

ICICI Securities Limited is the author and distributor of this report

Q4FY21 result review and TP change

## Insurance

Target price Rs1,315

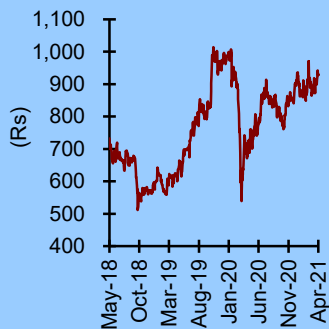
Target Price revision

Rs1,315 from Rs1,223

Shareholding pattern

	Sep '20	Dec '20	Mar '21
Promoters	60.7	60.7	55.7
Institutional investors	32.8	32.9	37.5
MFs and other	5.7	4.9	5.9
FIs/Banks	0.1	0.1	0.1
Insurance	0.0	0.0	0.0
FII	27.0	28.0	31.5
Others	6.5	6.4	6.8

## Price chart



## Research Analysts:

**Ansuman Deb**

ansuman.deb@icicisecurities.com  
+91 22 6637 7312

**Ravin Kurwa**

ravin.kurwa@icicisecurities.com  
+91 22 2277 7653

INDIA

**ICICI Securities**

**SBI Life Insurance Company**

**BUY**

**Maintained**

**Strong performance to raise expectations**

**Rs959**

SBI Life has been able to manage improvement in product mix, distribution productivity, and cost efficiency leading to more than expected VNB growth, VNB margin and EV growth through positive variances. The strategy of 'pursuing all profitable business opportunities' seems to have a working model on ground. At 2.1x FY23E P/EV, the valuation remains attractive (core RoEV of 19.4% in FY21). **Maintain BUY.**

- ▶ **Strong VNB performance driven by margins:** SBI Life managed to clock 20% VNB growth in FY21 driven by 7% increase in APE and 260bps increase in margins. Q4FY21 margins were even higher at 27.7%. The relatively important growth segments were protection (APE up 16% / 25% YoY in Q4/FY21), non-par (APE up 64 YoY in FY21), annuity (APE up 169% YoY in FY21) and channel ex-banca ex-agency (APE up 55% / 51% YoY in Q4/FY21).
- ▶ **Levers ahead:** 1) New products and price hikes in protection segment in FY22, which can continue to support margins. 2) Continued strong demand for life insurance. 3) Management confidence on ULIP traction (also echoed by other insurers). 4) Increase in distribution productivity. Banca and agency channels registered growth of 15% and 7% YoY respectively. There was 70% YoY increase in NBP from 'other channels' (non-SBI & non-agency), which total 12,500 branches. New partnerships added during the year are with UCO Bank, Yes Bank, and Suryoday Small Finance Bank.
- ▶ **Operating performance continues to improve:** Persistency improved in all cohorts. 13<sup>th</sup> month / 61<sup>st</sup> month persistency now stands at 87.9% / 61.6%. Opex ratios have improved by 110bps YoY to 4.8% in FY21. Solvency remains healthy at 215%.
- ▶ **Core RoEV at an impressive 19.4% in FY21:** Company is managing increase in mortality risks (high number of policy track records) with additional reserving. The positive operating variance of Rs7bn in FY21 and economic variance of Rs23bn (largely due to lower interest rates) have led EV to increase to Rs364bn. **Company has raised its assumptions on mortality impact (Rs800mn) on EV and also built an additional Rs1.8bn in covid reserves.** The increase in claims (+74% YoY) also incorporates increase in non-covid claims though the demarcations might not be very accurate.
- ▶ **Maintain BUY** with an FY23-based target price of Rs1,315. Basis effective tax rate, the embedded value of SBLI is expected to grow from Rs364bn in FY21 to Rs472.4bn in FY23E driven by addition of Rs58bn unwind and Rs68.7n of VNB, which has grown from Rs16bn in FY18 to Rs26.6bn in FY21. SBLI currently trades at 2.1x FY23E P/EV. **Maintain BUY** with a target price of Rs1,315 (implied 2.8x P/EV).

Market Cap	Rs959bn/US\$12.9bn
Reuters/Bloomberg	SBILBO/SBILIFE IN
Shares Outstanding (mn)	1,000.1
52-week Range (Rs)	983/675
Free Float (%)	44.3
FII (%)	31.5
Daily Volume (US\$/'000)	32,757
Absolute Return 3m (%)	10.7
Absolute Return 12m (%)	31.9
Sensex Return 3m (%)	(3.1)
Sensex Return 12m (%)	44.5

Year to March	FY20	FY21	FY22E	FY23E
Weighted APE (Rs mn)	105,052	113,265	130,255	149,793
Embedded Value (Rs bn)	276	364	408	472
New value business (Rs bn)	22	27	31	37
VNB margin (%)*	20.7	23.4	24.0	25.0
PAT (Rs mn)	14,222	14,559	17,119	21,088
P/EV (x)	3.5	2.7	2.4	2.1
EVOP as % of IEV	19.5	22.2	16.1	16.7
RoE (%)	16.3	14.0	14.3	15.2
RoEV (%)	16.5%	31.8%	12.0%	15.8%
Dividend per share (Rs)	2.0	2.0	2.0	2.0

\*Basis effective tax rate

Table 1: Q4FY21 result review

(Rs mn, year ending March)

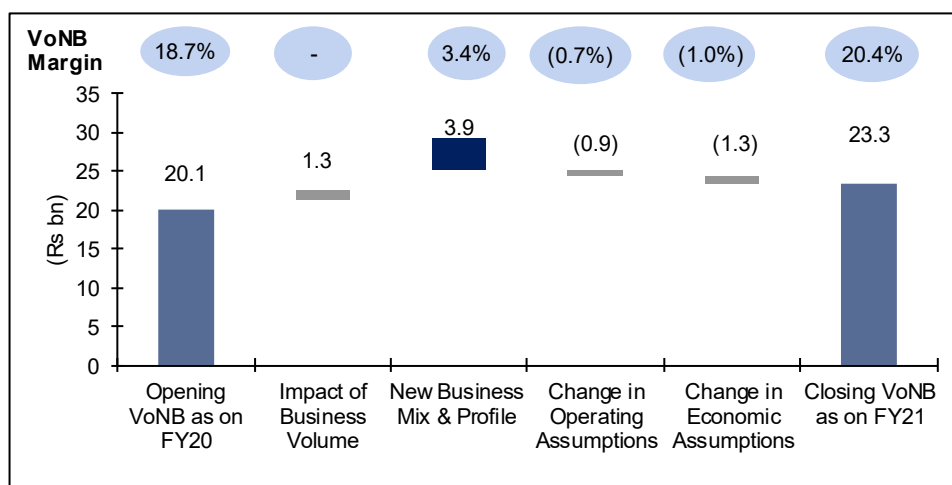
Policyholder's account (Rs mn)	FY20				FY21				% Change	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	YoY	QoQ
<b>Net premium income</b>	<b>66,550</b>	<b>1,01,11</b>	<b>1,16,94</b>	<b>1,18,630</b>	<b>75,881</b>	<b>1,28,58</b>	<b>1,37,66</b>	<b>1,55,55</b>	31.1	13.0
First year premium	16,444	25,480	31,142	25,222	10,858	23,155	32,765	36,603	45.1	11.7
Renewal premium	35,400	55,813	67,891	81,319	45,849	71,499	84,356	94,596	16.3	12.1
Single premium	15,101	21,140	18,564	12,832	19,728	36,242	21,623	25,269	96.9	16.9
Reinsurance ceded										
Income from investments	29,773	26,235	40,733	(66,772)	85,828	55,904	1,27,76	45,059	(167.5)	(64.7)
Other income	112	104	113	128	72	99	85	102	(20.3)	20.4
Trf from Sh.holder's account	-	-	-	4,763	-	-	-	8,248		
<b>Total income</b>	<b>96,435</b>	<b>1,27,45</b>	<b>1,57,79</b>	<b>56,749</b>	<b>1,61,78</b>	<b>1,84,58</b>	<b>2,65,51</b>	<b>2,08,96</b>	<b>268.2</b>	<b>(21.3)</b>
Commission paid	2,494	4,082	4,552	4,534	2,254	4,145	5,172	5,856	29.1	13.2
First year premium	1,403	2,221	2,524	2,091	1,003	1,971	2,679	2,982	42.6	11.3
Renewal premium	901	1,603	1,769	2,170	1,112	1,894	2,172	2,490	14.7	14.6
Single premium	190	258	259	273	138	280	320	384	40.6	19.8
Operating expenses	4,980	6,054	6,419	7,265	5,461	5,966	6,453	6,605	(9.1)	2.4
<b>Total commission &amp; Opex</b>	<b>7,474</b>	<b>10,137</b>	<b>10,971</b>	<b>11,799</b>	<b>7,714</b>	<b>10,111</b>	<b>11,625</b>	<b>12,461</b>	<b>5.6</b>	<b>7.2</b>
Benefits paid	28,605	32,540	61,764	39,601	28,528	64,263	46,439	76,597	93.4	64.9
Change in actuarial liability	54,497	79,036	76,569	(4,053)	1,16,92	1,05,49	2,02,43	1,14,49		(43.4)
<b>Total Expenses</b>	<b>90,575</b>	<b>1,21,71</b>	<b>1,49,30</b>	<b>47,347</b>	<b>1,53,16</b>	<b>1,79,86</b>	<b>2,60,50</b>	<b>2,03,55</b>		<b>(21.9)</b>
Provisions	187	344	130	584	(1,134)	75	(336)	(319)		
Ser Tax on linked charges	1,114	1,320	1,534	1,565	1,261	1,555	1,758	1,861	18.9	5.9
PBT	4,560	4,078	6,823	7,253	8,491	3,086	3,597	3,875	<b>(46.6)</b>	<b>7.7</b>
Tax	1,779	589	742	658	2,393	(845)	629	(1,202)		
<b>Surplus/(Deficit)</b>	<b>2,780</b>	<b>3,489</b>	<b>6,082</b>	<b>6,596</b>	<b>6,098</b>	<b>3,931</b>	<b>2,968</b>	<b>5,077</b>	<b>(23.0)</b>	<b>71.1</b>
<b>Shareholders' Account</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>YoY</b>	<b>QoQ</b>
Amounts trf from P/H account	2,155	555	2,707	9,209	2,822	1,133	657	12,175	32.2	1752.9
Income from investments	1,713	1,429	1,740	(115)	949	1,918	1,745	2,274	-2080.6	30.3
Other income	17	15	16	21	16	16	16	16	-25.5	-3.1
<b>Total income</b>	<b>3,884</b>	<b>1,999</b>	<b>4,463</b>	<b>9,115</b>	<b>3,787</b>	<b>3,067</b>	<b>2,418</b>	<b>14,464</b>	<b>58.7</b>	<b>498.3</b>
Other expenses	86	104	85	209	95	84	136	(5)	-102.3	-103.6
Amounts trf to P/H account	-	-	-	4,763	-	-	-	8,248		
Provisions	20	703	430	(1,073)	(185)	(13)	(49)	-		
<b>PBT</b>	<b>3,779</b>	<b>1,192</b>	<b>3,949</b>	<b>5,216</b>	<b>3,877</b>	<b>2,996</b>	<b>2,331</b>	<b>6,221</b>	<b>19.3</b>	<b>166.9</b>
Tax	59	(106)	51	(91)	(32)	(1.6)	2.3	898		
<b>PAT</b>	<b>3,719</b>	<b>1,298</b>	<b>3,898</b>	<b>5,307</b>	<b>3,909</b>	<b>2,997.3</b>	<b>2,328.5</b>	<b>5,324</b>	<b>0.3</b>	<b>128.6</b>
Check	-	-	-	-	-	-	-	-		
<b>Ratios (%) : Calc. on unwtd</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>YoY</b>	<b>QoQ</b>
Commission expense	3.7	4.0	3.9	3.8	2.9	3.2	3.7	3.7	(5.6)	0.4
Opex ratio	7.4	5.9	5.5	6.1	7.1	4.6	4.7	4.2	(186.5)	(9.2)
<b>Calculated Ratios (%) (WRP)</b>										
Commission expense	4.7	4.9	4.5	4.2	3.8	4.2	4.3	4.4	17.4	1.0
Opex ratio	9.3	7.3	6.4	6.7	9.3	6.1	5.4	4.9	(179.9)	(8.7)
<b>Reported APE Data</b>	<b>1QFY2</b>	<b>1HFY2</b>	<b>9MFY2</b>	<b>12MFY2</b>	<b>1QFY2</b>	<b>1HFY2</b>	<b>9MFY2</b>	<b>12FY21</b>		
New business APE	18,600	46,700	80,500	1,07,400	12,700	39,800	74,800	1,14,50	6.6	53.1
<b>Other ratios (%)</b>	<b>1QFY2</b>	<b>1HFY2</b>	<b>9MFY2</b>	<b>12MFY2</b>	<b>1QFY2</b>	<b>1HFY2</b>	<b>9MFY2</b>	<b>12FY21</b>	<b>YoY</b>	<b>QoQ</b>
Solvency ratio	217.0	220.0	230.0	195.0	239.0	245.0	234.0	215.0	20.0	(19.0)
VNB margins	19.9	20.2	20.5	20.7	20.1	20.2	20.8	23.3	2.6	2.5
<b>Persistency ratios (%)</b>	<b>1QFY2</b>	<b>1HFY2</b>	<b>9MFY2</b>	<b>12MFY2</b>	<b>1QFY2</b>	<b>1HFY2</b>	<b>9MFY2</b>	<b>12FY21</b>	<b>YoY</b>	<b>QoQ</b>
13th Month	85.9	85.8	85.7	86.1	81.6	85.9	86.2	87.9	1.8	1.8
25th Month	76.8	77.4	77.7	78.5	76.0	78.8	79.0	79.4	0.9	0.4
37th Month	71.2	71.0	71.1	71.6	68.9	72.1	72.9	74.1	2.5	1.2
49th Month	67.7	67.9	67.4	67.3	63.8	66.3	66.9	68.1	0.8	1.2
61st Month	56.8	57.5	58.5	59.9	63.1	60.9	61.7	61.6	1.7	(0.1)
<b>Key Metrics (Rs bn)</b>	<b>1QFY2</b>	<b>1HFY2</b>	<b>9MFY2</b>	<b>12MFY2</b>	<b>1QFY2</b>	<b>1HFY2</b>	<b>9MFY2</b>	<b>12FY21</b>		
VNB	3.7	9.4	16.5	22.2	2.6	8.00	15.60	26.60	<b>20</b>	
EV	-	262	247	263	-	313	-	364	<b>38</b>	
AUM	1,470	1,548	1,642	1,604	1,754	1,864	2,095	2,209	<b>37.7</b>	<b>54</b>

Source: Company data, I-Sec research

**Table 2: SBI Life valuation**

	FY23E
Embedded Value - FY23E (Rs bn)	472
New Business Profit - FY23E (Rs bn)	34
New Business Multiple	25
<b>Total appraisal value (Rs per share)</b>	<b>1,315</b>
<b>Price / Embedded value</b>	<b>2.8</b>

Source: I-Sec research

**Chart 1: VNB movement**

Source: Company data, I-Sec research

**Table 3: APE product mix**

(Rs bn)	FY18	FY19	FY20	FY21	Growth YoY (%)	Mix FY21
Individual Savings	78.3	87	93	94.6	2%	83%
Par	20.9	18.1	11.7	9.7	-17%	8%
Non Par	0.6	0.2	6.5	10.7	65%	9%
ULIP	56.9	68.6	74.8	74.2	-1%	65%
Protection	4.6	6.6	9.5	12	26%	10%
Individual	0.6	3.7	5.1	7.3	43%	6%
Group	4	2.9	4.5	4.7	4%	4%
Annuity	0.2	0.3	1.1	3	173%	3%
Group Savings	2.3	3.1	3.7	4.9	32%	4%

Source: Company data, I-Sec research

**Table 4: Individual annualised premium equivalent – Channel mix by segment**

Channel	Segment	FY18	FY19	FY20	FY21	YoY growth	Mix (FY21)
Banca	Participating	13.2	9.9	4.6	2.8	-39%	3%
	Non Participating	0.9	3.5	9.1	13.7	51%	13%
	Unit Linked	38.9	49	53.4	52.6	-2%	51%
	Total	53	62.4	67.1	69.1	3%	67%
Agency	Participating	7.5	7.8	6.5	5.9	-9%	6%
	Non Participating	0.2	0.5	2.6	3.7	42%	4%
	Unit Linked	17.7	19.3	20.6	20.6	0%	20%
	Total	25.4	27.6	29.7	30.2	2%	29%
Others	Participating	0.3	0.4	0.6	1	65%	1%
	Non Participating	0.1	0.2	0.8	1.8	131%	2%
	Unit Linked	0.3	0.3	0.8	1	25%	1%
	Total	0.7	0.9	2.2	3.8	73%	4%

Source: Company data, I-Sec research

**Table 5: NBP product mix**

(Rs bn)	FY18	FY19	FY20	FY21	Growth YoY (%)	FY21 Mix
Individual Savings	81.9	90.7	98.4	7%	51%	81.9
Par	20.3	17.6	11.6	-16%	5%	20.3
Non-Par	0.6	0.2	6.3	65%	5%	0.6
ULIP	61	72.8	80.5	6%	41%	61
Group Savings Business	6	16.4	20.8	18%	12%	6
Protection (Indl + Group)	0.6	3.7	5.3	40%	4%	0.6
<b>Total NBP</b>	<b>5.4</b>	<b>12.7</b>	<b>15.5</b>	<b>11%</b>	<b>8%</b>	<b>5.4</b>

Source: Company data, I-Sec research

**Table 6: NBP channel mix**

Channel mix - NBP	FY17	FY18	FY19	FY20	FY21
Bancassurance	53%	62%	64%	60%	56%
Agency	22%	25%	21%	20%	17%
Others	25%	12%	15%	20%	27%

Source: Company data, I-Sec research

**Table 7: Sensitivity analysis**

Scenario	Change in EV %	Change in VoNB %
Reference Rate +100 bps	(2.4%)	(0.6%)
Reference Rate -100%	2.7%	0.1%
Decrease in Equity Value 10%	(1.5%)	(0.3%)
Proportionate change in lapse rate +10%	(1.1%)	(4.1%)
Proportionate change in lapse rate -10%	1.4%	5.3%
Mortality / Morbidity +10%	(1.7%)	(6.2%)
Mortality / Morbidity -10%	1.7%	6.2%
Maintenance Expense +10%	(0.6%)	(2.0%)
Maintenance Expense -10%	0.6%	2.0%
Mass Lapse for ULIPs in the year after the surrender penalty period of 25	(2.7%)	(8.7%)
Mass Lapse for ULIPs in the year after the surrender penalty period of 50	(6.3%)	(19.8%)
Tax Rate Change to 25 % on Normal Tax rate basis	(8.6%)	(12.7%)

Source: Company data, I-Sec research

## Summary financials

**Table 8: Policyholders' account**

(Rs mn, year ending March)

	FY19	FY20	FY21P	FY22E	FY23E
Gross Premiums	3,29,894	4,06,347	5,02,542	5,73,607	6,82,064
Reinsurance Ceded	(991)	(3,107)	(4,859)	(2,126)	(2,126)
Net Premiums	3,28,904	4,03,240	4,97,683	5,71,481	6,79,938
Income from Investments	1,12,081	29,968	3,14,560	1,69,186	1,83,752
Other Income	1,627	5,221	358	2,029	2,029
<b>Total income</b>	<b>4,42,612</b>	<b>4,38,429</b>	<b>8,20,849</b>	<b>7,42,696</b>	<b>8,65,719</b>
Commission	13,463	15,662	17,425	23,652	28,191
Operating expenses	21,235	24,718	24,485	35,024	41,654
<b>Total commission and opex</b>	<b>34,698</b>	<b>40,380</b>	<b>41,910</b>	<b>58,676</b>	<b>69,845</b>
Benefits Paid (Net)+ bonus	1,52,938	1,62,509	2,15,827	2,67,111	2,91,691
Chg in reserves	2,35,917	2,06,049	5,39,342	3,86,101	4,64,861
<b>Total expenses</b>	<b>4,23,554</b>	<b>4,08,938</b>	<b>7,97,078</b>	<b>7,11,888</b>	<b>8,26,396</b>
Prov for doubtful debts	5,505	6,778	4,721	10,246	13,269
<b>PBT</b>	<b>13,553</b>	<b>22,713</b>	<b>19,050</b>	<b>20,562</b>	<b>26,054</b>
Prov for Tax	2,687	3,767	976	3,914	4,746
<b>Surplus</b>	<b>10,867</b>	<b>18,945</b>	<b>18,074</b>	<b>16,648</b>	<b>21,308</b>

Source: Company data, I-Sec research

**Table 9: Shareholders' account**

(Rs mn, year ending March)

	FY19	FY20	FY21P	FY22E	FY23E
Transfer from technical a/c	9,929	14,627	16,788	12,190	15,682
Income From Investments	5,057	4,767	6,885	7,436	8,030
<b>Total Income</b>	<b>15,121</b>	<b>19,461</b>	<b>23,736</b>	<b>19,694</b>	<b>23,786</b>
Other expenses	459	563	63	500	500
Contribution to P/H A/C	989	4,763	8,248	1,546	1,546
<b>Total Expenses</b>	<b>1,448</b>	<b>5,326</b>	<b>8,311</b>	<b>2,046</b>	<b>2,046</b>
<b>PBT</b>	<b>13,673</b>	<b>14,055</b>	<b>15,425</b>	<b>17,648</b>	<b>21,740</b>
Prov for Tax	461	(167)	866	529	652
<b>PAT</b>	<b>13,212</b>	<b>14,222</b>	<b>14,559</b>	<b>17,119</b>	<b>21,088</b>

Source: Company data, I-Sec research

**Table 10: Balance sheet**

(Rs mn, year ending March)

	FY19	FY20	FY21P	FY22E	FY23E
Share Capital	10,000	10,000	10,000	10,000	10,000
Reserves And Surplus	64,601	78,839	90,926	1,06,045	1,25,133
<b>Shareholders' Fund</b>	<b>75,764</b>	<b>87,431</b>	<b>1,04,004</b>	<b>1,19,430</b>	<b>1,38,857</b>
Policy Liabilities	6,49,544	7,61,230	9,24,075	10,56,582	12,54,038
Prov. for Linked Liab.	6,05,921	7,63,007	9,65,495	11,30,257	13,97,663
Funds For Future App.	-	-	-	-	-
Current liabilities & prov.	37,360	30,223	42,384	48,741	56,052
<b>Total</b>	<b>14,67,338</b>	<b>16,55,802</b>	<b>22,68,304</b>	<b>26,10,994</b>	<b>31,39,325</b>
Shareholders' investment	57,232	68,280	86,046	2,55,289	3,01,757
Policyholders' investment	6,44,724	7,34,199	9,39,364	10,73,050	12,70,750
Assets to cover linked liab.	6,91,291	7,85,653	11,62,150	11,94,196	14,69,871
Loans	1,725	3,645	3,581	3,581	3,581
Fixed Assets	5,952	5,812	5,654	6,220	6,842
Current assets	66,414	58,213	71,508	78,658	86,524
<b>Total</b>	<b>14,67,338</b>	<b>16,55,802</b>	<b>22,68,304</b>	<b>26,10,994</b>	<b>31,39,325</b>

Source: Company data, I-Sec research

**Table 11: Premium details***(Rs mn, year ending March)*

	<b>FY19</b>	<b>FY20</b>	<b>FY21P</b>	<b>FY22E</b>	<b>FY23E</b>
New business premium	1,37,920	1,65,925	2,06,162	2,37,086	2,72,649
Total APE	95,307	1,05,052	1,13,265	1,30,255	1,49,793
Renewal premium	1,91,974	2,40,422	2,70,968	3,36,521	4,09,415
Total premium	3,29,894	4,06,347	4,77,130	5,73,607	6,82,064
NBP growth (%)	25.8	20.3	24.3	15.0	15.0
APE growth (%)	13.2	10.2	7.8	15.0	15.0
Renewal premium growth (%)	33.4	25.2	12.7	24.2	21.7
Total premium growth (%)	30.1	23.2	17.4	20.2	18.9
<b>Premium mix (%)</b>					
<b>Weighted APE</b>	<b>95,307</b>	<b>1,05,052</b>	<b>1,13,265</b>	<b>1,30,255</b>	<b>1,49,793</b>
Participating	17,553	11,467	22,117	25,434	29,249
Non-participating	9,809	19,542	14,035	16,141	18,562
ULIP	67,945	74,043	77,113	88,680	1,01,982
<b>NBP</b>	<b>1,37,920</b>	<b>1,65,925</b>	<b>2,06,162</b>	<b>2,37,086</b>	<b>2,72,649</b>
Participating	17,605	11,552	23,709	27,265	31,355
Non-participating	47,161	73,621	82,465	94,834	1,09,060
ULIP	73,154	80,752	99,988	1,14,987	1,32,235
<b>Renewal Premium</b>	<b>1,91,974</b>	<b>2,40,422</b>	<b>2,70,968</b>	<b>3,36,521</b>	<b>4,09,415</b>
Participating	54,392	62,852	75,871	94,226	1,14,636
Non-participating	21,471	22,977	32,516	40,382	49,130
ULIP	1,16,111	1,54,593	1,62,581	2,01,912	2,45,649
<b>NBP</b>	<b>1,37,920</b>	<b>1,65,925</b>	<b>2,06,162</b>	<b>2,37,086</b>	<b>2,72,649</b>
Individual	96,370	1,15,938	1,44,053	1,65,661	1,90,510
Group	41,550	49,987	62,109	71,425	82,139
<b>Individual premium mix (%)</b>					
	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>
Individual agents	27.5	22.3	25.1	21.3	19.9
Corporate agents-Banks	54.8	53.4	62.9	64.3	61.5
Direct business	17.6	24.0	11.4	14.1	18.3
Others	0.2	0.3	0.6	0.2	0.3

Source: Company data, I-Sec research

**Table 12: Key ratios***(Year ending March)*

	<b>FY19</b>	<b>FY20</b>	<b>FY21P</b>	<b>FY22E</b>	<b>FY23E</b>
Investment yield	9.2	2.3	17.0	7.5	6.9
Commissions / GWP	4.1	3.9	3.5	4.1	4.1
Operating expenses / GWP	6.4	6.1	4.9	6.1	6.1
Total expense ratio	10.5	9.9	8.3	10.2	10.2
Benefits Paid/total Liability	12.1	10.6	11.4	12.2	11.0
Solvency ratio	213%	195%	215%		
Total AUMs (Rs bn)	1,410	1,604	2,209	2,523	3,042
- Equity (%)	23.0	23.0	27.0	24.0	24.0
<b>Persistence ratios (%)</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>
13th Month	81.1	83.0	85.1	86.1	87.9
25th Month	73.9	75.2	76.7	78.5	79.4
37th Month	67.4	70.0	71.4	71.6	74.1
49th Month	62.5	63.9	66.4	67.3	68.1
61st Month	67.2	58.4	57.2	59.9	61.6
<b>Profitability ratios (%)</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
VNB margin, basis effective tax rate (%)	19.8	20.7	23.4	24.0	25.0
RoE (%)	17.4	16.3	14.0	14.3	15.2
Core EVOP(unwind +VNB)	17.5	17.4	17.1	16.1	16.7
EVOP as % of IEV	17.4	19.5	22.2	16.1	16.7
RoEV (%)	17.5%	16.5%	31.8%	12.0%	15.8%
<b>Valuation ratios</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	<b>FY23E</b>
Dividend per share (Rs)	2.0	2.0	2.0	2.0	2.0
Dividend payout ratio (%)	15.14	14.06	13.74	11.68	9.48
EPS (Rs)	13.2	14.2	14.6	17.1	21.1
Value of new business (Rs bn)	17.2	22.2	26.6	31.3	37.4
Embedded Value (Rs bn)*	224	276	364	408	472
EV per share (Rs)	138	179	250	279	324
P/EV (x)	86	97	114	129	149
P/EPS (x)	85.7	97.4	113.9	129.4	148.8

Source: Company data, I-Sec research; \*from FY20, we have moved to effective tax rate based EV/VNB

*This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #40-92 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet\_babbar@icicisecuritiesinc.com, Rishi\_agrawal@icicisecuritiesinc.com.*

*"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."*

*New I-Sec investment ratings (all ratings based on absolute return; All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)  
BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return*

#### **ANALYST CERTIFICATION**

I/We, *Ansuman Deb, MBA, BE; Ravin Kurwa, CA*; authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

#### **Terms & conditions and other disclosures:**

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com).

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icicidirect.com](http://icicidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Institutional Research. The views and opinions expressed in this document may or may not match or be contrary with the views, estimates, rating, and target price of the Retail Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as an entity are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.