-20
ROE	NA	27.0	24.9	26.0	31.0	26.4	23.4	24.6	28.9	2.10	NA
VNB margins	NA	22.4	22.2	23.2	24.2	24.3	24.0	24.6	29.8	560	520
<b>Persistency ratios (%)</b>											
13th Month	82.5	86.2	86.4	87.1	85.0	86.6	86.4	87.2	85.0	0	-220
25th Month	74.7	74.0	76.9	77.4	77.8	79.1	79.8	80.5	76.0	-180	-450
37th Month	65.7	68.2	68.9	70.9	71.2	72.1	71.9	72.0	70.0	-120	-200
49th Month	59.1	60.6	60.4	62.2	63.6	64.2	65.7	67.7	67.0	340	-70
61st Month	52.3	50.6	53.5	51.0	49.5	50.3	50.1	52.3	53.0	350	70
<b>Key Metrics (INRb)</b>											
VNB	NA	5	8	13	3	6	10	15	5	104	-67
EV	NA	140	145	152	157	164	174	183	192	23	5
AUM	NA	995	1,044	1,066	1,096	1,132	1,177	1,256	1,296	18	3
Equity portion (%)	NA	41	43	39	39	38	38	38	38	-3	0

Source: Company, MOFSL

**Mix of non-PAR savings increased sharply to 63% of individual APE**

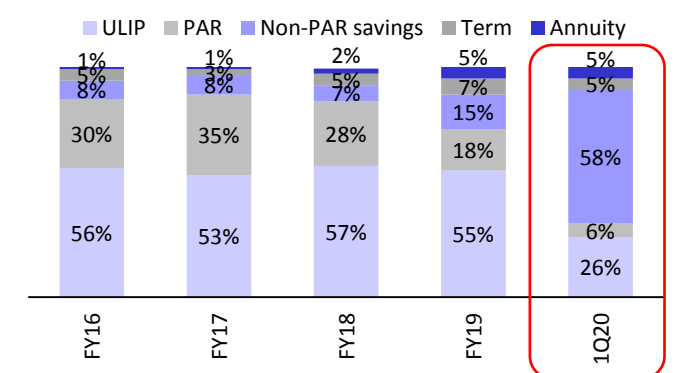
- In 1QFY20, **individual APE** grew by 64% YoY to INR13.8b, while total APE increased 66% YoY to INR17.1b. Mix of ULIP/PAR products (in individual APE) declined to 26%/6% in 1QFY20 from 54%/28% in 1QFY19. The share of non-par savings increased sharply to 58% in 1QFY20 v/s 5% in 1QFY19, primarily led by sales of annuity and guaranteed products.
- On a new business premium (NBP) basis, the mix of non-par savings has increased from 2% in 1QFY19 to 19% in 1QFY20, while the proportion of ULIP/PAR has declined from 19%/8% in 1QFY19 to 9%/2% in 1QFY20.

Exhibit 3: Proportion of protection in NBP at 26% in 1QFY19 (v/s 32% in 1QFY19)



Source: Company, MOFSL

Exhibit 4: Protection forms 5% of individual APE v/s 7% in FY19

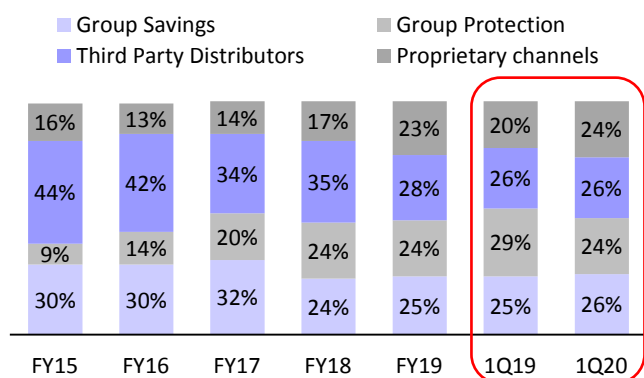


Source: Company, MOFSL

**Strong and diversified distribution network**

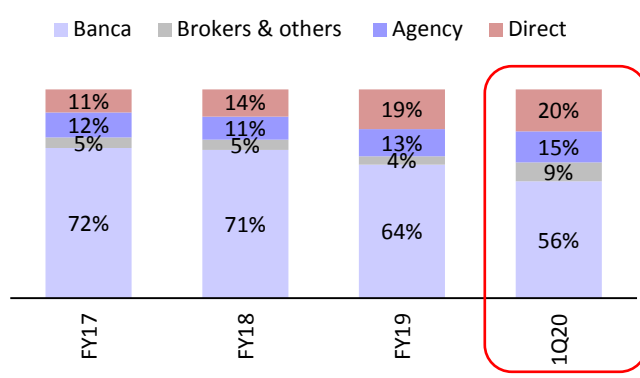
- The company has a well-diversified distribution mix with 412 offices, 230+ partners and ~40 new ecosystem partners. Cross selling to group customers formed 9.6% of individual new business policies.
- In line with management’s focus on developing proprietary channels, the proportion of banca (on individual APE) channel declined from 64% in FY19 to 56% in 1QFY20, while that of the direct channel increased to 20%.
- On an **NBP basis**, the proportion of proprietary channels increased from 20% in 1QFY19 to 24% in 1QFY20, while the mix of third party distributors has remained constant at 26%.

**Exhibit 5: Increased focus on the proprietary channels**



Note: Based on New business premium Source: Company, MOFSL

**Exhibit 6: Proportion of direct channel has increased to 20%**



Note: Based on individual APE Source: Company, MOFSL

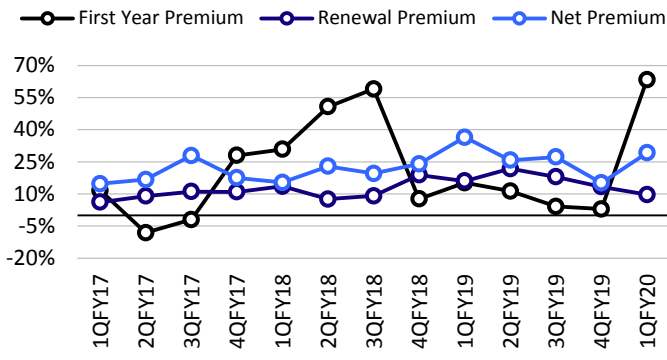
**1QFY20 Concall highlights**

- Margins improved on the back of an improved product mix and better cost efficiency.
- Back-book surplus grew 27% YoY.
- Proprietary channels grew 90% YoY, whereas direct channels grew 70% YoY.
- HDFCLIFE has tied up with Airtel which has bundled term plans.
- Credit protect grew 21% on NBP basis, despite NBFC slowdown.
- Non-PAR savings growth is due to introduction of the ‘ Sanchay Plus’ product last year and also a couple of products in the deferred annuity products in 3Q last year.
  - Not all of Sanchay Plus sold is longer tenure. Some part is also shorter tenure in nature.
  - While pricing the product the persistency built is lower than the actual persistency observed (96%).
  - Price cuts have happened in these products as competitors have introduced similar products.
  - Non-PAR savings business has higher new business strain compared to ULIP products.
- Management has shifted to portfolio based hedging strategy rather than product-based hedging strategy.
- Despite change in product mix, sensitivity of EV and VNB to interest rates has not changed much.

- Management has re-priced its annuity products 5-6 times in last one year in line with the change in interest rates. According to the IRDA regulations, there is a cooling off period between two re-pricing dates.
- Management guided for robust APE growth over the next 12 months.
- One third of the credit life comes from the MFI segment. Higher attachment rates have made up for lower disbursements.
- No partnerships exceed 6% to 8%, except HDFC which contributes 28% of the credit life business.
- Management expects the share of agency/direct channels to go up to 25%/25%.
- Management expects the share of PAR/ULIP to go up in the next nine months.
- Unwind rate/VIF is lower as rates have reduced.
- Ticket sizes have increased in non-PAR savings.
- Improvement in operating leverage will be reversed if growth slows down as the management does not do straight line cost assumptions.

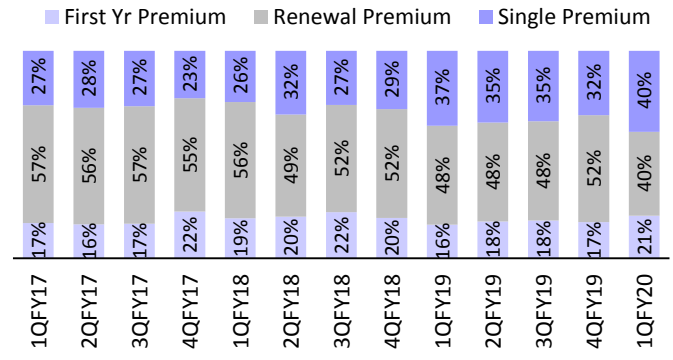
## Story in charts

**Exhibit 7: Net premium grew ~29% YoY in 1QFY20, led by 63% YoY growth in first year premium**



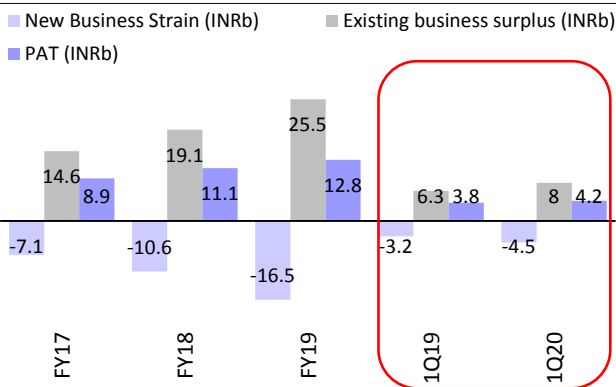
Source: Company, MOFSL

**Exhibit 8: Proportion of single premium has increased to 40% v/s 37% in 1QFY19**



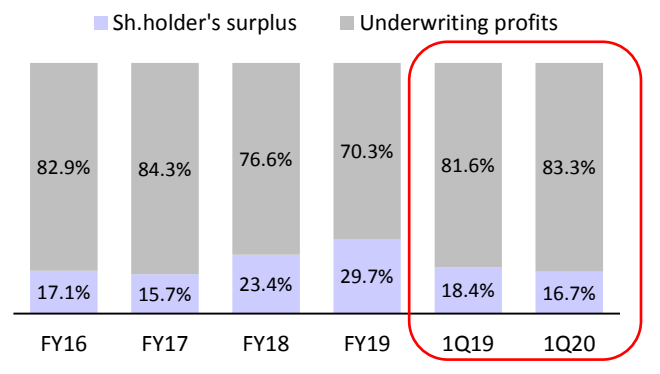
Source: Company, MOFSL

**Exhibit 9: Trend in PAT, existing business surplus and new business strain**



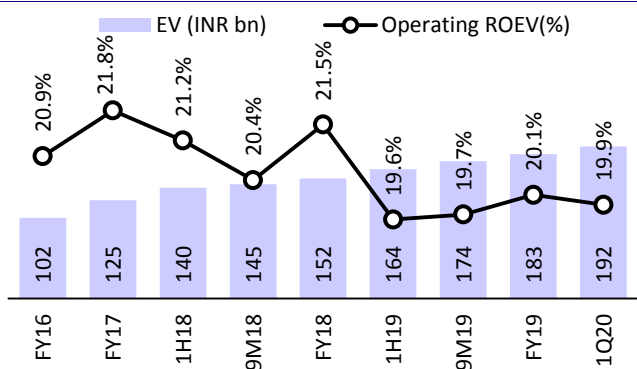
Source: Company, MOFSL

**Exhibit 10: Steady increase in underwriting profits backed by healthy existing business surplus, neutralizing the impact of new business strain**



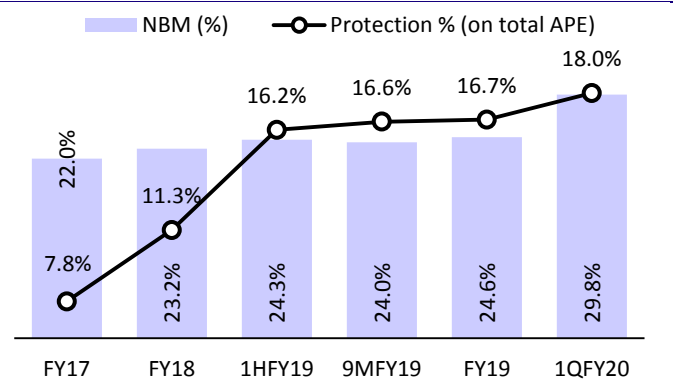
Source: Company, MOFSL

**Exhibit 11: EV showed healthy growth of 23% YoY**



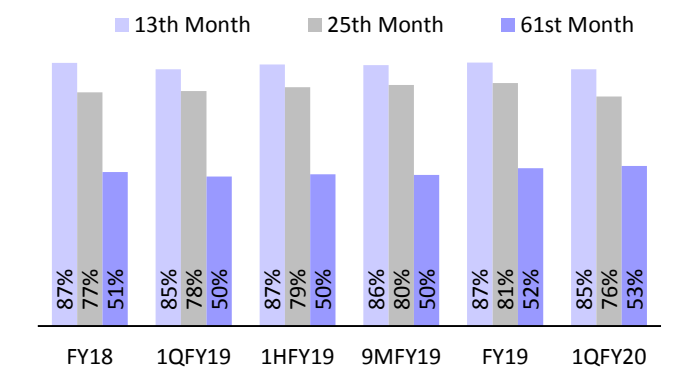
Source: Company, MOFSL

**Exhibit 12: Margins improved materially led by improvement in op. leverage and higher protection mix**



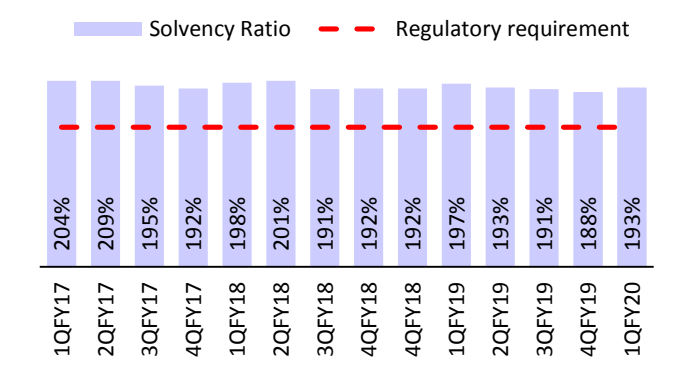
Source: Company, MOFSL

**Exhibit 13: 13<sup>th</sup> mth persistency declined 220bp QoQ to 85%**



Source: Company, MOFSL

**Exhibit 14: Solvency ratio increased 500bp QoQ to 193% - well above regulatory requirement**



Source: Company, MOFSL

**Valuation and view**

- HDFCLIFE has delivered strong return ratios with average FY16-19 RoE/RoEV at 25+%/21.1%. We expect return ratios to remain strong owing to healthy new business margins, quality underwriting and strong cost control.
- We note that quality of earnings for HDFCLIFE 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 of ~24% and is thus capable of supporting healthy business growth.
- We expect the company to deliver new business margin of ~28% in FY21 and new business value of INR28.8b, while operating RoEV sustains at ~23%. This will be aided by a further improvement in operating metrics (business mix, persistency and cost).
- **Valuations and view:** HDFCLIFE has reported strong acceleration in business growth, while the improving asset mix has driven a sharp improvement in the VNB margin. The company sees significant potential in the annuity/protection business and expects a further improvement in product mix, which should support profitability. We revise our new business growth estimate, and expect HDFCLIFE to deliver ~30% CAGR in new business APE over FY19-21, while margins are likely to sustain at healthy levels of 28%. We, thus, estimate 37% CAGR in VNB over FY19-21, with operating RoEV/RoEV improving to 23%/20%. We value HDFCLIFE at INR535 per share (4x FY21E EV). Maintain **Buy**.



## Financials and valuations: HDFC life insurance

Technical account (INRm)	FY17	FY18	FY19	FY20E	FY21E
Gross Premiums	194,455	235,644	291,860	367,860	452,739
Reinsurance Ceded	(1,706)	(1,934)	(2,620)	(4,169)	(4,931)
Net Premiums	192,749	233,710	289,240	363,691	447,808
Income from Investments	111,406	85,946	90,275	162,025	214,805
Other Income	1,389	2,703	4,840	4,704	5,497
<b>Total income</b>	<b>305,544</b>	<b>322,359</b>	<b>384,355</b>	<b>530,420</b>	<b>668,110</b>
Commission	7,920	10,749	11,177	16,277	19,910
Operating expenses	23,853	31,593	38,136	43,395	51,094
<b>Total commission and opex</b>	<b>31,773</b>	<b>42,342</b>	<b>49,313</b>	<b>59,672</b>	<b>71,004</b>
Benefits Paid (Net)	100,004	131,114	139,889	173,802	216,497
Chg in reserves	160,548	133,223	175,075	276,099	352,539
<b>Toal expenses</b>	<b>292,324</b>	<b>306,679</b>	<b>364,276</b>	<b>509,573</b>	<b>640,040</b>
<b>Profit before tax</b>	<b>9,476</b>	<b>15,670</b>	<b>19,173</b>	<b>20,826</b>	<b>28,044</b>
Tax (incl Service Tax & GST)	3,394	4,725	5,666	8,324	9,579
<b>Surplus / Deficit</b>	<b>6,083</b>	<b>10,946</b>	<b>13,507</b>	<b>12,502</b>	<b>18,464</b>
Shareholder's a/c (INRm)	FY17	FY18	FY19	FY20E	FY21E
Transfer from technical a/c	7,863	10,022	12,069	12,662	16,600
Income From Investments	2,269	2,803	4,084	4,310	5,752
<b>Total Income</b>	<b>10,132</b>	<b>12,955</b>	<b>16,364</b>	<b>17,183</b>	<b>22,563</b>
Other expenses	680	125	278	311	343
Contribution to technical a/c	354	1,567	3,090	1,159	3,379
<b>Total Expenses</b>	<b>991</b>	<b>1,697</b>	<b>3,465</b>	<b>1,587</b>	<b>3,839</b>
<b>PBT</b>	<b>9,141</b>	<b>11,267</b>	<b>12,899</b>	<b>15,596</b>	<b>18,724</b>
Prov for Tax	220	177	131	858	1,030
<b>PAT</b>	<b>8,921</b>	<b>11,090</b>	<b>12,768</b>	<b>14,738</b>	<b>17,695</b>
<b>Growth</b>	<b>9%</b>	<b>24%</b>	<b>15%</b>	<b>15%</b>	<b>20%</b>
Premium (INRm) & growth (%)	FY17	FY18	FY19	FY20E	FY21E
New business prem - unwtd	86,210	113,496	149,715	202,115	252,643
New business prem - WRP	41,534	53,996	60,494	80,443	102,377
Total premium - unwtd	194,455	235,644	291,860	367,860	452,739
New bus. growth - unwtd	32.9%	31.7%	31.9%	35.0%	25.0%
New business growth - APE	14.9%	30.0%	12.0%	33.0%	27.3%
Total prem growth - unwtd	19.2%	21.2%	23.9%	26.0%	23.1%
Premium mix (%)	FY17	FY18	FY19	FY20E	FY21E
<b>New business - unwtd</b>					
- Individual mix	48.7%	52.4%	51.1%	62.0%	62.0%
- Group mix	51.3%	47.6%	48.9%	38.0%	38.0%
<b>New business mix - WRP</b>					
- Participating	30.0%	24.8%	14.4%	23.8%	28.1%
- Non-participating	21.5%	22.7%	38.5%	40.0%	40.5%
- ULIPs	48.5%	52.5%	47.1%	36.2%	31.4%
<b>Total premium mix - unwtd</b>					
- Participating	25.9%	24.9%	20.0%	23.5%	24.4%
- Non-participating	27.4%	31.5%	41.2%	39.8%	38.0%
- ULIPs	46.7%	43.6%	38.8%	36.7%	37.6%



## Financials and valuations: HDFC life insurance

Balance sheet (INRm)	FY17	FY18	FY19	FY20E	FY21E
<b>Sources of Fund</b>					
Share Capital	19,985	20,126	20,178	20,178	20,178
Reserves And Surplus	18,278	27,064	36,409	46,897	59,492
<b>Shareholders' Fund</b>	<b>38,263</b>	<b>47,492</b>	<b>56,556</b>	<b>67,045</b>	<b>79,639</b>
Policy Liabilities	323,827	423,193	536,723	708,050	908,484
Prov. for Linked Liab.	508,065	545,982	605,213	760,529	912,635
Funds For Future App.	8,668	35,464	39,488	47,065	56,276
Current liabilities & prov.	37,753	46,464	51,179	66,533	86,492
<b>Total</b>	<b>951,061</b>	<b>1,104,815</b>	<b>1,300,280</b>	<b>1,649,222</b>	<b>2,043,526</b>
<b>Application of Funds</b>					
Shareholders' inv	32,314	40,703	50,498	93,166	98,557
Policyholders' inv	346,915	453,471	571,245	741,936	965,743
Assets to cover linked liab.	538,005	571,854	633,774	760,529	912,635
<b>Total</b>	<b>951,061</b>	<b>1,104,815</b>	<b>1,300,280</b>	<b>1,649,222</b>	<b>2,043,526</b>
<b>Operating ratios (%)</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20E</b>	<b>FY21E</b>
<b>Commissions / GWP</b>	<b>4.1%</b>	<b>4.6%</b>	<b>3.8%</b>	<b>4.4%</b>	<b>4.4%</b>
- first year premiums	17.7%	18.4%	15.5%	19.8%	18.8%
- renewal premiums	1.3%	1.3%	1.5%	1.4%	1.5%
- single premiums	0.1%	0.8%	1.2%	0.5%	0.5%
Operating expenses / GWP	12.3%	13.4%	13.1%	11.8%	11.3%
<b>Total expense ratio</b>	<b>16.3%</b>	<b>18.0%</b>	<b>16.9%</b>	<b>16.2%</b>	<b>15.7%</b>
Claims / NWP	51.1%	55.2%	46.4%	45.9%	46.4%
Solvency ratio	192%	192%	188%	180%	174%
<b>Persistency ratios (%)</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20E</b>	<b>FY21E</b>
13th Month	81.0%	87.1%	87.2%	87.4%	87.8%
25th Month	73.0%	77.4%	80.5%	77.7%	78.2%
37th Month	64.0%	70.9%	72.0%	71.2%	71.7%
49th Month	58.0%	62.2%	67.7%	62.5%	63.0%
61st Month	57.0%	51.0%	52.3%	51.3%	51.8%
<b>Profitability ratios (%)</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20E</b>	<b>FY21E</b>
NBP margin (%)	22.0%	23.2%	24.6%	27.5%	28.1%
RoE (%)	25.5%	25.8%	24.5%	23.8%	24.1%
RoC (%)	41.0%	50.1%	56.8%	65.1%	78.2%
EVOP as % of IEV	21.8%	21.5%	20.1%	22.7%	23.0%
RoEV (%)	21.9%	22.0%	20.3%	21.9%	19.8%
<b>Valuation datapoints</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20E</b>	<b>FY21E</b>
Total AUMs (INRb)	917	1,066	1,256	1,596	1,977
- of which equity AUMs (%)	41%	39%	38%	39%	40%
Dividend %	11%	14%	16%	18%	21%
EPS, INR	4.5	5.5	6.3	7.3	8.8
Value of new business (INRb)	9.1	12.8	15.4	22.1	28.8
Embedded Value (INRb)	124.7	152.1	182.9	223.0	267.2
EV per share (INR)	62.2	75.8	91.2	111.2	133.2
VIF as % of EV	67%	68%	68%	69%	69%
P/VIF (%)	12.3	9.8	8.2	6.64	5.51
P/AUM (%)	111%	96%	81%	64%	52%
P/EV (x)	8.2	6.7	5.6	4.6	3.8
P/EPS (x)	113.9	92.0	80.3	69.7	58.0

NOTES

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Investment Rating	Expected return (over 12-month)
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SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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