

Motilal Oswal values your support in the Asiamoney Brokers Poll 2022 for India Research, Sales, Corporate Access and Trading team. We request your ballot.



#### Total APE (INRb)

|           | 1QFY23 | YoY (%) |
|-----------|--------|---------|
| HDFC Life | 19.0   | 22.0    |
| IPRU Life | 15.2   | 24.8    |
| SBI Life  | 29.0   | 77.9    |
| MAX Life  | 10.1   | 15.3    |

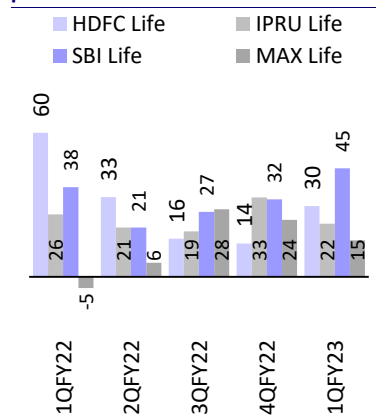
#### VNB (INRb)

|           | 1QFY23 | YoY (%) |
|-----------|--------|---------|
| HDFC Life | 5.1    | 25.0    |
| IPRU Life | 4.7    | 31.6    |
| SBI Life  | 8.8    | 131.6   |
| MAX Life  | 2.1    | 23.8    |

#### VNB margin (%)

|           | 1QFY23 | YoY (%) |
|-----------|--------|---------|
| HDFC Life | 26.8   | 60bp    |
| IPRU Life | 31.0   | 160bp   |
| SBI Life  | 30.4   | 670bp   |
| MAX Life  | 21.1   | 140bp   |

#### YoY Growth trends in total protection



### APE growth steady; VNB margin improves, driven by change in product mix Non-par savings segment continues to witness strong demand

- APE growth remained healthy, between 15% and 78% YoY, for all industry players. SBI Life was the outlier with robust growth momentum of 78% YoY in APE compared with 22%/25%/15% for HDFC Life/IPRU Life/ Max Life, respectively.
- **Retail protection was weak for the industry during 1QFY23.** However, group protection was strong, fueled by improved disbursement momentum across lending institutions. This ensured growth in overall protection in the range of 15-45% YoY in 1QFY23. Most of the players expect demand in individual protection to bounce back from 3QFY23 onwards.
- **While group protection** was strong for all players, we saw divergent trends in retail protection. HDFC Life/Max Life reported a decline of 28%/19% in retail term while IPRU Life also reported a decline due to reducing fear of pandemic and mortality along with a high base of last year. **However, SBI Life was an outlier as its retail term jumped 54% YoY in 1QFY23** driven by its strong focus on deepening penetration of protection business in own customer base. Please refer to Exhibit 5 for more details.
- **Within savings segment**, non-par savings remained a strong growth area and witnessed robust momentum. The benefit of higher interest rate was passed on to consumers as most players offered a higher IRR on their products while maintaining margins. Non-par savings surged 15-394% YoY for top private players. The segment has been a strong focus area in the last few years and has reported a CAGR of 48% to 272% between FY19 and FY22. Kindly refer to Exhibit 1 for more details.
- **Annuity business continued to report healthy trend.** It offers a multi-decade growth opportunity driven by improving life expectancy, rising awareness and higher disposable income in the hands of population at large. IPRU/HDFC Life saw strong growth of 69%/42% YoY, respectively, while SBI Life was flat YoY. Please refer to Exhibit 2 for more details.
- **ULIP growth, surprisingly, remained healthy with 11-33% YoY growth despite volatile capital markets.**
- **VNB margin expanded in the range of 60-670bp YoY across the top private players.** The YoY margin expansion was primarily driven by a better product mix with a larger share of high-margin products. With this, VNB margin was the highest for IPRU Life at 31.0% followed closely by SBI Life at 30.4%. SBI Life also reported the sharpest jump of 670bp YoY and ~360bp QoQ in its margin during 1QFY23. However, sequential margin trend was mixed with a contraction in margins of HDFC Life and Max Life. SBI Life and IPRU Life, conversely, posted an improvement sequentially.
- **Persistency trends improved:** Most of the insurers reported an improvement in persistency trends both on a yearly and sequential basis. However, Max Life faced some challenges and witnessed moderation in persistency sequentially in the range of 100-400bp.

Nitin Aggarwal - Research Analyst (Nitin.Aggarwal@MotilalOswal.com)

Research Analyst: Yash Agarwal (Yash.Agarwal@motilalosal.com) | Vinayak Agarwal (Vinayak.Agarwal@MotilalOswal.com)

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

Motilal Oswal research is available on [www.motilalosal.com/Institutional-Equities](http://www.motilalosal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

SBI Life saw a sharp growth in non-par savings due to the introduction of an income variant in Mar'22

**Non-par sustains strong traction; weaker trends in retail term**

- Within savings segment, non-par savings remained a strong growth area and witnessed robust momentum. The benefit of higher interest rate was passed on to consumers as most players offered a higher IRR on their products while maintaining margins. Non-par savings surged 15-394% YoY for top private players. The segment has been a strong focus area in the last few years and has reported a CAGR of 48% to 272% between FY19 and FY22.

**Exhibit 1: Non-par savings segment continues to witness strong momentum in 1QFY23**

| Non-Par Savings APE Growth YoY (%) | FY20  | FY21 | FY22 | 1QFY23 | FY19-22 CAGR |
|------------------------------------|-------|------|------|--------|--------------|
| HDFC Life                          | 223   | (12) | 22   | 30     | 51           |
| IPRU Life                          | 68    | 61   | 21   | 45     | 48           |
| SBI Life                           | 1,750 | 85   | 50   | 394    | 272          |
| MAX Life                           | 110   | 99   | 9    | 15     | 66           |

Source: MOFSL, Company

- Annuity business continued to report healthy trend. It offers a multi-decade growth opportunity driven by improving life expectancy, rising awareness and higher disposable income in the hands of population at large. IPRU/HDFC Life saw strong growth of 69%/42% YoY, respectively, while SBI Life was flat YoY.

**Exhibit 2: Annuity business continues to report healthy trend**

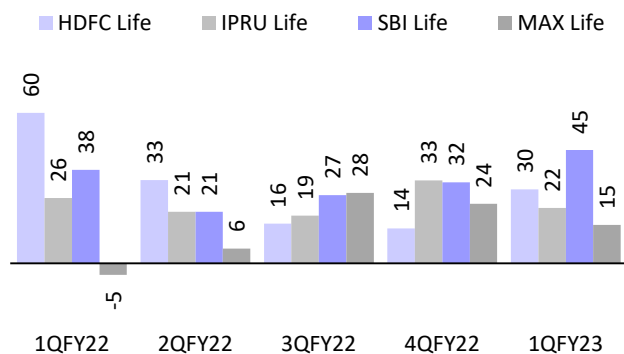
| Annuity APE Growth YoY (%) | FY20 | FY21 | FY22 | 1QFY23 | FY19-22 CAGR |
|----------------------------|------|------|------|--------|--------------|
| HDFC Life                  | 18   | 41   | 17   | 42     | 25           |
| IPRU Life                  | NA   | 118  | 31   | 69     | NA           |
| SBI Life                   | 267  | 173  | 17   | -      | 127          |
| MAX Life                   | NA   | NA   | NA   | NA     | NA           |

Source: MOFSL, Company

Group protection led protection growth as demand for retail term remained soft

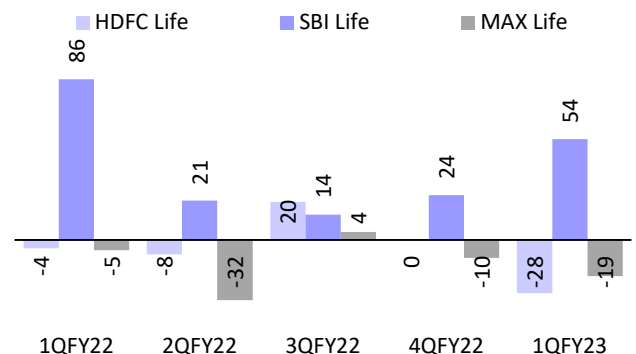
- Retail protection was weak for the industry during 1QFY23. However, group protection was strong fueled by improved disbursement momentum across lending institutions. This ensured growth in overall protection in the range of 15-45% YoY in 1QFY23. Most of the players expect demand in individual protection to bounce back from 3QFY23 onwards.
- While group protection was strong for all players, we saw divergent trends in retail protection. HDFC Life/Max Life reported a decline of 28%/19% in retail term while IPRU Life also reported a decline due to reducing fear of pandemic and mortality along with a high base of last year. However, SBI Life was an outlier as its retail term jumped 54% YoY in 1QFY23 driven by its strong focus on deepening penetration of protection business in own customer base.

**Exhibit 3: YoY growth trends in total protection**



Source: Company, MOFSL

**Exhibit 4: YoY growth trends in retail protection**



Source: Company, MOFSL

**Exhibit 5: Retail protection weak in 1QFY23 for all players except SBI Life**

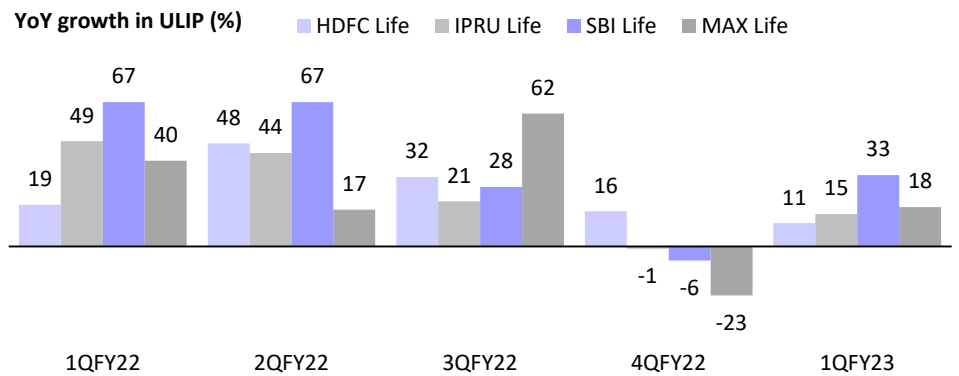
| Retail Protection APE Growth YoY (%) | FY20 | FY21 | FY22 | 1QFY23 | FY19-22 CAGR |
|--------------------------------------|------|------|------|--------|--------------|
| HDFC Life                            | 33   | 4    | 1    | (28)   | 12           |
| IPRU Life                            | 76   | (26) | (31) | NA     | (3)          |
| SBI Life                             | 38   | 43   | 26   | 54     | 35           |
| MAX Life                             | 40   | 34   | (12) | (19)   | 18           |

Source: MOFSL, Company

ULIP flows were healthy in 1QFY22; SBI Life clocked the highest growth of 33% YoY among top private peers

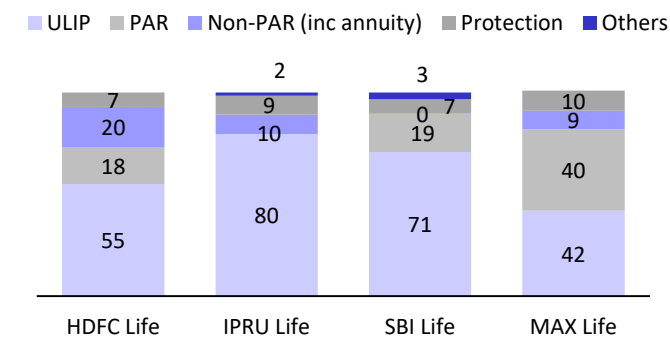
- ULIP growth, surprisingly, remained healthy with 11-33% YoY growth despite volatile capital markets. Its near-term growth outlook depends on the performance of capital markets as there is usually a lag of a couple of quarters between performance of capital markets and impact on ULIP demand.

**Exhibit 6: SBI Life has consistently grown its ULIP portfolio faster than peers**



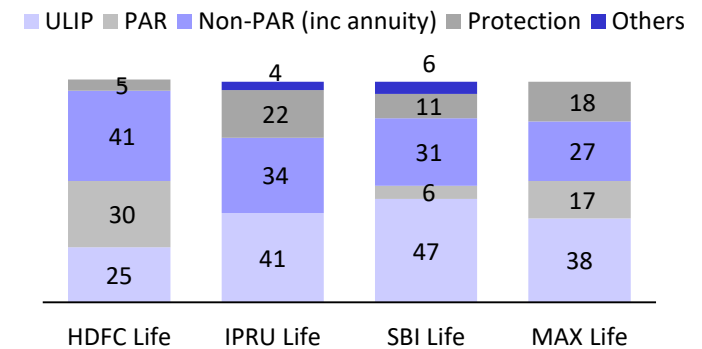
Source: MOFSL, Company

**Exhibit 7: Product mix across players in FY19; Max Life has the most balanced product portfolio than the rest**



Source: MOFSL, Company

**Exhibit 8: Product mix across players in 1QFY23; more balanced portfolio mix across peers v/s FY19**



Source: MOFSL, Company

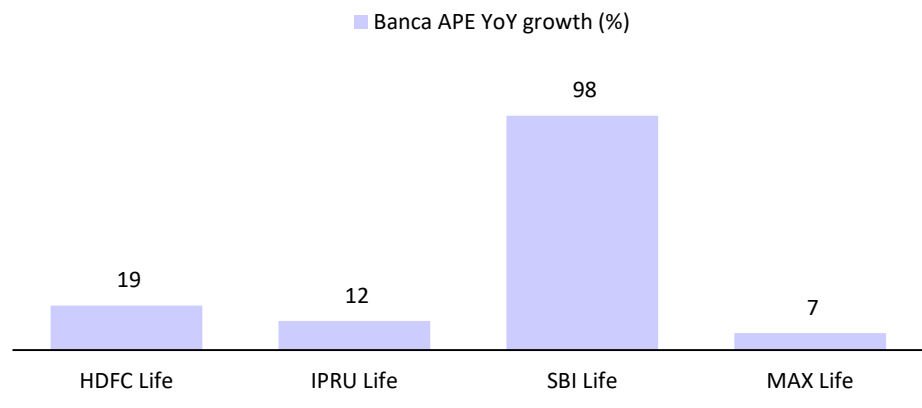
**Mixed trends in Banca performance; stable growth in Agency**

Divergent growth trends in Banca; SBI Life an exception with 98% YoY growth in Banca APE

Agency performance continued to be healthy; focus remained on adding agents and improving productivity

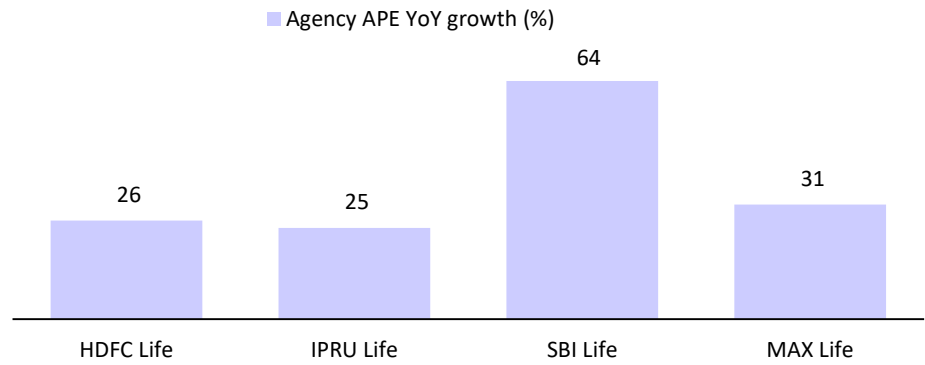
- Banca continued to be an important pillar of distribution for private players as it contributed 55% of APE, followed closely by agency channel with a share of 28% of APE for private players over 9MFY22.
- Growth trends in Banca were diverse across players during 1QFY23. While SBI Life reported a robust growth of 98% YoY in Banca along with rising productivity, most of the other players have registered muted trends due to own challenges. The growth for SBI Life was fueled by all products, especially non-par savings.
- For IPRU Life, ICICI Bank remained a drag with a 11% YoY decline in APE during 1QFY23 as the focus remained on selling retail protection, annuity and ULIPs. The volatility in capital markets and muted demand in retail protection led to the weak performance. The sales of non-ICICI Bank channel posted robust 70% YoY growth and thus the share improved to 15% in distribution mix in 1QFY23.
- For Max Life, poor performance in Banca channel was a result of the true adoption of open architecture at Axis Bank and Yes Bank. Max is also sitting on a high base of last year with respect to these channels and it will take two more quarters for the base to settle down. However, the counter share of Max Life remained stable in these banks.
- Agency performance trends were healthy and more comparable across players in 1QFY23. This channel had a low base as 1QFY22 as it was impacted by the second Covid wave. All insurers focused strongly in training and up-skilling their agents to use digital ways of conducting business and selling new products.

**Exhibit 9: Divergent trends in performance of Banca channel; SBI Life strong while Max Life remains weak**



Source: MOFSL, Company

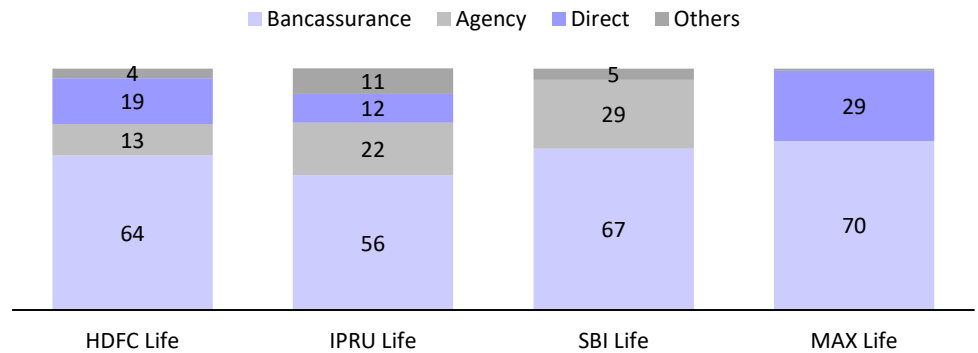
**Exhibit 10: Impressive scale up of Agency channel by all players, especially SBI Life and Max Life**



Source: MOFSL, Company

- All large insurers have stepped up their focus on improving performance of direct channel as it is emerging as a serious distribution engine. A key strategy to boost performance of this channel is to upsell to existing customers through extensive use of data analytics

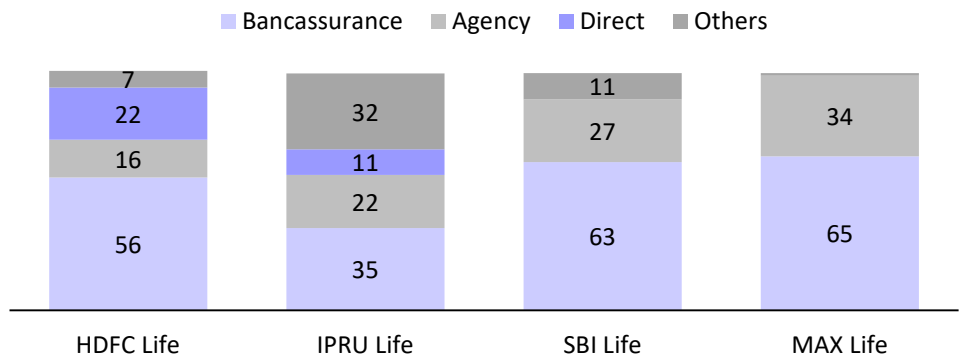
**Exhibit 11: Reliance on Banca channel was higher in FY19; better diversification in mix today**



For HDFC Life: Distribution mix is on the basis of Individual APE

Source: MOFSL, Company

**Exhibit 12: Banca remains an important pillar of distribution with >50% share in APE for all players other than IPRU Life**



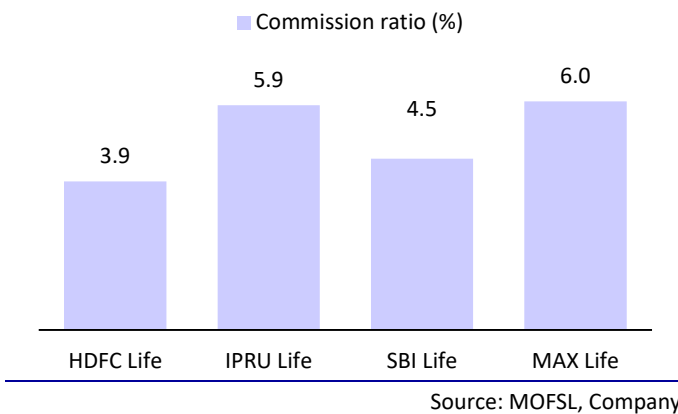
For HDFC Life: Distribution mix is on the basis of Individual APE

Source: MOFSL, Company

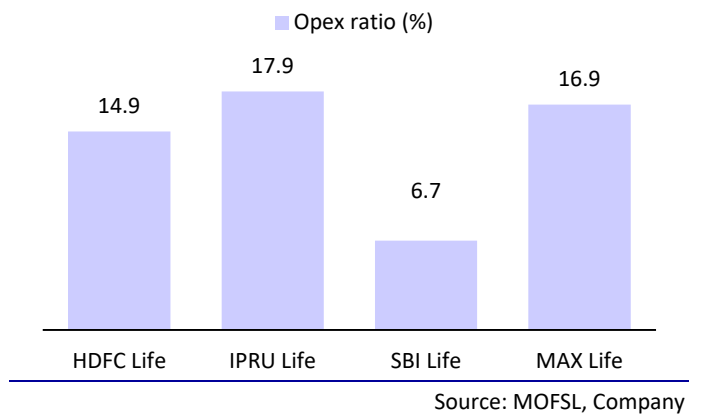
**SBI Life emerges as the best-in-class on most operating metrics**

- Operating expense ratio during 1QFY23 rose in the range of ~160-360bp QoQ as insurers continued to invest in brand building initiatives and augmenting their distribution capabilities. SBI Life, however, remained a cost leader with a significantly lower cost ratio than other private peers.
- Commission ratio during 1QFY23 was largely steady as it fluctuated in a range of -23bp to 60bp QoQ. Commission expense/ratio also depends on the product mix of the insurer as different products have a different commission structure.

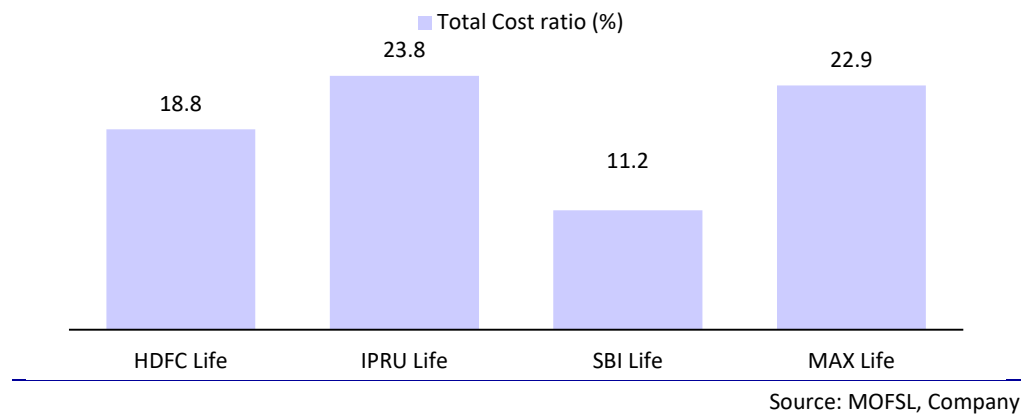
**Exhibit 13: Commission ratio lowest for HDFC Life due to balanced product mix**



**Exhibit 14: Cost leadership of SBI intact; rising productivity of Banca to ensure gap in cost sustains**



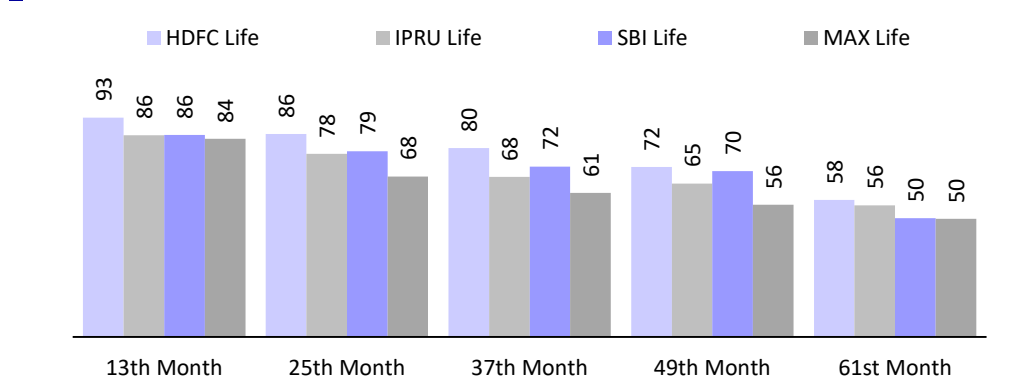
**Exhibit 15: Thus, the total cost ratio for SBI Life is the lowest v/s private peers**



Given rising focus of insurers to improve customer service metrics and increasing use of digital tools, we expect persistency ratios to remain on a rising trajectory

- Persistency trends improved: Most of the insurers reported an improvement in persistency trends both on a yearly and sequential basis. However, Max Life faced some challenges and witnessed moderation in persistency sequentially in the range of 100-400bp.
- With a strong focus on reducing customer mis-sell, improving service levels and a sharper awareness to deepen customer engagement, persistency ratios should continue to improve for leading players and the industry as a whole.

**Exhibit 16: Persistency ratio trends remain healthy; QoQ moderation for Max Life**



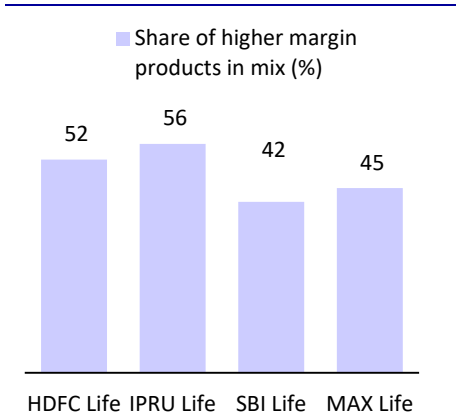
Source: MOFSL, Company

Strong growth of 132% YoY in VNB posted by SBI Life led by 2,100bp increase in share of non-par savings

A better product mix across players driving improvement in VNB margin

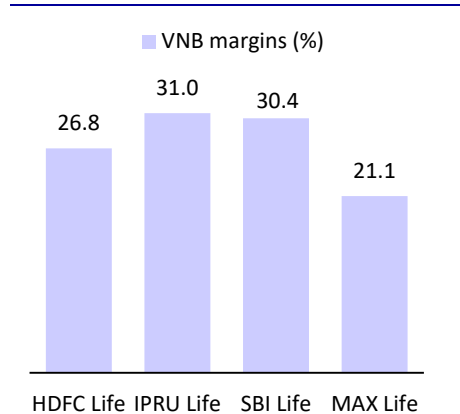
- Value of New Business (VNB) increased across the four insurers in a range of 24-132% YoY, powered by healthy APE growth and improving margins due to a better product mix with a higher share of non-par savings.
- SBI Life reported the strongest jump in VNB while growth was similar for HDFC Life/Max Life at 25%/24% YoY, respectively. IPRU Life printed a growth of 32% YoY in 1QFY23 and is on track to achieve its aspiration of doubling FY19 absolute VNB level by FY23E.
- VNB margin is a function of product mix and expanded in the range of 60-670bp YoY across the top private players. The YoY margin expansion was primarily driven by a better product mix with a larger share of high-margin products. With this, VNB margin was the highest for IPRU Life at 31.0% followed closely by SBI Life at 30.4%. SBI Life also reported the sharpest jump of 670bp YoY and ~360bp QoQ in its margin during 1QFY23. However, sequential margin trend was mixed with a contraction in margins of HDFC Life and Max Life. SBI Life and IPRU Life, conversely, posted an improvement sequentially.

**Exhibit 17: Share of higher margin products like – protection, annuity and non-par savings across players**



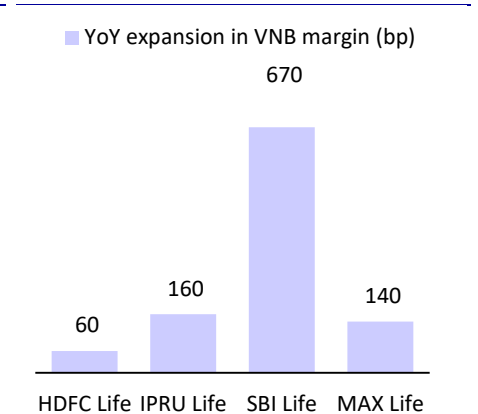
Source: MOFSL, Company

**Exhibit 18: VNB margin is the highest for IPRU Life followed closely by SBI Life**



Source: MOFSL, Company

**Exhibit 19: Sharpest expansion in VNB margin for SBI Life in 1QFY23**



Source: MOFSL, Company

Exhibit 20: Summary of operating performance for the top private insurers

|                                    | HDFC Life     |                 |                 | IPRU Life     |                 |                 | SBI Life      |                 |                 | MAX Financial |                 |                 |
|------------------------------------|---------------|-----------------|-----------------|---------------|-----------------|-----------------|---------------|-----------------|-----------------|---------------|-----------------|-----------------|
|                                    | 1QFY23        | YoY             | QoQ             | 1QFY23        | YoY             | QoQ             | 1QFY23        | YoY             | QoQ             | 1QFY23        | YoY             | QoQ             |
| <b>Net premium income</b>          | <b>92.7</b>   | <b>23</b>       | <b>-35</b>      | <b>68.8</b>   | <b>4</b>        | <b>-39</b>      | <b>110.4</b>  | <b>33</b>       | <b>-37</b>      | <b>41.0</b>   | <b>18</b>       | <b>-49</b>      |
| First year premium                 | 15.6          | 21              | -40             | 10.4          | 18              | -48             | 25.7          | 83              | -33             | 9.2           | 14              | -47             |
| Renewal premium                    | 46.2          | 19              | -37             | 38.9          | -6              | -43             | 57.6          | 14              | -47             | 26.2          | 17              | -51             |
| Single premium                     | 32.2          | 30              | -29             | 23.3          | 26              | -20             | 30.2          | 56              | 7               | 5.7           | 30              | -35             |
| Investment income                  | -34.9         | -150            | -350            | -86.7         | -194            | -687            | -64.1         | -186            | -314            | NA            | NA              | NA              |
| <b>Total income (A)</b>            | <b>58.3</b>   | <b>-60</b>      | <b>-64</b>      | <b>-14.6</b>  | <b>-109</b>     | <b>-111</b>     | <b>46.4</b>   | <b>-71</b>      | <b>-78</b>      | <b>NA</b>     | <b>NA</b>       | <b>NA</b>       |
| Commission paid                    | 3.7           | 21              | -41             | 3.1           | 13              | -45             | 5.1           | 94              | -25             | NA            | NA              | NA              |
| Operating expense                  | 14.0          | 47              | -23             | 9.2           | 20              | -29             | 7.7           | 25              | -15             | NA            | NA              | NA              |
| <b>Total commission &amp; Opex</b> | <b>17.6</b>   | <b>41</b>       | <b>-28</b>      | <b>12.2</b>   | <b>18</b>       | <b>-34</b>      | <b>12.7</b>   | <b>45</b>       | <b>-19</b>      | <b>NA</b>     | <b>NA</b>       | <b>NA</b>       |
| Benefits paid                      | 80.8          | 31              | -3              | 55.1          | 12              | -4              | 0.4           | 39              | -49             | NA            | NA              | NA              |
| <b>Total Expenses (B)</b>          | <b>54.5</b>   | <b>-63</b>      | <b>-64</b>      | <b>-19.0</b>  | <b>-111</b>     | <b>-115</b>     | <b>41.7</b>   | <b>-73</b>      | <b>-79</b>      | <b>NA</b>     | <b>NA</b>       | <b>NA</b>       |
| <b>PBT</b>                         | <b>2.7</b>    | <b>366</b>      | <b>-62</b>      | <b>4.4</b>    | <b>183</b>      | <b>-64</b>      | <b>3.1</b>    | <b>107</b>      | <b>-77</b>      | <b>NA</b>     | <b>NA</b>       | <b>NA</b>       |
| Tax                                | 0.2           | -1,217          | -87             | 0.4           | NA              | -52             | 0.3           | -7              | 8               | NA            | NA              | NA              |
| <b>Surplus/(Deficit)</b>           | <b>2.5</b>    | <b>318</b>      | <b>-55</b>      | <b>3.9</b>    | <b>155</b>      | <b>-65</b>      | <b>2.7</b>    | <b>144</b>      | <b>-79</b>      | <b>NA</b>     | <b>NA</b>       | <b>NA</b>       |
| <b>Shareholder A/c</b>             | <b>1QFY23</b> | <b>YoY</b>      | <b>QoQ</b>      | <b>1QFY23</b> | <b>YoY</b>      | <b>QoQ</b>      | <b>1QFY23</b> | <b>YoY</b>      | <b>QoQ</b>      | <b>1QFY23</b> | <b>YoY</b>      | <b>QoQ</b>      |
| Trf from Policyholder a/c          | 2.6           | 109             | -48             | 3.0           | 2.0             | -72.0           | 1.0           | -343            | -93             | NA            | NA              | NA              |
| Investment Income                  | 1.0           | -61             | -32             | 1.7           | -56.0           | 5.0             | 1.8           | -38             | -26             | NA            | NA              | NA              |
| <b>Total income</b>                | <b>3.6</b>    | <b>-6</b>       | <b>-44</b>      | <b>4.7</b>    | <b>-32.0</b>    | <b>-62.0</b>    | <b>2.8</b>    | <b>14</b>       | <b>-84</b>      | <b>NA</b>     | <b>NA</b>       | <b>NA</b>       |
| <b>PBT</b>                         | <b>3.7</b>    | <b>19</b>       | <b>14</b>       | <b>1.6</b>    | <b>-172.0</b>   | <b>-30.0</b>    | <b>2.7</b>    | <b>15</b>       | <b>-61</b>      | <b>NA</b>     | <b>NA</b>       | <b>NA</b>       |
| <b>PAT</b>                         | <b>3.7</b>    | <b>21</b>       | <b>2</b>        | <b>1.6</b>    | <b>-184.0</b>   | <b>-16.0</b>    | <b>2.6</b>    | <b>18</b>       | <b>-61</b>      | <b>0.9</b>    | <b>18</b>       | <b>-41</b>      |
| <b>APE (INR b)</b>                 | <b>1QFY23</b> | <b>YoY</b>      | <b>QoQ</b>      | <b>1QFY23</b> | <b>YoY</b>      | <b>QoQ</b>      | <b>1QFY23</b> | <b>YoY</b>      | <b>QoQ</b>      | <b>1QFY23</b> | <b>YoY</b>      | <b>QoQ</b>      |
| ULIP                               | 3.8           | 10.9            | (43.2)          | 6.2           | 15.1            | (47.5)          | 13.6          | 33.0            | (48.0)          | 3.8           | 18              | (40)            |
| PAR                                | 4.6           | 22.0            | (40.1)          | NA            | NA              | NA              | 1.7           | 42.0            | (23.0)          | 1.7           | 15              | (53)            |
| Non-PAR                            | 6.7           | 29.4            | (37.9)          | 5.2           | 45.4            | (43.2)          | 8.9           | 394.0           | 23.6            | 2.7           | 15              | (52)            |
| Protection                         | 3.2           | 29.6            | (24.2)          | 3.3           | 22.2            | (27.8)          | 3.2           | 45.0            | (35.0)          | 1.8           | 15              | (29)            |
| Others                             | 0.8           | (2.4)           | (34.3)          | 0.6           | (3.4)           | (13.8)          | 1.6           | 78.0            | 60.0            | NA            | NA              | NA              |
| <b>Total APE</b>                   | <b>19.0</b>   | <b>22.0</b>     | <b>(37.6)</b>   | <b>15.2</b>   | <b>24.7</b>     | <b>(41.7)</b>   | <b>29.0</b>   | <b>78.0</b>     | <b>(30.0)</b>   | <b>10.1</b>   | <b>15</b>       | <b>(45)</b>     |
| <b>APE (% of total)</b>            | <b>1QFY23</b> | <b>YoY (bp)</b> | <b>QoQ (bp)</b> | <b>1QFY23</b> | <b>YoY (bp)</b> | <b>QoQ (bp)</b> | <b>1QFY23</b> | <b>YoY (bp)</b> | <b>QoQ (bp)</b> | <b>1QFY23</b> | <b>YoY (bp)</b> | <b>QoQ (bp)</b> |
| ULIP                               | 20.0          | (200)           | (200)           | 40.5          | (336)           | (449)           | 46.9          | (1,568)         | (1,591)         | 38.0          | 100             | 304             |
| PAR                                | 24.0          | 100             | (100)           | NA            | NA              | NA              | 5.9           | (150)           | 55              | 17.0          | -               | (300)           |
| Non-PAR                            | 35.0          | 200             | (20)            | 34.1          | 486             | (86)            | 30.7          | 1,970           | 1,306           | 27.0          | -               | (404)           |
| Protection                         | 17.0          | 100             | 300             | 21.7          | (44)            | 419             | 11.0          | (246)           | (80)            | 18.0          | (100)           | 400             |
| Others                             | 4.0           | 100             | 20              | 3.7           | (107)           | 119             | 5.5           | -               | 310             | NA            | NA              | NA              |
| <b>Distribution mix (%)</b>        | <b>1QFY23</b> | <b>YoY (bp)</b> | <b>QoQ (bp)</b> | <b>1QFY23</b> | <b>YoY (bp)</b> | <b>QoQ (bp)</b> | <b>1QFY23</b> | <b>YoY (bp)</b> | <b>QoQ (bp)</b> | <b>1QFY23</b> | <b>YoY (bp)</b> | <b>QoQ (bp)</b> |
| Bancassurance                      | 56.0          | 0               | -500            | 34.7          | -392            | -325            | 62.5          | 575             | 80              | 65.0          | -500            | -600            |
| Agency                             | 16.0          | 100             | 200             | 22.4          | -6              | 37              | 26.5          | -255            | -114            | 34.0          | 400             | 296             |
| Direct                             | 22.0          | -100            | 300             | 10.8          | -228            | -169            | NA            | NA              | NA              | NA            | NA              | NA              |
| Others                             | 7.0           | 100             | 100             | 32.0          | 626             | 456             | 11.0          | -320            | 34              | 1.0           | 100             | 300             |
| <b>Key Ratios (%)</b>              | <b>1QFY23</b> | <b>YoY (bp)</b> | <b>QoQ (bp)</b> | <b>1QFY23</b> | <b>YoY (bp)</b> | <b>QoQ (bp)</b> | <b>1QFY23</b> | <b>YoY (bp)</b> | <b>QoQ (bp)</b> | <b>1QFY23</b> | <b>YoY (bp)</b> | <b>QoQ (bp)</b> |
| Commission (unwtd)                 | 3.9           | 0               | -40             | 5.9           | 70              | -23             | 4.5           | 135             | 60              | 6.0           | 0               | -20             |
| Opex (unwtd)                       | 14.9          | 240             | 230             | 17.9          | 320             | 359             | 6.7           | -58             | 161             | 16.9          | -50             | 340             |
| Total Cost                         | 18.8          | 240             | 200             | 23.8          | 390             | 336             | 11.2          | 76              | 221             | 22.9          | -50             | 320             |
| Solvency ratio                     | 178           | -2,500          | 200             | 204           | 990             | -90             | 221           | 600             | 1,600           | 196           | -100            | -500            |
| VNB margins                        | 26.8          | 60              | -255            | 31.0          | 160             | 128             | 30.4          | 670             | 359             | 21.1          | 140             | -1,079          |
| <b>Persistency ratios</b>          | <b>1QFY23</b> | <b>YoY (bp)</b> | <b>QoQ (bp)</b> | <b>1QFY23</b> | <b>YoY (bp)</b> | <b>QoQ (bp)</b> | <b>1QFY23</b> | <b>YoY (bp)</b> | <b>QoQ (bp)</b> | <b>1QFY23</b> | <b>YoY (bp)</b> | <b>QoQ (bp)</b> |
| 13th Month                         | 93.0          | 300             | 100             | 85.5          | 50              | 90              | 85.6          | -25             | 41              | 84.0          | 0               | -200            |
| 25th Month                         | 86.0          | 400             | 0               | 77.6          | 390             | 30              | 78.7          | 340             | 62              | 68.0          | 100             | -400            |
| 37th Month                         | 80.0          | 700             | 100             | 67.8          | 140             | 90              | 72.2          | 17              | 10              | 61.0          | 200             | -100            |
| 49th Month                         | 72.0          | 500             | 300             | 65.0          | 10              | 160             | 70.3          | 403             | 42              | 56.0          | 100             | -200            |
| 61st Month                         | 58.0          | 500             | 0               | 55.7          | 490             | 100             | 50.3          | 95              | 76              | 50.0          | 0               | -400            |
| <b>Key Metrics (INR b)</b>         | <b>1QFY23</b> | <b>YoY</b>      | <b>QoQ</b>      | <b>1QFY23</b> | <b>YoY</b>      | <b>QoQ</b>      | <b>1QFY23</b> | <b>YoY</b>      | <b>QoQ</b>      | <b>1QFY23</b> | <b>YoY</b>      | <b>QoQ</b>      |
| VNB                                | 5.1           | 25.0            | (43.0)          | 4.7           | 32.0            | (39.0)          | 8.8           | 132             | (21)            | 2.1           | 24              | (64)            |
| EV                                 | 297           | 8.7             | (1.1)           | NA            | NA              | NA              | NA            | NA              | NA              | 142.0         | 15              | -               |
| AUM                                | 2,001         | 10.4            | (2.0)           | 2,301         | 3.0             | (4.0)           | 2,624         | 13              | (2)             | 1,071.0       | 14              | -               |

For HDFC Life: Distribution mix is based on Individual APE

Source: MOFSL, Company



**Exhibit 21: Valuation matrix for Life Insurance companies**

|                       | Rating  | MCap<br>FY22E (INRb) | CMP<br>(INR) | TP<br>(INR) | Upside<br>(%) | VNB Margin (%) |       | Op. RoEV (%) |       | P/EVOP (x) |       | P/VNB (x) |       | P/EV (x) |       |
|-----------------------|---------|----------------------|--------------|-------------|---------------|----------------|-------|--------------|-------|------------|-------|-----------|-------|----------|-------|
|                       |         |                      |              |             |               | FY23E          | FY24E | FY23E        | FY24E | FY23E      | FY24E | FY23E     | FY24E | FY23E    | FY24E |
| <b>Life Insurance</b> |         |                      |              |             |               |                |       |              |       |            |       |           |       |          |       |
| LIC                   | Buy     | 4,292                | 679          | 830         | 22            | 12.2           | 13.6  | 9.4          | 9.7   | 8.1        | 7.6   | 62.6      | 51.1  | 0.7      | 0.7   |
| HDFCLIFE              | Neutral | 1,132                | 535          | 600         | 12            | 27.7           | 28.8  | 19.0         | 19.6  | 18.1       | 14.9  | 32.8      | 26.6  | 2.9      | 2.5   |
| IPRULIFE              | Buy     | 788                  | 549          | 630         | 15            | 30.6           | 30.8  | 16.5         | 17.0  | 15.1       | 12.9  | 29.4      | 23.9  | 2.2      | 1.9   |
| SBILIFE               | Buy     | 1,192                | 1,192        | 1,500       | 26            | 30.1           | 29.7  | 22.1         | 22.5  | 13.6       | 11.1  | 21.9      | 17.5  | 2.5      | 2.1   |
| MAXF                  | Buy     | 286                  | 829          | 950         | 15            | 26.6           | 27.7  | 22.1         | 22.6  | 14.3       | 11.6  | 25.6      | 20.2  | 2.6      | 2.2   |

Source: MOFSL, Company, Bloomberg

**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 |

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

#### Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MOFSL is a subsidiary company of Passionate Investment Management Pvt. Ltd.. (PIMPL). MOFSL is a listed public company, the details in respect of which are available on [www.motilaloswal.com](http://www.motilaloswal.com). MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at [www.nseindia.com](http://www.nseindia.com), [www.bseindia.com](http://www.bseindia.com). Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

#### Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

#### For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

#### For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act") and together with the 1934 Act, the "Acts", and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

#### For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co.Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore. As per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisers Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

#### Specific Disclosures

- 1 MOFSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
- 2 MOFSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
- 3 MOFSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
- 4 MOFSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
- 5 Research Analyst has not served as director/officer/employee in the subject company
- 6 MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 7 MOFSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
- 8 MOFSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
- 9 MOFSL has not received any compensation or other benefits from third party in connection with the research report
- 10 MOFSL has not engaged in market making activity for the subject company

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company
- received compensation/other benefits from the subject company in the past 12 months
- other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.

The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

#### Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

#### Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential 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 MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

#### Disclaimer:

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. This report and information herein is solely for informational purpose and may 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. 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. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. 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 MOFSL 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. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 71934200/ 022-71934263; Website [www.motilaloswal.com](http://www.motilaloswal.com) CIN no.: L67190MH2005PLC153397. Correspondence Office Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad(West), Mumbai- 400 064. Tel No: 022 7188 1000.

Registration Nos.: Motilal Oswal Financial Services Limited (MOFSL)\*: INZ000158836(BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN - 146822; Investment Adviser: INA000007100; Insurance Corporate Agent: CA0579;PMS:INP000006712. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP000000670); PMS and Mutual Funds are offered through MOAMC which is group company of MOFSL. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) is offered through MOWML, which is a group company of MOFSL. Motilal Oswal Financial Services Limited is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance Products and IPOs. Real Estate is offered through Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. which is a group company of MOFSL. Private Equity is offered through Motilal Oswal Private Equity Investment Advisors Pvt. Ltd which is a group company of MOFSL. Research & Advisory services is backed by proper research. Please read the Risk Disclosure Document prescribed by the Stock Exchanges carefully before investing. There is no assurance or guarantee of the returns. Investment in securities market is subject to market risk, read all the related documents carefully before investing. Details of Compliance Officer: Name: Neeraj Agarwal, Email ID: [na@motilaloswal.com](mailto:na@motilaloswal.com), Contact No.:022-71881085.

\* MOFSL has been amalgamated with Motilal Oswal Financial Services Limited (MOFSL) w.e.f August 21, 2018 pursuant to order dated July 30, 2018 issued by Hon'ble National Company Law Tribunal, Mumbai Bench.