Life Insurance

Sector Report

Rebalancing & aiming for growth

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(All prices as on September 9, 2025)

PL Capital
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Life Insurance

Sector Report

September 10, 2025

Companies covered in the report

Company	CMP (Rs)	TP (Rs)	Current Rating
HDFC Life Insurance Company	761	900	Buy
ICICI Prudential Life Insurance Co.	598	725	Buy
Max Financial Services	1,597	1,850	Buy
SBI Life Insurance Company	1,806	1,925	Hold

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Rebalancing & aiming for growth

Low life insurance penetration and density in India indicate a significant scope for growth over a multi-year horizon. Outlook for the industry remains positive driven by strong demand for NPAR, protection and annuity products. Private players with a strong set of new launches, diversified product mix and well-entrenched distribution network are best positioned to capture the opportunity. While valuations have seen a de-rating due to an extended period of regulatory overhang and we expect FY26 margins to absorb the impact of GST exemption, life insurers continue to be resilient as demand remains intact. Further, GST exemption is likely to drive higher penetration, improve persistency and accelerate growth over the long- term. HDFCLIFE and MAXF are our top picks in the space.

Multi-year opportunity led by favorable macros: Life insurance penetration for India is significantly lower (2.8% in FY24 vs. average for developed countries at 5.6%), which implies a considerable potential for growth (~14.5% till FY35E). While the onset of the pandemic in FY20 was a dampener and growth slowed to 9% during FY20-22, it has since picked up (11% CAGR over FY22-25). We remain bullish on the long-term growth prospects of the industry with incremental growth coming from the protection, NPAR and annuity segments. We expect life insurance companies to grow at a CAGR of 14.5% over FY23-35E on the back of a diversified product mix and well-entrenched distribution network.

Regulatory challenges to impact margins in FY26: Implementation of the new surrender value guidelines in FY25 resulted in a negative impact of 30-50bps on margins for all life insurers. We believe the recent GST exemption on life insurance is likely to result in a similar impact. With the benefit of input tax credit not available to insurers on their existing book, we expect to see an impact of 20-100 bps on FY26E Embedded Value across players. Moreover, changes proposed in the new Insurance Bill, such as composite licenses, implementation of IFRS 17 and risk-based solvency measures are expected to change traditional reporting and introduce new metrics for analyzing performance. While we await clarity on timelines of some of the proposed measures, we expect the regulatory overhang to become more benign. Moreover, life insurers under coverage have been quick to adapt to new changes, and we expect the same resilience going forward.

Prefer HDFCLIFE and MAXF: We believe a low interest-rate environment will be conducive for NPAR products. This, along with a surge in PAR products and new launches in the protection and annuity segments, is likely to offset the slowdown in ULIP. We expect companies with a focus on the non-linked category (NPAR, protection and annuity) to be key beneficiaries. HDFCLIFE and MAXF, which have demonstrated robust growth with a favorable product and distribution mix, are our preferred picks among life insurers. However, we expect FY26E margins for both players to reflect the impact of GST exemption. While they are likely to mitigate the drag with commission cuts/ price hikes, we expect to see an impact of ~50-100 bps on FY26E Embedded Value. While FY26 margin is likely to bear the impact of GST exemption, we expect an improvement in overall margin profile over FY25-28E.

Valuations attractive, outlook 'positive': Valuations have seen a de-rating due to regulatory headwinds (1-yr average forward P/EV of 2.0x vs. 2.6x in Aug'20). We remain positive on the sector because life insurers have been able to develop innovative products in the past to counter growth challenges, while the inherent demand for NPAR, protection and annuity products remains intact. Another recent trend we have observed is a shift toward proprietary channels (agency or direct) vs. banca. With the regulatory environment becoming more conducive (GST exemption to be positive for long-term growth) and players moving toward a more diversified product and distribution mix, we expect valuations to move up.

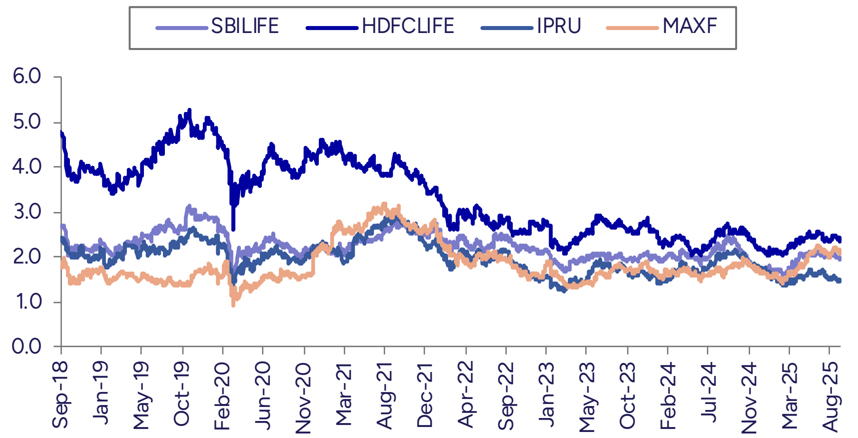
Exhibit 1: Valuation summary

Company	CMP (Rs)	TP (Rs)	Current Rating	M-cap (Rsbn)	*Upside / Downside*	P/EV (x)			APE (Rs bn)			VNB (Rs bn)		
						FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
SBILIFE	1,806	1,925	Hold	1,810	*7%*	2.6	2.2	1.9	214.1	239.9	271.4	59.5	66.7	76.0
HDFCLIFE	761	900	Buy	1,640	*18%*	3.0	2.5	2.2	150.1	174.3	201.3	38.4	44.4	52.1
IPRU	598	725	Buy	865	*21%*	1.8	1.6	1.4	104.1	113.4	126.7	23.7	26.1	29.6
MAXF	1,597	1,850	Buy	551	*16%*	2.7	2.3	1.9	87.7	102.7	119.6	21.1	24.4	29.1

Company	CMP (Rs)	TP (Rs)	Current Rating	M-cap (Rsbn)	*Upside / Downside*	VNB Margin (%)			Embedded Value (Rs bn)			RoEV (%)		
						FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
SBILIFE	1,806	1,925	Hold	1,810	*7%*	27.8	27.8	28.0	702.5	826.9	970.5	20.2	18.9	18.1
HDFCLIFE	761	900	Buy	1,640	*18%*	25.6	25.5	25.9	554.3	646.2	755.0	16.7	16.3	16.4
IPRU	598	725	Buy	865	*21%*	22.8	23.0	23.4	479.5	544.6	619.0	13.1	13.6	13.7
MAXF	1,597	1,850	Buy	551	*16%*	24.0	23.8	24.3	204.1	241.2	284.7	19.1	18.2	18.0

Source: Company, PL; Note: EV Adjusted for Max FS' 81% stake in Axis Max Life

Exhibit 2: Listed private players trading at average P/EV of 2.0x

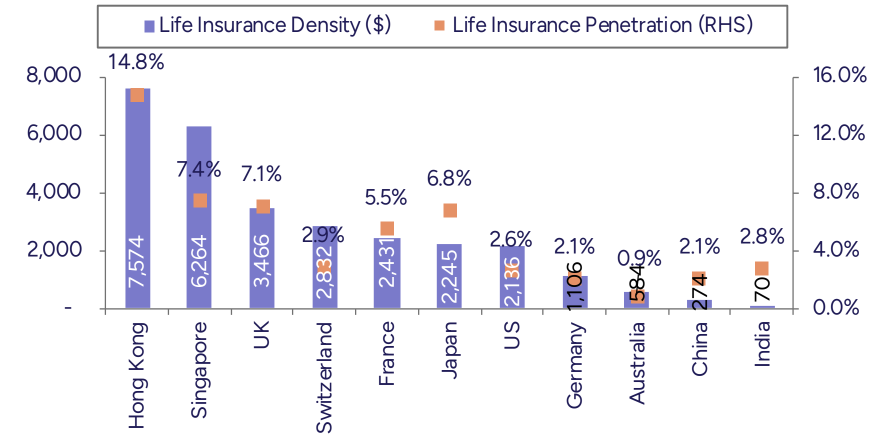


Source: Company, PL

Multi-decade opportunity led by favorable macros

Life insurance penetration and density for India are significantly lower than in other countries, (2.8%/ $70 for India in FY24 vs. average for developed countries at 5.6%/ $3,182), indicating a significant scope for growth (~14.5% till FY35E). We remain bullish on long-term industry growth prospects considering i) rising share of insurance in household savings, ii) increasing need for long-term guaranteed returns (NPAR products) due to lack of social security, iii) massive scope to increase protection penetration and iv) rising demand for annuity products driven by NPS and ageing population.

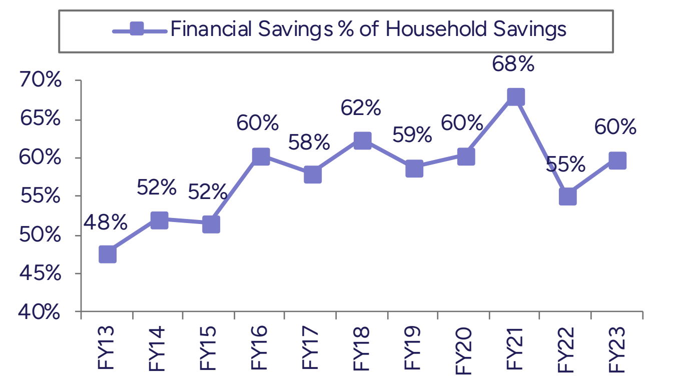
Exhibit 3: Low insurance penetration in India indicates greater growth potential



Source: IRDAI

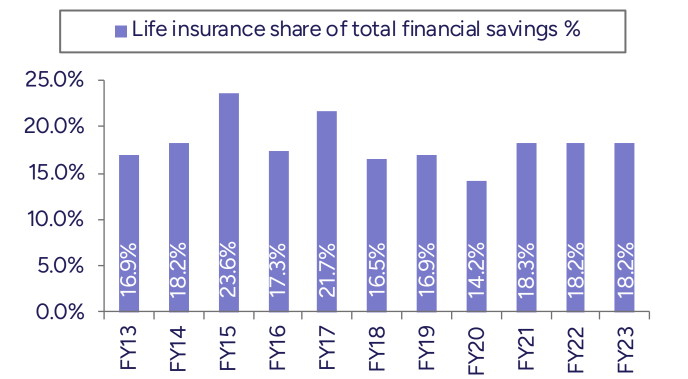
Note: Insurance penetration is the ratio of total insurance premiums to a country's GDP and insurance density reflects average amount spent on insurance by each person in a country

Exhibit 4: Financial savings at ~60% of household savings



Source: MOSPI

Exhibit 5: Life insurance share at ~18%



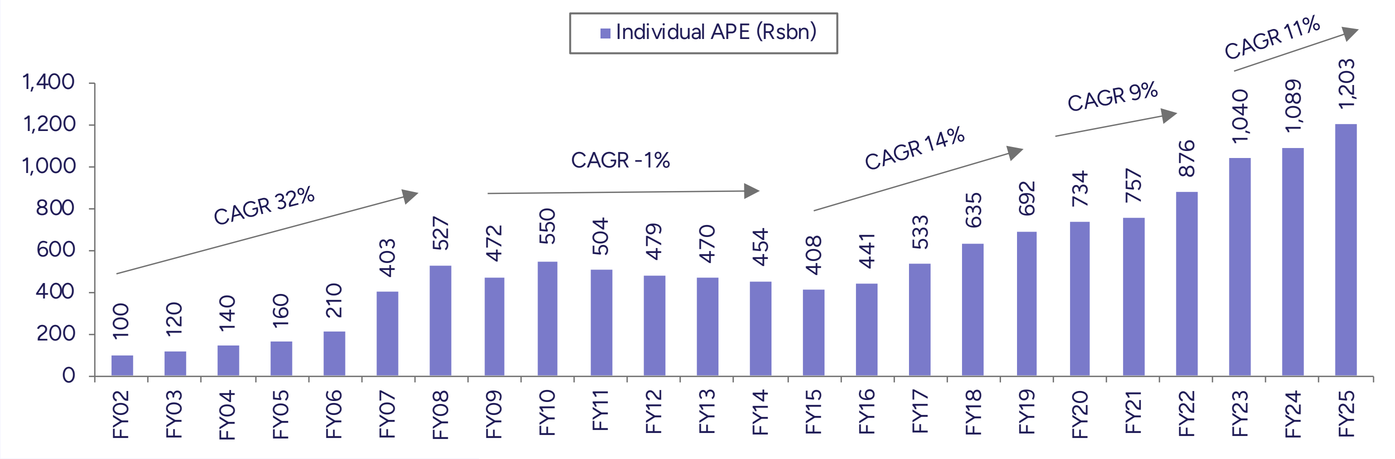
Source: MOSPI

Life insurance has grown at 11% CAGR over FY05-25

Indian life insurance industry has grown at a CAGR of 11% over the past two decades (FY05-25) to Rs1,203bn in FY25 (individual APE basis).

- The industry clocked a rapid CAGR of 32% during FY02-08 driven by the popularity of ULIP products and strong equity markets.
- However, growth was flat (-1% CAGR) over FY09-14 due to multiple regulatory changes such as new ULIP/product guidelines and bearish sentiment post the global financial crisis.
- Growth picked up with the industry clocking 14% CAGR over FY15-19, driven by economic recovery, financialization of savings and new/innovative products.
- While the onset of the Covid-19 pandemic in FY20 was a dampener and growth slowed to 9% during FY20-22, it has since picked up (11% over FY22-25).

Exhibit 6: Individual APE growth picking up



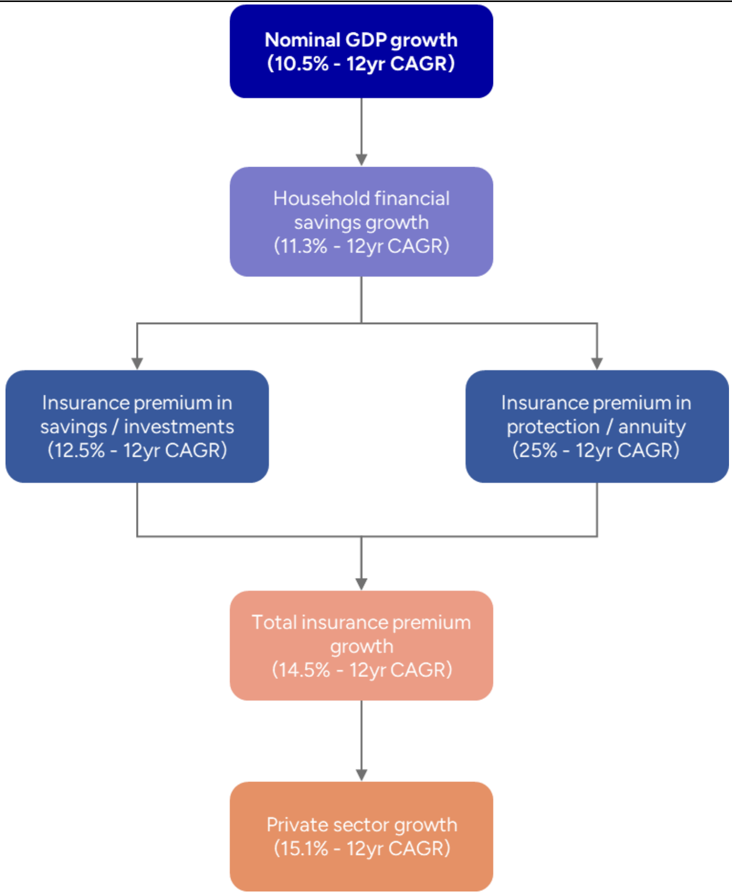
Source: Company, PL

Expect ~14.5% CAGR over FY23-35E

We believe Indian life insurance industry is likely to grow at a moderate pace of ~14.5% over the next decade.

- Nominal GDP growth of ~10.5% and increasing share of financial assets would lead to ~11% CAGR in household financials savings.
- With rising financial awareness and inclusion, launch of innovative products and recent GST exemption, insurance industry (savings portfolio) growth can be higher at 12.5% CAGR. Moreover, building an accelerated growth (25% CAGR) in protection business lifts overall growth to ~14.5%.
- With private players rapidly gaining market, share, we assume a tad higher growth of 15% for the private sector.

Exhibit 7: Drivers - Growth in financial savings and rising share of insurance



Source: Company, PL

Exhibit 8: Insurance premium for the industry can grow at ~14.5% CAGR over the next decade

	FY23	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	FY34E	FY35E	12 year CAGR	Comments
Nominal GDP (units) - A	100	110.5	122.1	134.9	149.1	164.7	182	201.2	222.3	245.6	271.4	299.9	331.4	10.5%	Expect Nominal GDP to grow 10.5% every year
Household savings as a % of GDP - B	18.4%	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%	18.5%		Assuming that household savings rate remains stable
Gross financial savings as a % of household savings - C	60%	60%	61%	61%	62%	62%	62%	63%	63%	64%	64%	65%	65%		Share of financial savings likely to move up
Total financial savings (units) - D=A*B*C	11	12.3	13.8	15.2	17.1	18.9	20.9	23.4	25.9	29.1	32.1	36.1	39.9	11.3%	
Insurance as % of financial savings - E	18%	18%	18%	19%	19%	19%	20%	20%	20%	21%	21%	22%	22%		Higher penetration with GST exemption, rising financial literacy and an increase in innovative savings and investment products
Insurance premiums savings/investments (units) - F=D*E	2	2.25	2.54	2.85	3.21	3.61	4.06	4.57	5.14	5.78	6.51	7.32	8.24	12.5%	
Insurance premium in protection (units) - G	0.2	0.25	0.31	0.39	0.49	0.61	0.76	0.96	1.19	1.49	1.87	2.33	2.92	25.0%	Due to under-penetration, pure protection policies likely to grow at a fast pace
Total insurance premium - H=F+G	2.2	2.51	2.85	3.24	3.7	4.22	4.83	5.53	6.34	7.28	8.37	9.65	11.15	14.5%	
Private sector market share (%)	37%	37%	37%	38%	38%	38%	39%	39%	39%	40%	40%	40%	40%		Expect some market share gain for private sector at the expense of LIC
Private sector insurance premiums (units) - J=H*1	0.82	0.93	1.05	1.23	1.41	1.6	1.88	2.16	2.47	2.91	3.35	3.86	4.46	15.1%	

Source: Company, PL

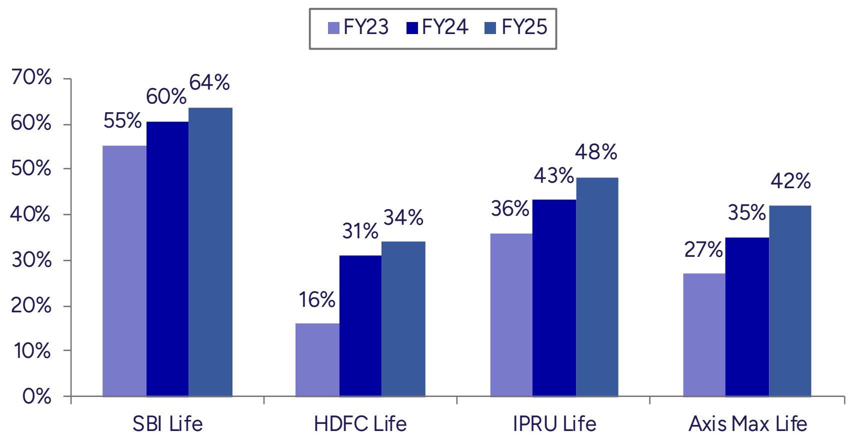
ULIP share to moderate

Listed insurers have seen an increase in the share of ULIP (35%-65% in FY25 vs. 16%-55% in FY23).

- Buoyant equity markets, tax benefit under 80C and growing need for protection (insurance cover) have aided demand for ULIP products.
- Moreover, companies have strengthened their ULIP proposition with additional riders and features such as higher sum assured, return of premium (RoP) allocation and mortality charges, flexible investment options across equity and debt funds, and comprehensive nominee benefit.
- While long-term prospects for the segment remain intact, we expect the share of ULIP to moderate in FY26, as growth in non-linked (protection, NPAR and annuity) picks up. Further, Q1FY26 management commentary indicates a shift in customer preference away from ULIP due to higher volatility in equity markets, and we expect the trend to continue in FY26.

Q1FY26 management commentary indicates a shift in customer preference away from ULIP due to higher volatility in equity markets, we expect the trend to continue in FY26

Exhibit 9: Share of ULIP increasing for life insurers (% of APE)



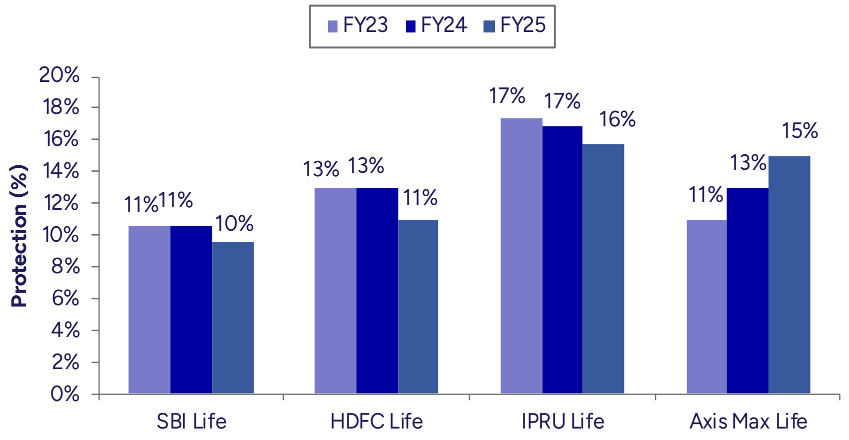
Source: Company, PL

Protection – Recovery underway

The overall protection segment has seen a growth of 8%- 18% CAGR over FY20-25 and constitutes 10%-16% of the product mix of listed insurers (FY25). Within protection, insurers are focusing on 3 main products: (1) term life, (2) RoP plans, and (3) credit protect. Since insurance has been historically sold as a savings/investment product, there exists a huge penetration gap in the segment.

Since insurance has been historically sold as a savings/investment product, there exists a huge penetration gap in the segment.

Exhibit 10: Protection comprises 10%-16% of the product mix of insurers (FY25)

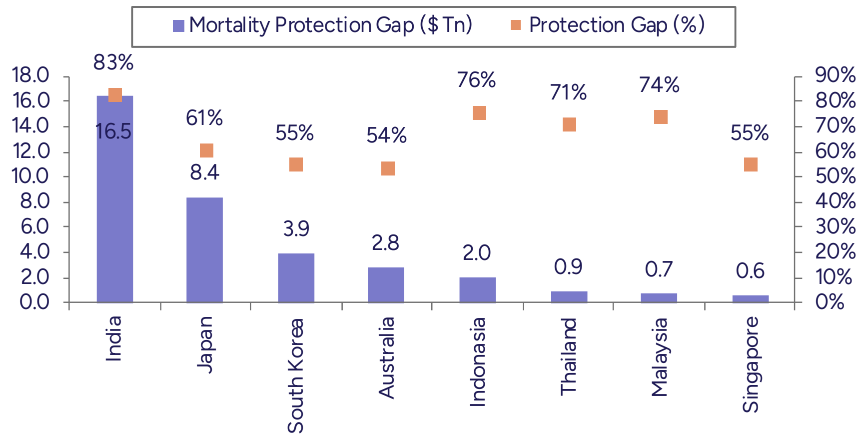


Source: Company, PL

Mortality protection gap in India stood at $16.5tn in 2021

As per Swiss Re Institute estimates, the mortality protection gap in India stood at $16.5tn in 2021. This translated into an average mortality protection gap of 83% - meaning that the financial resources available to support the livelihood of surviving family members and pay outstanding debts in the event of premature death of the household breadwinner, were less than 17% of the total protection need. Closing out the protection gap means that life insurers have to: (i) increase penetration in terms of number of lives and (ii) grow protection cover so that the population is adequately covered. With the launch of innovative products (RoP, credit life) with improved features/ higher sum assured and increased investment in agency/ direct distribution capabilities, private insurers are recalibrating to close the gap.

Exhibit 11: Protection gap (%) – One of the highest at 83% for India in 2021



Source: Swiss Re

While we expect penetration to improve over the long-term, protection growth saw a slowdown in FY25 on account of an unfavorable base and tepid credit protect volumes in home loans/ MFI loans. Low demand for home loans in certain states and stress in the MFI segment impacted demand for credit protect in FY25. While higher sum assured/rider attachment to ULIPs has supported protection growth for private players, we expect MFI disbursals to normalize in H2FY26. This, coupled with new launches in the category, is likely to boost recovery in protection.

Exhibit 12: New launches in term/ protection

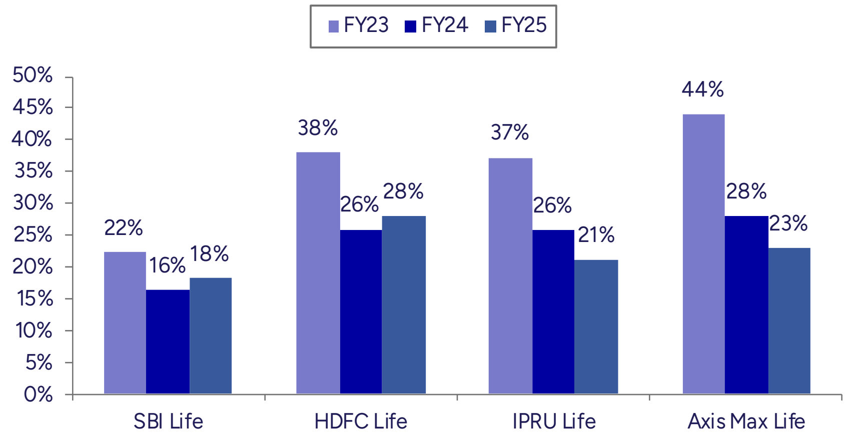
Insurer	Product	Launch Date
SBI Life	Saral Swadhan Supreme (ROP)	24-Jan-24
	Smart Swadhan Supreme (ROP)	24-Jan-24
	eShield Next	mid-2025
HDFC Life	Click 2 Protect Ultimate (ROP)	Apr-25
IPRU Life	iProtect Return of Premium	2025
Axis Max Life	Smart Secure Plus Plan	2025

Source: Company, PL

NPAR - Conducive environment for demand growth

NPAR constitutes 18%-28% of the product mix for listed insurers (FY25). NPAR products provide diversification benefits and do not have any reinvestment risk (guaranteed returns for a lock-in of 30 years) vs. ULIPs/FDs. Moreover, steepening of the yield curve and deposit rate cuts by banks are likely to promote sales of NPAR over ULIP in FY26.

Exhibit 13: NPAR comprises 18%-28% of the product mix of listed insurers



Source: Company, PL

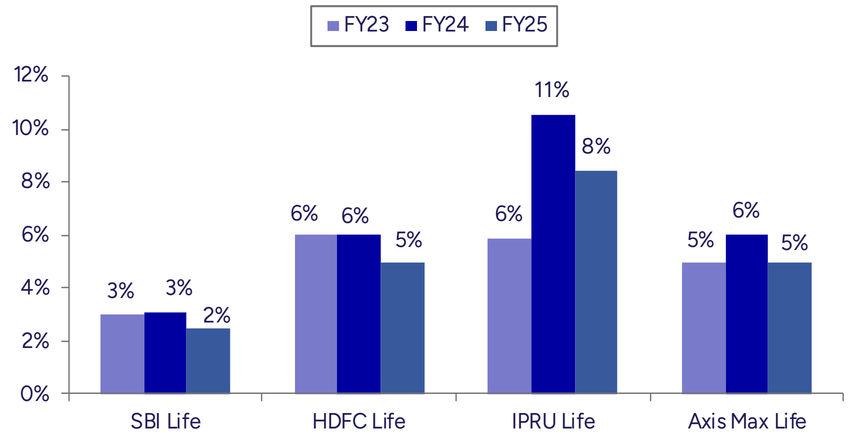
Annuity - Growing opportunity

The annuity market in India is in a nascent stage (constitutes 2%-8% of the product mix for listed insurers- FY25) due to low awareness about retirement planning and lack of innovative products (variable annuity products etc). Moreover, the prevalence of defined pension plans, particularly for government employees, has resulted in low demand for annuities for retirement planning.

However, increasing ageing population and life expectancy have aided growth in the segment (21%- 53% CAGR over FY20-25) for listed life insurers. Companies are also focusing on the segment by targeting a younger customer cohort (40-50 years) and introducing new variants such as Regular Premium annuity products (structured like an SIP vs. lump-sum amount). With more options for the customer to choose from and flexible payment terms, we expect the share of annuity to improve across players.

Companies are focusing on the segment by targeting a younger customer cohort (40-50 years) and introducing new variants such as Regular Premium annuity products

Exhibit 14: Annuity still in nascent stage - constitutes 2%-8% for listed players

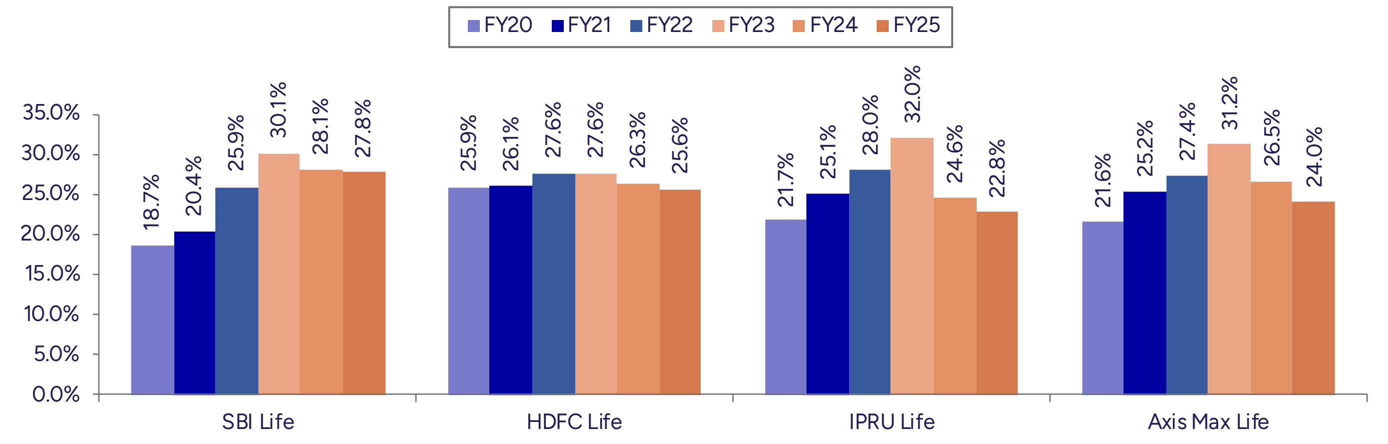


Source: Company, PL

Margin outlook remains positive over FY25-28E

Over the past few years, VNB margin has expanded across top private insurers (see Exhibit 15) led by (a) a favorable product mix -rise in share of protection and NPAR, (b) improved persistency trend and (c) improving operating efficiency. A shift in focus toward NPAR and protection products over ULIP continues to be the key margin driver for large private insurers.

Exhibit 15: VNB margin has seen a gradual expansion from FY20 levels



Source: Company, PL

Implementation of the new surrender value guidelines has been a drag on profitability – private players saw an impact of 30-50bps on FY25 VNB margin

- Implementation of the new surrender value guidelines (effective from Oct'24) has been a drag on profitability – private players saw an impact of 30-50bps on FY25 VNB margin.
- Measures such as claw-backs/ deferral of distributor commissions, improving rider penetration and focusing on high-margin variants, were taken in H2FY25 to nullify the impact.
- We believe the impact to be fully absorbed and believe private players are well-positioned to take advantage of a comprehensive product mix with increasing focus on the growing protection segment.

GST exemption to impact EV in FY26

- The recent GST exemption on life insurance is likely to impact profitability in FY26. Currently, GST is levied at the rate of 18% on life insurance policy premiums and comes with input tax credit advantages.
- Under GST, insurers can reduce their taxable liability by offsetting and claiming credits to the extent of GST they have paid on expenses (such as commission to agents, sales related expenses). Since they are paying GST on all these activities, the government allows them to claim credits against the GST they have collected from policyholders and reduce their overall tax liability.
- For instance, if the insurer charges Rs 100 as premium for the purchase of a life insurance policy, 18% of the premium (Rs 18) is charged as GST to the customer.

While life insurers are likely to mitigate the drag with commission cuts/ price hikes, we expect to see an impact of 20-100bps on FY26E EV across players.

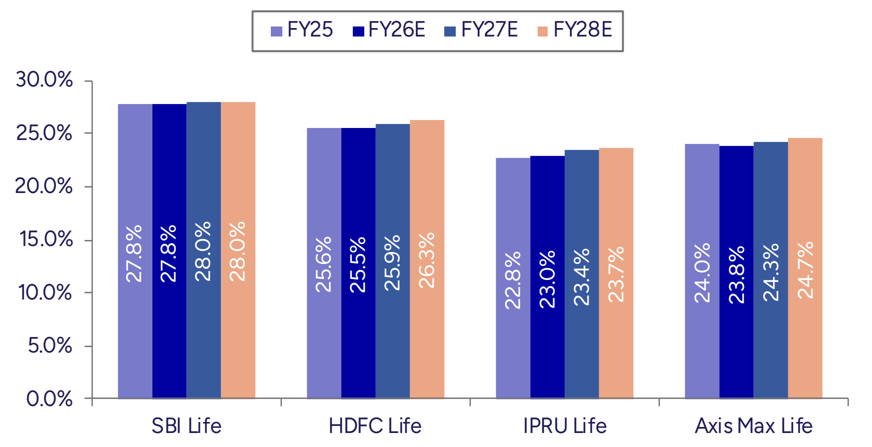
- Assume that the insurer also pays GST at the rate of 18% on commission/ sales-related expenses. The insurer uses this as input tax credit (ITC) which is adjusted against the final GST liability. Hence, the insurer is able to set off its GST liability against GST received from the customer.
- With the benefit of ITC no longer available to insurers, their GST liability is expected to increase. We believe insurers will pass on the additional cost to customers, i.e. the GST cut on life insurance premium is likely to get diluted as insurers take price hikes.
- Moreover, complete GST exemption implies an increase in the GST liability on the back-book as insurers will not be receiving GST from customers on renewal of existing policies.
- While life insurers are likely to mitigate the drag with commission cuts/ price hikes, we expect to see an impact of 20-100bps on FY26E EV across players.

Exhibit 16: Impact of 0.5% on FY26 EV for a life insurance company

Policy premium (Rs)	100.0
Cost to insurer -distributor commission, sales related expenses (Rs)	58.0
Profit to the insurer (Rs)	34.4
GST paid by insurer (Rs)	10.4
GST paid by customer (Rs)	18.0
GST liability before exemption (Rs)	7.6
GST liability after exemption (Rs)	10.4
Increase in liability (Rs)	2.9
Profit to the insurer post GST exemption (Rs)	31.6
Impact on profitability (%)	8%
FY26 Opening EV (Rs mn)	5,54,300
Back-book as a % of closing EV (%)	86%
Impact on profitability (%)	7%
FY26E Closing EV (Rs mn)	6,46,154
FY26E VNB (Rs mn)	44,440
Revised FY26E VNB post GST exemption (Rs mn)	41,252
Revised FY26 EV (Rs mn)	6,42,966
Hit on EV (%)	-0.5%

Source: Company, PL Note: Taken HDFC Life FY26 Opening EV as an example

Exhibit 17: VNB margin to absorb the impact of GST exemption in FY26E

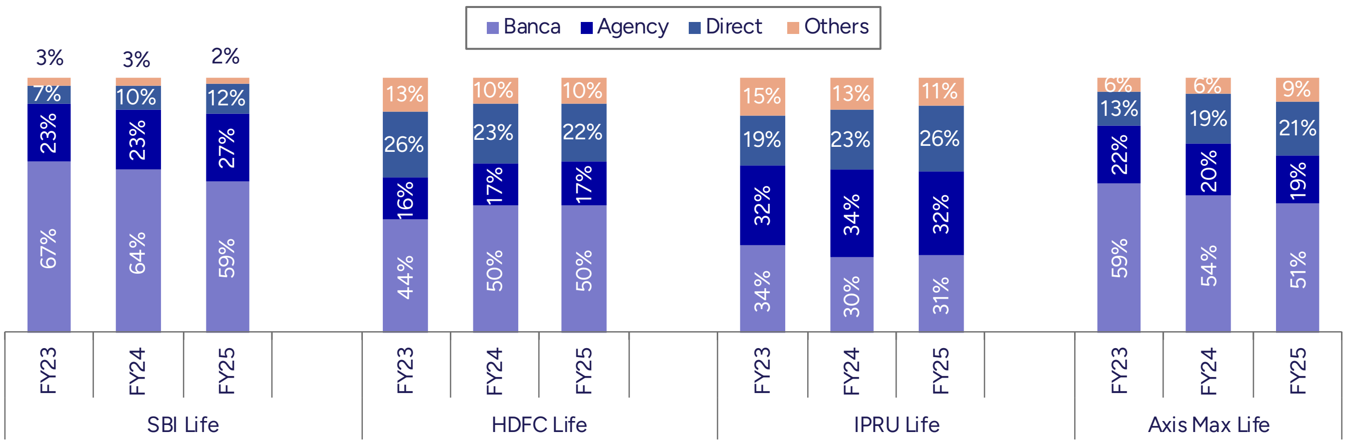


Source: Company, PL

Banca - Too much power in too few hands

The bancassurance channel constitutes 30%-60% of the distribution mix (basis Individual NBP, FY25) of listed players. Among private insurers, we have seen that those backed by a large bancassurance partner have grown at a higher rate by leveraging on their partners' vast distribution reach and well-established brand name. For instance, HDFCLIFE and SBILIFE backed by large bancassurance partners, have been able to capitalize on the branch network of their partners to create a dominant sales channel.

Exhibit 18: Distribution mix (basis ind. NBP) – heavy reliance on banca



Source: Public Disclosures, PL

SBILIFE and HDFCLIFE have a high dependence on a single/ parent bank, resulting in higher concentration risk. While access to large banca partners provides insurers with a strong comparative advantage, companies are now focusing on diversifying between partners (IPRULIFE) to gain access to a mass-affluent/ semi-affluent customer in Tier 2/3 markets.

Companies are now focusing on diversifying between partners to gain access to a mass-affluent/ semi-affluent customer in Tier 2/3 markets.

Exhibit 19: Banca tie-ups: Who is banking on whom

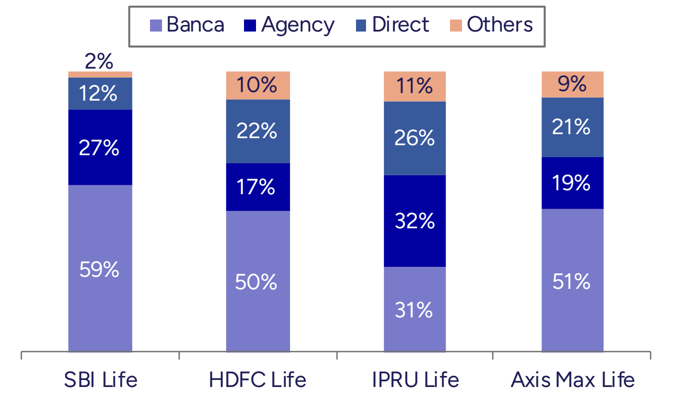
SBI Life	HDFC Life	IPRU Life	Axis Max Life
SBI	HDFC Bank	ICICI Bank	Axis Bank
Yes Bank	IDFC First Bank	Standard Chartered Bank	Yes Bank
Indian Bank	AU Small Finance Bank	Indusind Bank	Capital Small Finance Bank
Suryoday SFB	Ujjivan Small Finance Bank	IDFC First Bank	Tamilnad Mercantile Bank
UCO Bank	Yes Bank	AU Small Finance Bank	DCB Bank
Indian Post Payments Bank	Axis Bank	RBL Bank	Ujjivan Small Finance Bank
South Indian Bank	Bandhan Bank	UCO Bank	South Indian Bank
State Bank of Sikkim	-	SBM Bank India	-
Karur Vysya Bank	-	Ujjivan Small Finance Bank	-

Source: Company, PL

While banca constitutes majority of the distribution mix, it is more suited to sell savings products (ULIP and NPAR). On the other hand, agents prefer selling savings products in return for higher commissions on high-ticket-size policies (NPAR), while a strong direct channel is better suited to sell protection products. Despite a large share of business being contributed by a single/parent bank, we have seen a strong push by insurers on growing their proprietary channels – agency and direct.

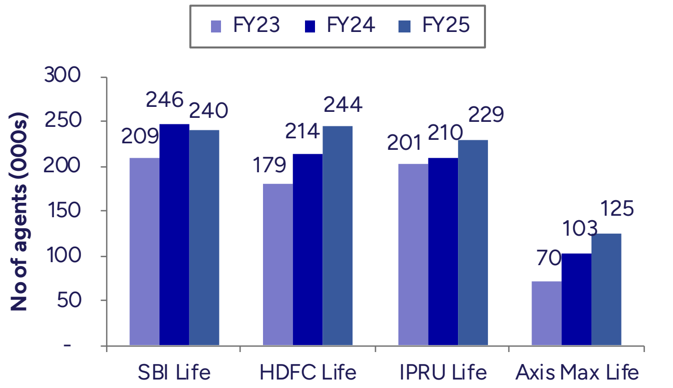
- **Agency:** Listed players have onboarded new agents (Exhibit 21) and are focusing on boosting agent productivity. Companies are also focusing on selling more of non-linked products (NPAR and protection) by activating agents in Tier 2 and 3 cities.

Exhibit 20: 17%-32% of ind. NBP comes from agency (FY25)



Source: Company, PL

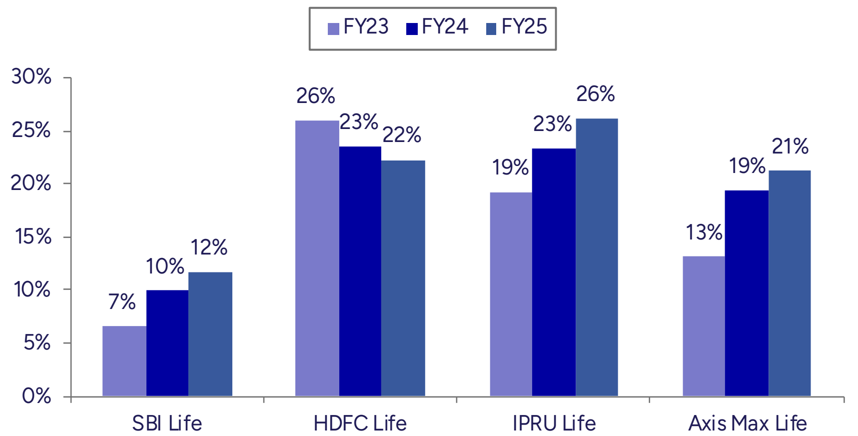
Exhibit 21: Insurers strengthening agency franchise



Source: Company, PL

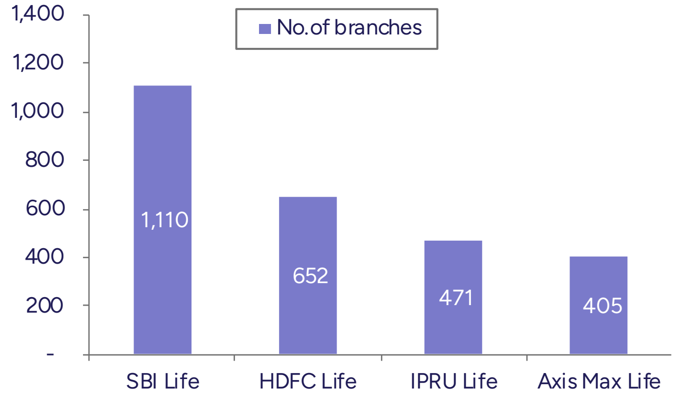
- **Direct:** The insurer directly reaches the customer via own branches, website, mobile application or aggregators. A strong direct channel results in better cost efficiencies (low-cost channel) and helps in the sale of protection products. Private insurers are now trying to increase contribution from this channel by investing in a direct force and looking for ways to increase upsell/ cross-sell from the channel.

Exhibit 22: Direct channel contributes 12%-26% of distribution mix (ind. NBP)



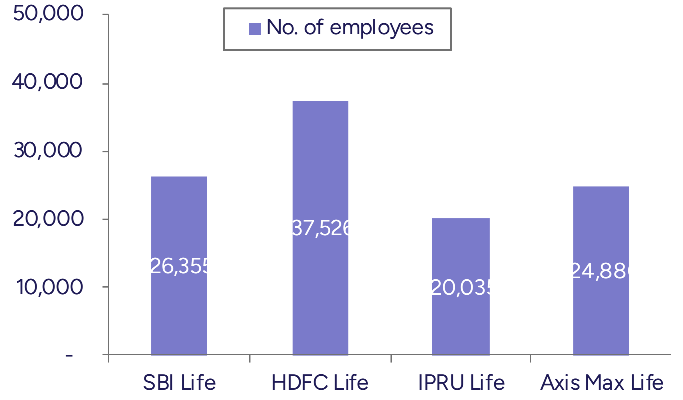
Source: Public disclosures, PL

Exhibit 23: Reach of insurers through direct branches (FY25)



Source: Company, PL

Exhibit 24: Insurer strength through employees (FY25)



Source: Company, PL

Regulatory overhaul – The worst is over

Expect to see an impact of 20-100 bps on FY26 EV across players due to the exemption on GST

The industry is grappling with many regulatory changes (GST exemption, surrender value guidelines, changes proposed in the Insurance Bill). Some of these are summarized below:

- **GST exemption without the benefit of ITC:** The GST Council has recently exempted all life insurance policies from GST (0% from 22nd Sep 2025 vs. 18% levied currently). While that is positive for customers as policy premiums are likely to become cheaper, they have not allowed the benefit of Input Tax Credit (ITC) to insurers. This implies that insurers will not be able to set off their existing GST liability against GST received from customers on renewal of existing policies. While companies are likely to mitigate the drag on their existing book with commission cuts/ price hikes on new policies, we expect to see an impact of 20-100 bps on FY26 EV across players.

- **Surrender value guidelines:** The new rules mandate, effective 1st Oct'24, insurance companies to offer a surrender value from the first year. Life insurers will now have to pay special surrender value after the first policy year, provided one full year's premium has been received. For policies with limited premium payment terms of less than 5 years and single premium policies, special surrender value becomes payable immediately after the receipt of the first full-year premium/ single premium. Implementation of the new surrender value guidelines in FY25 resulted in a negative impact of 30-50bps on margins for all life insurers. Measures such as claw-backs/ deferral of distributor commissions, improving rider penetration and focusing on high-margin variants, were taken in H2FY25 to nullify the impact.

- **Expense of management (EoM) guidelines**: Introduced in Mar'23, EoM guidelines forced insurers to cut expenses and pass on the benefits to customers. By removing the product-wise cap on commissions, the EoM structure puts in place a single budget that includes operating expenses as well as commissions. It has helped insurers to streamline expenses and making cheaper products available to customers.

- **Composite licenses:** A composite license will allow insurers to undertake life as well as health insurance business via a single entity. It would mean an insurer can offer both life cover as well as whole/any part of non-life insurance like motor or health insurance. In our view, a composite license could allow life insurers to enter the rapidly growing retail health insurance space, providing another avenue for growth, currently not factored into the CMP.

- **Relaxing capital requirements:** Relaxing capital requirements for new entrants (currently at Rs1 bn) is likely to enable the entry of new players into the space.

- **FDI limit in insurance to increase to 100%.** This is expected to bring the entry of foreign players into the country, attract investment, enhance competition and improve insurance penetration.

- **Introduction of captive insurers:** The amendments suggest allowing industrial houses to establish their own insurance companies to cater specifically to their business needs.

- **Risk-based solvency:** Currently, insurers' assets are required to be 1.5x or 150% of their liabilities, which is reflected in their solvency ratio threshold of 1.5x. Once the risk-based capital framework comes into place, insurance companies will have to hold capital in proportion to the business they write. This may help release capital for less risky business segments such as ULIP.

- **IFRS 17 implementation:** Globally, IFRS 17 has replaced IFRS 4 from Jan'23. In India, the transition is at least 2 years away (Apr'28). IFRS prescribes a different method of accounting for premiums and costs, resulting in higher RoEs for insurance companies.

- **Bima Sugam**: The proposed platform would act as a single window for policyholders to manage their insurance coverage. It is expected to provide end-to-end solutions for customers' insurance needs, i.e., purchase, service and settlement in a seamless manner.

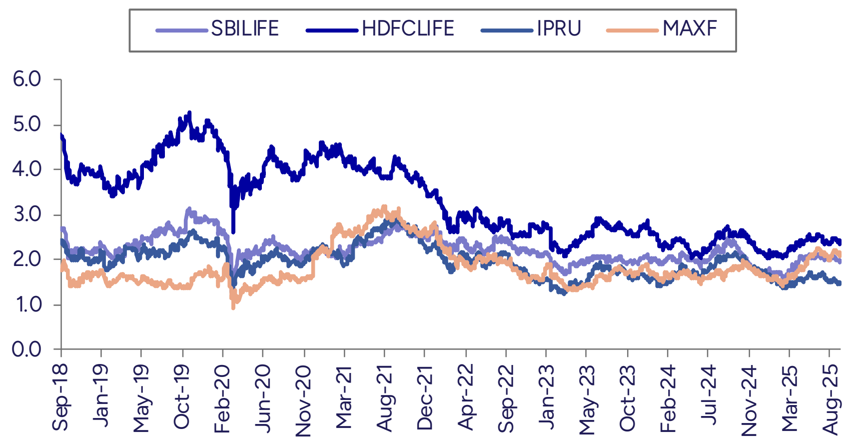
Valuation attractive; outlook positive

Valuation for life insurers has seen a de-rating over the past 5 years. Higher mortality assumptions due to Covid-19, changes in tax on NPAR introduced in the Feb-23 budget, surrender value guidelines implemented in Oct-24 have impacted both growth and margin outlook for the sector. The recently introduced GST exemption on life insurance also resulted in a price movement of 1%- 3% due to the impact on short-term profitability.

Despite regulatory headwinds, we remain positive on the sector because life insurers have been able to develop innovative products in the past to counter the challenges of growth while the inherent demand for low-ticket NPAR, Protection and Annuity products remains intact. Moreover, GST exemption is likely to drive higher penetration, improve persistency and accelerate growth over the long-term. The sector is currently trading at 1-year forward P/EV of 2.0x; we expect an upside for players with strong growth prospects and healthy margin trajectory.

Sector is currently trading at 1-year forward P/EV of 2.0x; expect an upside for players with strong growth prospects and healthy margin trajectory

Exhibit 25: Listed private players trading at average P/EV of 2.0x



Source: Company, PL

Valuation gap vs. global peers to persist

Expect the gap to persist as India has a long runway of growth and unique product mix

Indian life insurers trade at average FY27 P/EV of 2.0x while global peers trade at 0.6x. We expect the gap to persist as India has a long runway of growth, due to significant under-penetration in the protection segment. Moreover, the profile of Indian insurers is unique with ULIP/ NPAR (investment-return products) comprising a significant share and contributing to overall growth. For these reasons, we believe the valuation gap vs. global peers is likely to persist over the next 10-12 years, with the sector growing at ~14.5%.

Exhibit 26: Indian insurers trade at higher valuations vs. global peers

Companies	Period	Market Cap ($bn)	Embedded value ($bn)			P/EV (x)		
			CY24/ FY25	CY25/ FY26E	CY26/ FY27E	CY24/ FY25	CY25/ FY26E	CY26/ FY27E
AIA Group	Dec-24	101.2	70.9	74.2	81.7	1.4	1.4	1.2
China Life	Dec-24	144.1	192.0	212.4	230.6	0.8	0.7	0.6
China Taiping	Dec-24	7.7	30.2	36.4	38.5	0.3	0.2	0.2
Dai-ichi Life	Mar-25	31.0	54.5	59.9	63.7	0.6	0.5	0.5
New China Life	Dec-24	25.8	35.4	39.9	43.4	0.7	0.6	0.6
Ping An Life	Dec-24	144.3	194.9	212.4	226.9	0.7	0.7	0.6
SBI Life	Mar-25	20.6	8.0	9.4	11.0	2.6	2.2	1.9
HDFC Life	Mar-25	19.3	6.3	7.3	8.6	3.0	2.5	2.2
IPRU Life	Mar-25	10.0	5.4	6.2	7.0	1.8	1.6	1.4
Max FS	Mar-25	6.4	2.3	2.7	3.2	2.7	2.3	1.9

Source: Company, BBG, PL; EV for global peers is on CY basis

Valuation methodology: We have used the appraisal value framework to derive the target price (TP) of our coverage companies. Appraisal value = FY26 Embedded value (EV) + FY27E Structural value (SV) of the business. SV is calculated by applying a target multiple to VNB depending on our estimate of sustainable VNB growth. We have used the reverse DCF method to calculate VNB growth till FY37E and arrive at the target VNB multiple. Once we calculated the appraisal value, we deduced the TP (Appraisal value/No. of shares). Using our TP, we have arrived at implied P/EV.

Exhibit 27: Appraisal value framework

	(Rs mn)
Embedded Value, F26E	(A)
FY27 VNB	xxx
VNB Multiple	x times
Structural Value	(B)
Appraisal Value	C = (A) + (B)
No. of shares o/s (#)	(D)
Value per share (Rs)	C/ D

Source: PL

Prefer HDFCLIFE and MAXF in the space

Private sector life insurance companies are set to expand market share over FY25-28E on the back of a more balanced product mix (higher share of non-linked), diversified distribution network (rising contribution from agency and direct) and increasing focus on the protection segment. FY26E margin is likely to see the impact of GST exemption for all players; expect insurers to cut commissions/ take price hikes on new policies to mitigate the impact.

HDFCLIFE: Steady growth outlook with healthy margins

We expect APE to clock 16% CAGR over FY25-28E led by steady growth in protection and NPAR, and pick-up in PAR. Focus on expanding in Tier 2/ 3 markets along with continued investment in agency, is likely to boost volumes. Maintaining a stable counter share of ~65% in the key banca partner (HDFCB) and expansion by the bank will help attract a larger customer base. While FY26 margin is likely to remain stable at 25.5% factoring the impact of GST exemption, expect an improvement in FY27E/ FY28E driven by a favorable product mix and operating leverage. We believe the current valuation (FY27 P/EV of 2.4x) to be quite reasonable for a strong franchise expected to deliver 16% APE growth over FY25-28E along with a positive trend in margins. We use the appraisal value framework to value HDFCLIFE and arrive at TP of Rs900 (2.6x FY27 P/EV). Initiate with 'BUY'.

MAXF: Consistent performer with all the levers in place

Strong rebound in NPAR and innovative product offerings in protection and annuity are likely to help Axis Max Life become a strong player in these segments-expect 16% APE CAGR over FY25-28E. Recent re-branding and capital infusion by Axis Bank strengthen its banca reach and a well-entrenched proprietary channel will aid in growing the retail portfolio. While FY26E VNB margin is expected to see a weakness at 23.8% (impact of GST exemption), we expect a recovery to ~25% by FY28E driven by a higher share of NPAR and protection. With Axis Bank as an active partner on board and progress being made on the merger of MAXF and Axis Max Life, we expect the holding company discount (currently at ~11%) to narrow. We value MAXF using the appraisal value framework (FY26E EV + FY27E structural value) to arrive at TP of Rs1,850 (2.0x FY27E P/EV). Initiate with 'BUY'.

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Peer comparison

Exhibit 28: Comparison across listed insurers

	SBI Life			HDFC Life			IPRU Life			Axis Max Life		
	FY23	FY24	FY25	FY23	FY24	FY25	FY23	FY24	FY25	FY23	FY24	FY25
Market Share (%)												
Market Share (% of total APE)	12.3%	13.8%	14.0%	9.4%	9.5%	10.4%	5.5%	5.8%	6.2%	4.7%	5.3%	5.9%
Market Share (% of Individual APE)	14.6%	15.8%	16.1%	10.5%	10.4%	11.1%	6.5%	6.6%	6.9%	5.8%	6.4%	6.9%
Cost Ratios												
Opex Ratio (%)	5.1%	4.9%	5.3%	14.7%	10.9%	8.8%	11.5%	9.5%	8.1%	14.1%	13.8%	13.6%
Commission Ratio (%)	4.4%	3.8%	4.0%	4.9%	8.3%	11.0%	4.4%	7.2%	8.4%	6.4%	8.1%	9.5%
Total Cost Ratio (%)	9.4%	8.7%	9.3%	19.6%	19.3%	19.8%	15.9%	16.7%	16.5%	20.5%	22.0%	23.1%
Persistency (%)												
13th month	86.0%	87.0%	87.0%	88.0%	87.0%	87.0%	85.0%	89.0%	89.0%	83.0%	87.0%	88.0%
25th month	76.0%	77.0%	78.0%	79.0%	79.0%	78.0%	77.0%	81.0%	83.0%	68.0%	70.0%	74.0%
37th month	75.0%	71.0%	72.0%	72.0%	73.0%	74.0%	72.0%	72.0%	75.0%	60.0%	61.0%	63.0%
49th month	70.0%	72.0%	68.0%	64.0%	70.0%	70.0%	64.0%	69.0%	70.0%	57.0%	58.0%	57.0%
61st month	56.0%	57.0%	63.0%	52.0%	54.0%	64.0%	66.0%	64.0%	64.0%	51.0%	52.0%	53.0%
Operating metrics												
VNB (Rs bn)	50.7	55.5	59.5	36.7	35	39.6	27.7	22.3	23.7	19.5	19.7	21.1
VNB Margin (%)	30.1%	28.1%	27.8%	27.6%	26.3%	25.6%	32.0%	24.6%	22.8%	31.2%	26.5%	24.0%
Embedded Value (Rs bn)	460.4	582.6	702.5	395.3	474.7	554.3	356.4	423.4	479.5	162.6	194.9	251.9
RoEV (%)	22.8%	21.8%	20.2%	19.7%	17.5%	16.7%	17.4%	14.1%	13.1%	22.1%	20.2%	19.1%
AUM (Rs bn)	3,073.4	3,889.2	4,480.0	2,387.8	2,922.2	3,362.8	2,511.9	2,941.4	3,093.6	1,228.6	1,508.4	1,750.7
Solvency (%)	215.0%	196.0%	196.0%	203.0%	187.0%	194.0%	209.0%	192.0%	212.0%	190.0%	172.0%	201.0%
Product Mix (% of Total APE)												
PAR	6%	4%	3%	23%	20%	17%	NA	NA	NA	13%	18%	15%
NPAR*	22%	16%	18%	38%	26%	28%	37%	26%	21%	44%	28%	23%
ULIP	55%	60%	64%	16%	31%	34%	36%	43%	48%	27%	35%	42%
Protection	11%	11%	10%	13%	13%	11%	17%	17%	16%	11%	13%	15%
Annuity	3%	3%	2%	6%	6%	5%	6%	11%	8%	5%	6%	5%
Group Funds	3%	5%	3%	3%	3%	4%	4%	4%	6%	0%	0%	0%
Distribution Mix (% of Ind NBP)												
Banca	67%	64%	59%	44%	50%	50%	34%	30%	31%	59%	54%	51%
Agency	23%	23%	27%	16%	17%	17%	32%	34%	32%	22%	20%	19%
Direct	7%	10%	12%	26%	23%	22%	19%	23%	26%	13%	19%	21%
Others	3%	3%	2%	13%	10%	10%	15%	13%	11%	6%	6%	9%

*Source: Company, PL Note: *IPRU does not provide the split between PAR and NPAR*

Exhibit 29: Valuation Summary

Company	CMP (Rs)	TP (Rs)	Current Rating	M-cap (Rsbn)	*Upside / Downside*	P/EV (x)			APE (Rs bn)			VNB (Rs bn)		
						FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
SBILIFE	1,806	1,925	Hold	1,810	*7%*	2.6	2.2	1.9	214.1	239.9	271.4	59.5	66.7	76.0
HDFCLIFE	761	900	Buy	1,640	*18%*	3.0	2.5	2.2	150.1	174.3	201.3	38.4	44.4	52.1
IPRU	598	725	Buy	865	*21%*	1.8	1.6	1.4	104.1	113.4	126.7	23.7	26.1	29.6
MAXF	1,597	1,850	Buy	551	*16%*	2.7	2.3	1.9	87.7	102.7	119.6	21.1	24.4	29.1

Company	CMP (Rs)	TP (Rs)	Current Rating	M-cap (Rsbn)	*Upside / Downside*	VNB Margin (%)			Embedded Value (Rs bn)			RoEV (%)		
						FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
SBILIFE	1,806	1,925	Hold	1,810	*7%*	27.8	27.8	28.0	702.5	826.9	970.5	20.2	18.9	18.1
HDFCLIFE	761	900	Buy	1,640	*18%*	25.6	25.5	25.9	554.3	646.2	755.0	16.7	16.3	16.4
IPRU	598	725	Buy	865	*21%*	22.8	23.0	23.4	479.5	544.6	619.0	13.1	13.6	13.7
MAXF	1,597	1,850	Buy	551	*16%*	24.0	23.8	24.3	204.1	241.2	284.7	19.1	18.2	18.0

Source: Company, PL Note: EV Adjusted for Max FS' 81% stake in Axis Max Life

COMPANIES

PL Capital
PRABHUDAS LILLADHER

HDFC Life Insurance Company (HDFCLIFE IN)

Rating: BUY | CMP: Rs761 | TP: Rs900

September 10, 2025

Company Initiation

Key Financials - Consolidated

Y/e Mar	FY25	FY26E	FY27E	FY28E
NBP (Rs mn)	3,33,653	3,88,057	4,47,169	5,15,610
APE (Rs mn)	1,50,150	1,74,276	2,01,320	2,31,655
VNB (Rs mn)	39,600	44,440	52,142	60,925
Margin (%)	*25.6*	*25.5*	*25.9*	*26.3*
Embedded Value (Rs mn)	5,54,300	6,46,154	7,54,953	8,82,551
EVOP (Rs mn)	79,200	90,284	1,05,834	1,23,067
RoEV (%)	*16.7*	*16.3*	*16.4*	*16.3*
P/EV (x)	3.0	2.5	2.2	1.9

Key Data	HDFL.BO | HDFCLIFE IN
52-W High / Low	Rs.821 / Rs.585
Sensex / Nifty	81,101 / 24,869
Market Cap	Rs.1,664.0bn/ $ 18,875.4m
Shares Outstanding	2,155.4m
3M Avg. Daily Value	Rs.2,252.3m

Shareholding Pattern (%)

Promoter's	50.32
Foreign	24.95
Domestic Institution	14.10
Public & Others	10.61
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	1.4	23.5	9.8
Relative	(1.1)	12.2	10.1

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Steady growth outlook with healthy margins

Quick Pointers:

- Expect 16% APE CAGR over FY25-28E led by protection and savings
- FY26 VNB Margin to remain largely stable; impact of GST exemption to be offset by the shift towards non-ULIP and higher operating leverage
- Building 17% CAGR in both VNB and EV over FY25-28E

We initiate coverage on HDFCLIFE with 'BUY' rating and TP of Rs900 (2.6x FY27E P/EV). While ULIP growth is expected to moderate in FY26, we expect a pick-up in group protection to offset the slowdown. We expect APE to clock 16% CAGR over FY25-28E led by steady growth in protection and NPAR, and pick-up in PAR. Focus on expanding in Tier 2 and 3 markets along with continued investment in agency, is likely to boost volumes. Maintaining a stable counter share of ~65% in the key banca partner (HDFCB) and expansion by the bank will help attract a larger customer base. While FY26 margin is likely to remain stable at 25.5% due to the impact of GST exemption, expect an improvement in FY27E/ FY28E driven by a favorable product mix and operating leverage. Initiate with 'BUY'.

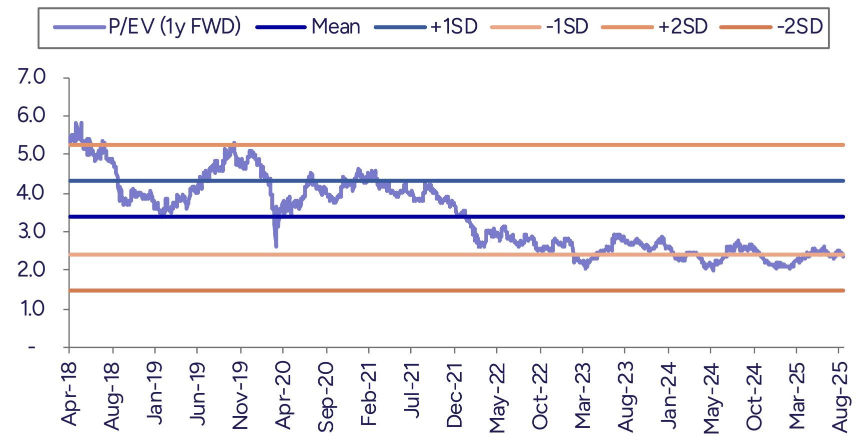
Expect 16% APE CAGR over FY25-28E: HDFCLIFE saw 16% YoY growth in FY25, driven by a strong pick-up in ULIP (+28% YoY) and NPAR (+25% YoY). While ULIP growth has started to moderate in FY26, we expect a pick-up in group protection to offset the slowdown. Moreover, recovery in MFI disbursals in H2FY26 is likely to support higher volumes in the credit life business. New launches in the PAR/NPAR portfolio (Click 2 Achieve), expansion into Tier 2 and 3 markets, and continued investment in agency is likely to aid growth. We build an APE CAGR of 16% over FY25-28E backed by steady growth in protection/ NPAR and pick-up in PAR.

Riding on banca/ agency expansion in Tier 2/3 markets: Banca contributed 65% of the distribution mix in FY25 (basis Individual APE) with HDFCB as a key partner contributing to ~47% of overall APE. The company expects to maintain its counter-share within HDFCB at ~65% by focusing on the non-ULIP segment. Moreover, HDFCLIFE has outlined its strategy of expanding in Tier 2 and 3 cities and has made significant investments in agent activation, training and technology. Improvement in agency/ branch productivity is also likely to contribute to growth.

FY26 margin to be stable; expect improvement in FY27/28E: FY25 VNB margin for HDFCLIFE at 25.6% was subdued due to the impact of surrender value guidelines (~30bps) and unfavorable shift in product mix (higher growth in ULIP). The company continues to guide for stable margins in FY26; any improvement on account of a favorable product mix is likely to be invested in growth. We expect FY26 VNB margin to remain largely stable at ~25.5% with the impact of GST exemption offset by a shift towards high-margin products (traditional products over ULIPs) and recovery in the group protection portfolio. Post that, we factor in ~40 bps expansion in each year led by a favorable product mix and higher operating leverage.

Valuation premium has narrowed; initiate with 'BUY': HDFCLIFE has maintained a competitive edge, backed by differentiated product offerings, a well-established brand and strong execution capabilities. This reflects in its premium valuation – average P/EV of 3.0x vs. 2.0x for peers for the past 5 years. However, the valuation gap to peers has narrowed down with HDFCLIFE trading at 2.4x P/EV currently. We believe the valuation to be quite reasonable for a strong franchise expected to deliver 16% APE growth over FY25-28E along with a positive trend in margins. We use the appraisal value framework to value HDFCLIFE and arrive at TP of Rs900 (2.6x FY27 P/EV). Initiate with 'BUY'.

Exhibit 30: Stock is trading at 2.4x 1-year forward EV



Source: Company, PL

Company Overview

Established in 2000, HDFC Life (HDFCLIFE) is a leading life insurance solutions provider in India, offering a range of individual and group insurance solutions to fulfil customer needs such as Protection, Pension, Savings, Investment, Annuity and Health. The company has more than 70 products (including individual and group products) and optional riders in its portfolio, catering to a diverse range of customer needs.

It was started as a joint venture between HDFC Ltd and UK-based investment firm Standard Life (now known as Abrdn). After the recent merger of HDFC Ltd with HDFC Bank, HDFCLIFE has become a subsidiary of HDFC Bank. The company has a nation-wide presence with its own branches and additional distribution touch-points through several tie-ups and partnerships.

Exhibit 31: Key milestones

2001	First private life insurer to launch operations in India
2002	First private life insurer to declare bonus, along with founder's bonus
	Tie-up with HDFC Bank
2003	Defined the Vision and Values of the Organization
	Crossed 1 lakh policies & 10,000 Financial Consultants
2006	Start of online premium payment facility and dedicated service helpline for customers
2008	Expanded distribution to 1 lakh Financial Consultants
	Employee strength grew over 15,000
2009	Launched 1st product in the health segment - Criticare and Surgicare
2010	AUM crossed Rs200bn mark
2012	Total premium for the year crossed Rs100bn
2014	Launched new channels like Defence, DSC
	AUM crossed Rs500bn mark
2016	Incorporated the first international subsidiary in the UAE to operate the reinsurance business
	Total premium for the year crossed Rs160bn mark
2017	Company's IPO was successfully completed with over 3.8x subscription
	On November 17, 2017, the Company's shares were listed on BSE & NSE
2018	AUM crossed Rs1tn mark
2019	Changed corporate name to HDFC Life Insurance Company Limited
2021	Embedded Value crossed Rs250bn
	Won 'Best Governed Company - Listed (Large)' at the 21st ICSI National Awards
2022	Completed Indian life insurance sector's first-ever M&A by acquiring Exide Life
2023	Featured in the 'Leadership' list of Indian Corporate Governance Scorecard
2024	Launched in GIFT City and won the 2023 Golden Peacock Award.
2025	Ranked #3 amongst life insurers across individual and group businesses. AUM crossed Rs3tn

Source: Company, PL

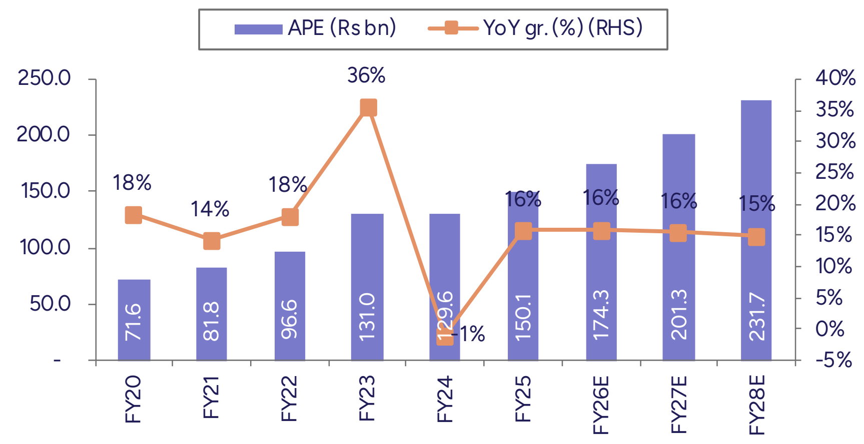
Investment Rationale

Steady APE growth on agency penetration in Tier 2 & 3

Expect steady APE CAGR of 16% over FY25-28E driven by a strong agency channel and higher penetration into Tier 2 and 3 markets

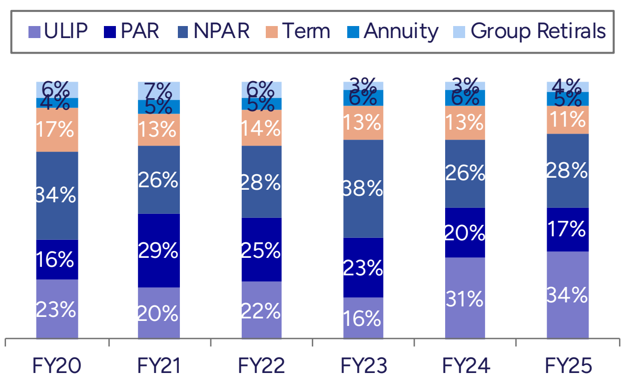
HDFCLIFE has been a leader in product innovation with the ability to rejuvenate product categories through new designs (e.g., Sanchay Plus, RoP). It remains on track to deliver mid-to-high teens growth. We expect a steady APE CAGR of 16% over FY25-28E driven by a strong agency channel and higher penetration into Tier 2 and 3 markets.

Exhibit 32: Expect ~16% APE growth over FY25-28E



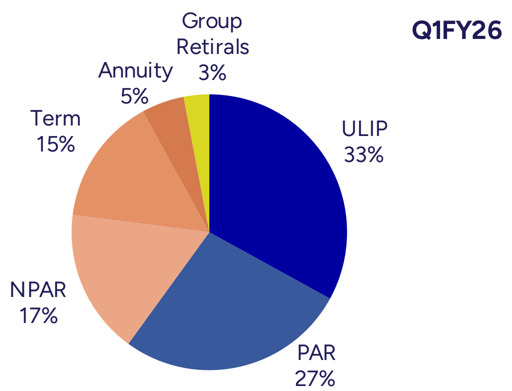
Source: Company, PL

Exhibit 33: APE mix (%)-ULIP share jumps in FY25...



Source: Company, PL

Exhibit 34: ...PAR/ NPAR, protection to increase



Source: Company, PL

PAR/ NPAR and protection to drive growth in FY26

ULIP demand to moderate: ULIP growth remained strong at 28% YoY in FY25. The company highlighted that higher attachment rates and sum assured led to a better margin profile in ULIPs. Q1FY26 saw sustained demand, despite increased volatility in the equity markets; however, we expect it to moderate aided by a shift towards traditional (PAR and NPAR) products.

Pick-up in PAR: While the PAR portfolio was flat YoY in FY25, it saw a pick-up in Q4FY25 and Q1FY26 led by the newly launched product, Click 2 Achieve PAR. We expect this momentum to continue in FY26.

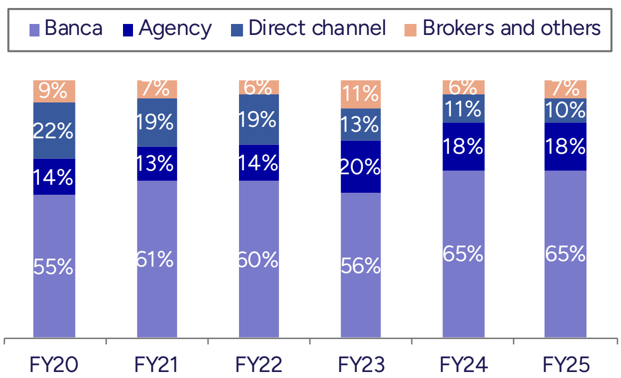
Healthy growth in NPAR: NPAR APE grew 25% YoY in FY25 aided by lower interest rates and equity market uncertainty. While Q1 growth was subdued (-36% YoY) on account of irrational pricing in the segment, we expect a gradual pick-up in volumes over the year. The company expects the share of NPAR (basis Individual APE) to range at ~35% in FY26 (vs. 32% as of FY25).

Protection to see strong growth in FY26: Retail protection showed strong momentum in FY25, and the company expects the segment to grow faster than overall APE. Muted disbursements in credit life led to a moderation in volumes in the group business in FY25. However, Q1 commentary indicated an improvement in the segment, aided by higher disbursements, improved attachment rates and expansion into new lending segments. Whilst growth in the MFI segment remained soft, the pace of de-growth slowed among larger partners, and we expect a pick-up in H2FY26 as MFI disbursals normalize.

Focus on agency; banking on Tier 2 and 3 markets

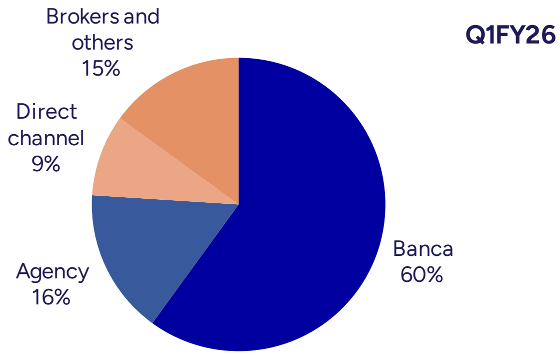
Banca/agency/direct/brokers & others accounted for 65%/18%/10%/7% (Ind. APE basis) of HDFCLIFE's channel mix in FY25.

Exhibit 35: Distribution mix (% of Ind. APE)- banca dominates



Source: Company, PL

Exhibit 36: ...focus on increasing agency share

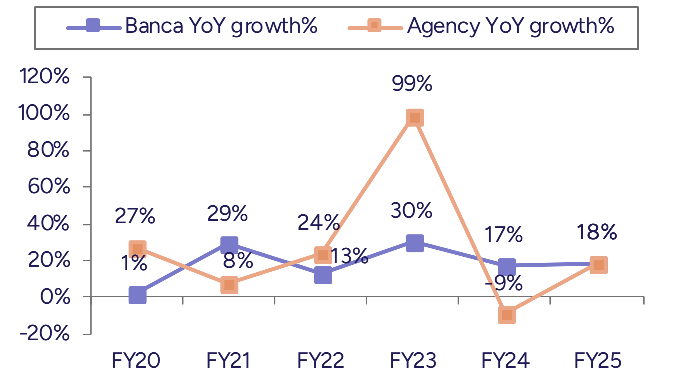


Source: Company, PL

- The bancassurance channel has been a key driver for growth over the past few years with HDFCB contributing to ~47% of APE. While ULIP continues to dominate HDFCB's mix, the company is targeting to make it more profitable by adding more riders (higher sum assured/ protection) to the category or improving the share of non-ULIP products in the channel.
- The agency business has seen a pick-up in momentum, growing 21%/ 18% YoY in 4QFY25/ FY25. The company is targeting to increase the share of agency (~18% of Ind. APE as of FY25) with the launch of a transformation exercise aimed at improving agent activation and productivity. The company has made significant investments in the channel (added 83k/97k agents in FY24/ FY25) to boost growth.

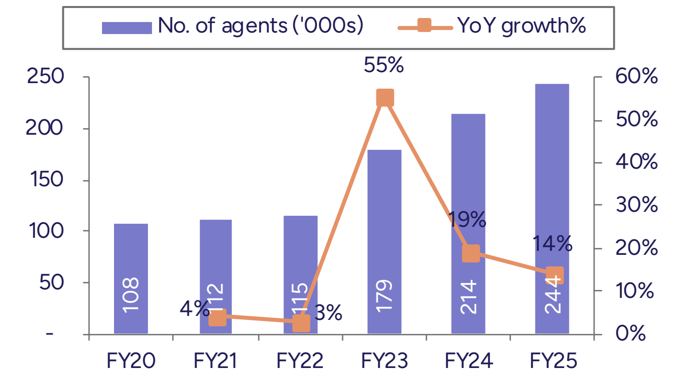
- Moreover, the acquisition of Exide Life in FY23 has enabled access to a wider distribution network (especially in Southern India) with a focus on priority micro markets.

Exhibit 37: Agency is seeing a pick-up in momentum...



Source: Company, PL

Exhibit 38: ...with a ramp-up in agency strength



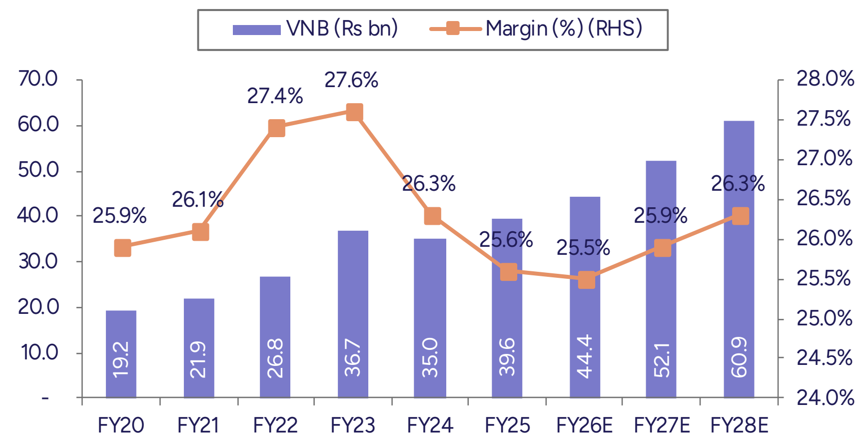
Source: Company, PL

Profitability to see gradual improvement

FY26E VNB margin to remain largely stable at ~25.5%; factor in ~40 bps expansion in FY27/FY28E

FY25 VNB margin for HDFCLIFE at 25.6% was somewhat subdued due to the impact of surrender value guidelines (~30bps) and a change in mix (higher growth in ULIP and slowdown in group protection). The company continues to guide for stable margins in FY26; any improvement on account of a favorable product mix is likely be invested in growth. We expect FY26E VNB margin to remain largely stable at ~25.5% with the impact of GST exemption offset by a shift towards high-margin products (traditional products over ULIPs) and recovery in the group protection portfolio. Post that, we factor in ~40 bps expansion in each year led by a favorable product mix and higher operating leverage.

Exhibit 39: VNB margin to improve to 26.3% by FY28E



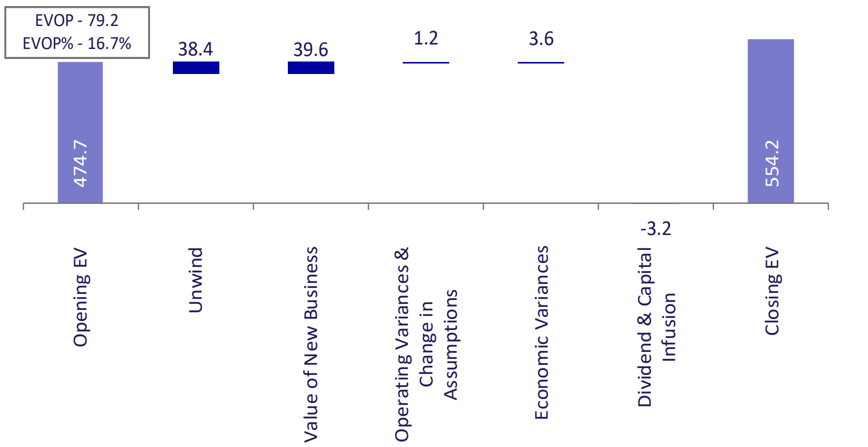
Source: Company, PL

EV assumptions and sensitivity

Expect EV to grow by 17% CAGR over FY25-28E

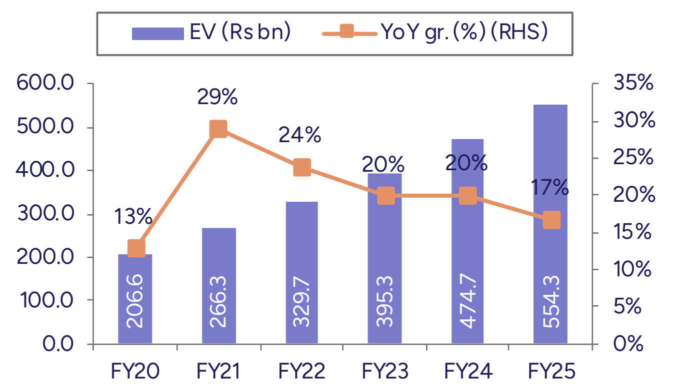
HDFCLIFE reported an opening EV of Rs474.7bn in FY25 with an unwind rate of 8.1%. With a positive contribution from VNB (Rs39.6bn) and operating/ economic variance (~Rs4.8bn), EVOP was Rs79.2bn. Factoring in a dividend payout/ capital consumption of Rs3.2bn, closing EV grew 17% YoY to Rs554.2bn. For FY26, we assume an unwind rate of 8% and a positive contribution from operating variances. We expect EV to grow by 17% CAGR over FY25-28E.

Exhibit 40: FY25 EV at Rs554.2bn with RoEV of ~17%



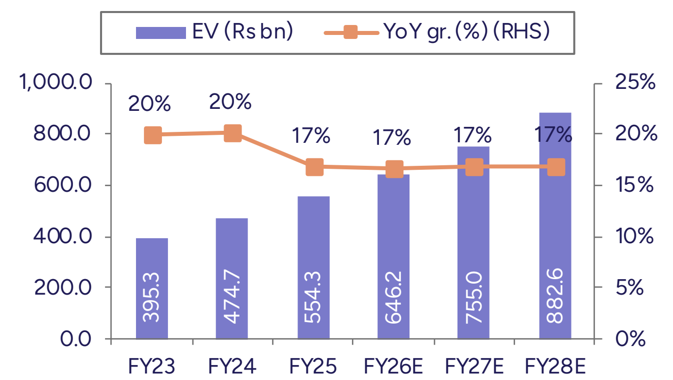
Source: Company, PL

Exhibit 41: EV has grown 22% over FY20-25...



Source: Company, PL

Exhibit 42: ...expect 17% CAGR over FY25-28E



Source: Company, PL

Sensitivity: HDFCLIFE maintains a resilient profile and is not highly sensitive to changes in reference rates or persistency/ expense assumptions. While the acquisition of Exide Life resulted in a higher impact in FY24/ FY25, overall sensitivity has remained range-bound.

Exhibit 43: HDFCLIFE has a resilient profile

	% change in VNB		% change in IEV	
	FY24	FY25	FY24	FY25
Reference rate Increase by 1%	-1.2	-1.4	-2.7	-2.7
Reference rate Decrease by 1%	0.8	0.9	2.6	2.6
Equity Market movement Decrease by 10%	-0.2	-0.2	-1.5	-1.4
Persistency (Lapse rates) Increase by 10%	-0.6	-0.9	-0.1	-0.1
Persistency (Lapse rates) Decrease by 10%	0.6	0.9	0.1	0.1
Maintenance expenses Increase by 10%	-0.6	-0.8	-0.9	-0.9
Maintenance expenses Decrease by 10%	0.6	0.8	0.9	0.9
Acquisition Expenses Increase by 10%	-3.2	-2.5	NA	NA
Acquisition Expenses Decrease by 10%	3.2	2.5	NA	NA
Mortality / Morbidity Increase by 5%	-1.5	-1.6	-1.2	-1.2
Mortality / Morbidity Decrease by 5%	1.5	1.6	1.2	1.2
Tax rate Increased to 25%	-5.1	-4.5	-9.3	-9.5

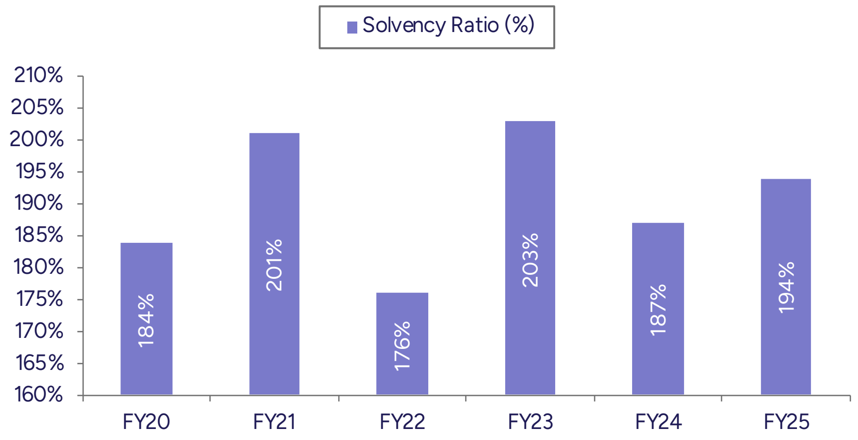
Source: Company, PL

Solvency boost post sub-debt raise in FY25

HDFCLIFE's solvency is comfortable; it stood at 194% in FY25 vs. regulatory guidance of 150%. The company raised Rs20bn of sub-debt in 2 tranches in FY25 and will evaluate the need to raise capital (one of the tranches is due for repayment in the near term). Moreover, it expects the shift to risk-based solvency calculation to result in the release of some capital.

Raised Rs20bn of sub-debt in 2 tranches in FY25 and will evaluate the need to raise capital

Exhibit 44: Solvency got a boost post sub-debt raise in Q4FY25



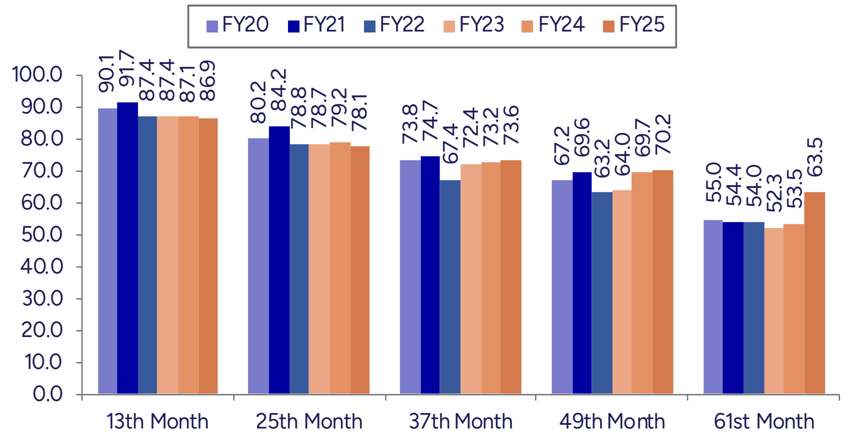
Source: Company, PL

Boost in 61M persistency; better retention vs. others

13M/61M persistency for regular/limited pay premiums stood at 86.9%/63.5% in FY25 vs. 87.1%/53.5% in FY24. Notably, 61M persistency has seen a significant improvement in FY25 (at 63.5% vs. 53.5% in FY24) on account of strong performance in ULIP. While we expect the share of ULIP to moderate for all insurers in FY26, HDFCLIFE is likely to perform better in retaining customers in the segment. We are seeing the trend play out in Q1FY26- with HDFCLIFE demonstrating a better profile vs. others.

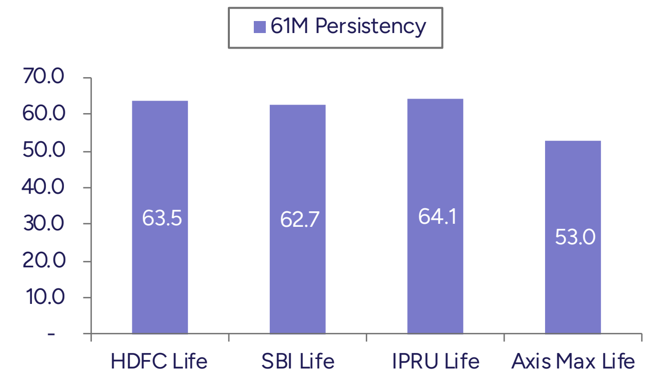
61M persistency has seen a significant improvement in FY25 (at 63.5% vs. 53.5% in FY24)

Exhibit 45: Persistency profile- 61M has seen a strong improvement in FY25



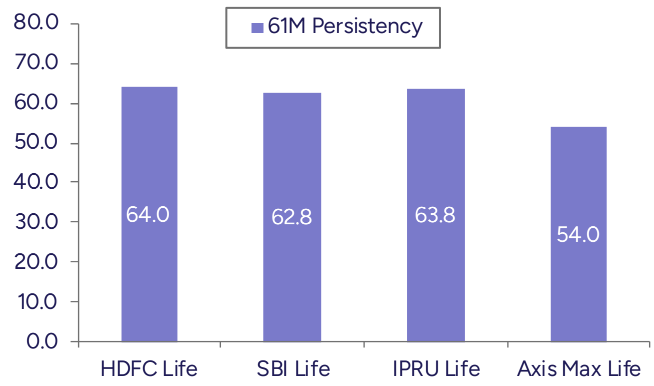
Source: Company, PL

Exhibit 46: HDFC Life has better 61M persistency…



Source: Company, PL

Exhibit 47: …and the trend has continued in Q1FY26



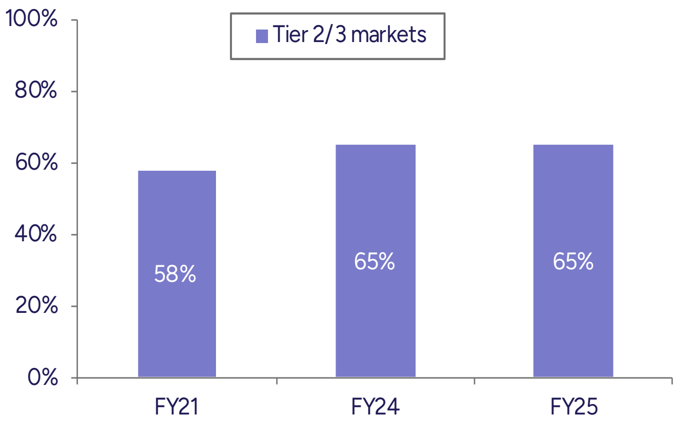
Source: Company, PL

Tier 2/3 markets likely to affect persistency

13M persistency in Tier 2 and 3 markets ranged between 83% and 86% (close to company level of 87%)

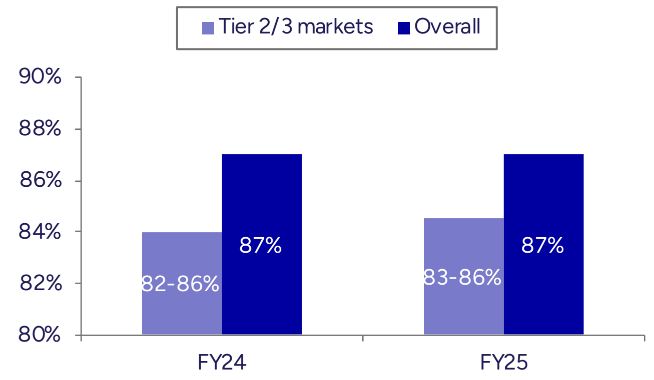
13M persistency in Tier 2 and 3 markets ranged between 83% and 86% (close to the company level of 87%). However, increased penetration in Tier 2 and 3 cities and lower ticket sizes are likely to affect persistency trends over the medium term. We expect the impact of a drop in persistency to be baked into the pricing of products sold in these markets.

Exhibit 48: Tier 2/3 markets comprise ~65% of overall APE



Source: Company, PL

Exhibit 49: 13M trend for Tier 2/3 markets close to overall



Source: Company, PL

Our valuation methodology

We value insurance stocks using the appraisal value framework. Factoring in 16% APE CAGR and 17% VNB CAGR (VNB margin to expand to ~26.3% by FY28E), we arrive at 17% EV CAGR over FY25-28E. We initiate coverage on HDFCLIFE with 'BUY' and TP of Rs900, implying 2.6x FY27E P/EV.

Exhibit 50: HDFCLIFE at TP of Rs900 (2.6x FY27E P/EV)

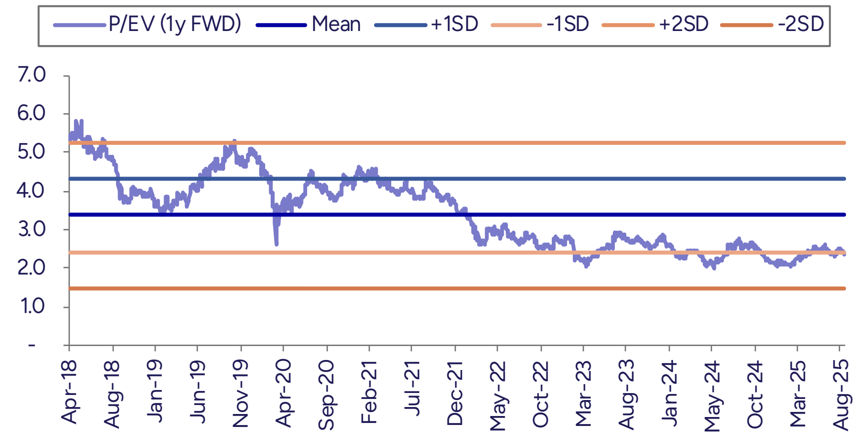
Appraisal Value Framework	Value (Rs mn)
FY27 VNB	52,142
VNB Multiple	24.8x
Structural Value - (A)	1,290,679
Embedded Value, F26E - (B)	646,154
Appraisal Value- (A) + (B)	1,936,833
No. of shares o/s (#)	2,153.0
Value per share (Rs)	900
Implied P/EV, F27	2.6x

Source: Company, PL

HDFCLIFE trading at reasonable valuation (2.4x P/EV)

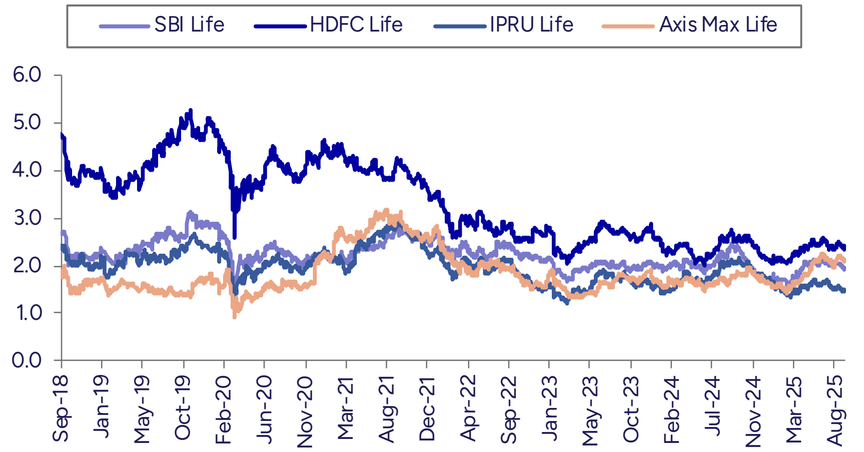
HDFCLIFE has always traded at a premium to peer average (average 1-year forward P/EV multiple of 3.0x for the past 5 years vs. 2.0x for peers) due to premium customer base, established brand and strong execution capability. However, the valuation gap to peers has narrowed significantly with HDFCLIFE trading at 2.4x currently. We believe the valuation to be quite reasonable for a strong franchise expected to deliver 16% APE growth over FY25-28E along with a positive trend in margins.

Exhibit 51: Stock is trading at 2.4x 1-year forward EV



Source: Company, PL

Exhibit 52: Valuation gap vs. peers has narrowed



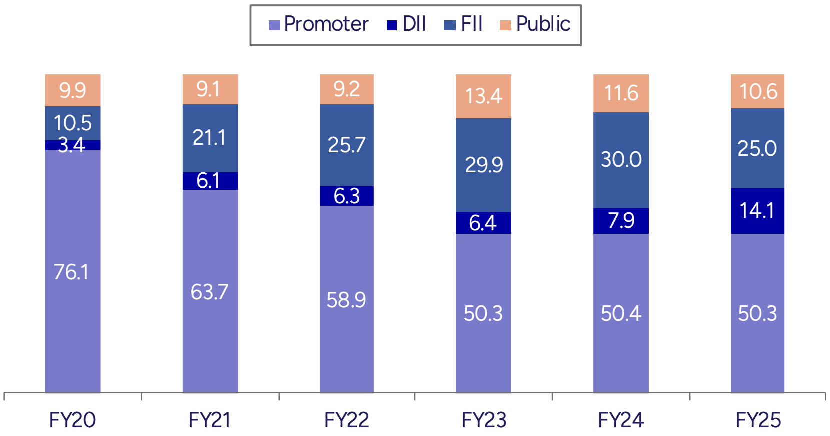
Source: Company, PL

Risks

- HDFCLIFE could see slower growth in NPAR and protection offerings in Tier 2 and 3 cities, resulting in a slowdown in APE growth.
- High dependence on large banca partners (especially HDFCB) increases concentration risk.
- Higher sensitivity to interest rate movement is likely to affect the NPAR portfolio.

Shareholding pattern

Exhibit 53: Shareholding pattern (%)- HDFCB owns 50.3%



Source: Company, PL

Financials

Exhibit 54: Revenue account

Y/e March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
FYP (first year premium)	111,108	129,761	150,522	174,004	200,104
SP (single premium)	185,205	203,892	237,535	273,165	315,505
NBP (new business premium)	**296,314**	**333,653**	**388,057**	**447,169**	**515,610**
RP (renewal premium)	334,451	376,796	437,083	500,461	567,522
Gross premium	**630,765**	**710,449**	**825,140**	**947,629**	**1,083,132**
(-) Reinsurance ceded	11,173	14,288	16,594	19,058	21,783
Net premiums	**619,592**	**696,161**	**808,546**	**928,572**	**1,061,349**
Investment & other income	388,151	263,287	273,810	290,424	331,491
Total income	**1,007,743**	**959,448**	**1,082,356**	**1,218,996**	**1,392,840**
- Commission expenses	52,563	78,353	74,263	80,548	92,066
- Operating expenses	69,011	62,218	70,137	80,548	92,066
- Provision for doubtful debts and taxes	3,183	5,715	6,505	7,349	8,282
Operating surplus	**882,986**	**813,162**	**931,451**	**1,050,550**	**1,200,426**
- Benefits paid (net)	396,965	369,109	453,827	521,196	595,723
- Change in reserves	484,194	415,156	440,252	486,946	570,532
Pre-tax surplus / (deficit)	**1,828**	**28,897**	**37,372**	**42,408**	**34,171**
Provisions for tax	-5,924	-5,882	5,606	6,361	5,126
Post-tax surplus / (deficit)	**7,751**	**34,779**	**31,766**	**36,047**	**29,046**

Source: Company, PL

Exhibit 55: P&L account

Y/e March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
T/f from technical a/c	7,991	9,968	17,471	21,628	17,427
Investment and other income	9,104	11,252	13,370	14,661	15,394
Total income	**17,095**	**21,220**	**30,842**	**36,289**	**32,821**
Total expenses	**5,500**	**2,559**	**8,562**	**8,562**	**8,562**
PBT	15,638	18,661	22,279	27,726	24,259
Provision for tax	-50	640	764	950	831
PAT	**15,689**	**18,021**	**21,516**	**26,776**	**23,427**

Source: Company, PL

Exhibit 56: Balance sheet

Y/e March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Sources of Funds					
Shareholders' fund	**146,517**	**161,256**	**144,205**	**171,516**	**195,412**
Policy liabilities	2,778,661	3,221,509	3,632,591	4,119,537	4,690,069
Funds for future appropriations	12,115	12,576	14,295	14,419	11,618
Total	**2,937,293**	**3,395,342**	**3,791,090**	**4,305,472**	**4,897,100**
Application of Funds					
Shareholders' investments	148,819	183,863	211,443	222,015	233,116
Policyholders' investments	1,817,966	2,162,671	2,493,976	2,929,051	3,443,485
Asset held to cover linked liabilities	955,416	1,016,282	1,067,096	1,131,121	1,198,989
Net other and current assets	15,092	32,526	18,575	23,285	21,511
Total	**2,937,293**	**3,395,342**	**3,791,090**	**4,305,472**	**4,897,100**

Source: Company, PL

Exhibit 57: Embedded value (EV)

Y/e March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Opening EV	**395,300**	**474,700**	**554,300**	**646,154**	**754,953**
Unwind	32,400	38,400	44,344	51,692	59,641
VNB	35,000	39,600	44,440	52,142	60,925
Operating variance	1,800	1,200	1,500	2,000	2,500
EV Operating Profit (EVOP)	**69,200**	**79,200**	**90,284**	**105,834**	**123,067**
Non-operating variance	13,500	3,600	2,000	3,500	5,000
EV Profit	**82,700**	**82,800**	**92,284**	**109,334**	**128,067**
Net capital injection	-3,300	-3,200	-430	-536	-469
Closing EV	**474,700**	**554,300**	**646,154**	**754,953**	**882,551**

Source: Company, PL

Exhibit 58: Key ratios

Y/e March	FY24	FY25	FY26E	FY27E	FY28E
Growth (%)					
APE	-1.0	15.8	16.1	15.5	15.1
Renewal premium	17.6	12.7	16.0	14.5	13.4
Net premium	9.2	12.4	16.1	14.8	14.3
PAT	15.3	14.9	19.4	24.4	-12.5
Total AUM	22.4	15.1	12.2	13.5	13.9
Total Assets	22.6	15.6	11.7	13.6	13.7
Expense analysis (%)					
Commission ratio	8.3	11.0	9.0	8.5	8.5
Opex ratio	10.9	8.8	8.5	8.5	8.5
Claims ratio	64.1	53.0	55.0	55.0	55.0
P/hs' opex / Avg P/hs' AUM	2.7	2.1	2.1	2.1	2.1
Profitability analysis (%)					
RoA	0.6	0.6	0.6	0.7	0.5
RoE	11.6	12.1	14.5	17.5	13.1
RoEV	17.5	16.7	16.3	16.4	16.3
VNB margin	26.3	25.6	25.5	25.9	26.3
S/hs' AUM yield	6.5	6.8	6.8	6.8	6.8
P/hs' AUM yield	15.3	8.7	8.0	7.5	7.5
Balance sheet analysis					
P/hs' funds / P/hs' AUM (x)	1.0	1.0	1.0	1.0	1.0
P/hs' liabilities / Net worth (x)	18.5	20.1	23.1	25.3	24.6
Per share data (Rs)					
EPS	7.3	8.4	10.0	12.5	10.9
BVPS	66.1	72.8	65.0	77.7	88.8
EVPS	220.9	257.5	300.6	351.2	410.6
Valuation data (x)					
P/E	104.3	90.9	76.0	61.1	69.8
P/EV	3.4	3.0	2.5	2.2	1.9

Source: Company, PL

ICICI Prudential Life Insurance Company (IPRU IN)

Rating: BUY | CMP: Rs598 | TP: Rs725

August 5, 2025

Company Initiation

Key Financials - Consolidated

Y/e Mar	FY25	FY26E	FY27E	FY28E
NBP (Rs mn)	2,32,306	2,79,355	3,14,248	3,58,209
APE (Rs mn)	1,04,070	1,13,382	1,26,697	1,42,526
VNB (Rs mn)	23,700	26,078	29,647	33,779
Margin (%)	*22.8*	*23.0*	*23.4*	*23.7*
Embedded Value (Rs mn)	4,79,500	5,44,639	6,19,045	7,04,253
EVOP (Rs mn)	55,330	65,208	74,488	85,072
RoEV (%)	*13.1*	*13.6*	*13.7*	*13.7*
P/EV (x)	1.8	1.6	1.4	1.2

Key Data	ICIR.BO | IPRU IN
52-W High / Low	Rs.795 / Rs.526
Sensex / Nifty	81,101 / 24,869
Market Cap	Rs.870.4bn/ $ 9,872.6m
Shares Outstanding	1,446.6m
3M Avg. Daily Value	Rs.774.0m

Shareholding Pattern (%)

Promoter's	73.00
Foreign	13.25
Domestic Institution	8.80
Public & Others	4.95
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(1.4)	10.4	(19.3)
Relative	(3.9)	(0.8)	(19.0)

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Slowly turning things around

Quick Pointers:

- Expect 11% APE CAGR over FY25-28E led by protection, NPAR and annuity
- Margins to improve to ~24% by FY28E led by a favorable product mix
- Expect VNB/ EV CAGR of 13%/ 14% over FY25-28E

We initiate coverage with 'BUY' rating and TP of Rs725 (1.9x FY27E P/EV). While APE growth was up 15% YoY, weak margin profile, sharp increase in expenses and negative operating variance affected IPRU's performance in FY25. Q1FY26 saw subdued growth on account of a high base; we expect it to become favorable over the year and build an APE growth of 11% over FY25-28E led by a pick-up in protection, NPAR and annuity. Execution depends on sustaining growth momentum across non-ICICI Bank partners and proprietary channels (direct/ agency). While the impact of GST exemption is likely to be absorbed in FY26E, expect VNB margin to improve to ~24% by FY28E driven by a favorable product mix. Valuations are cheap (stock is trading at 25-40% discount to peers), and we view the risk-reward trade-off to be favorable. Initiate with 'BUY'.

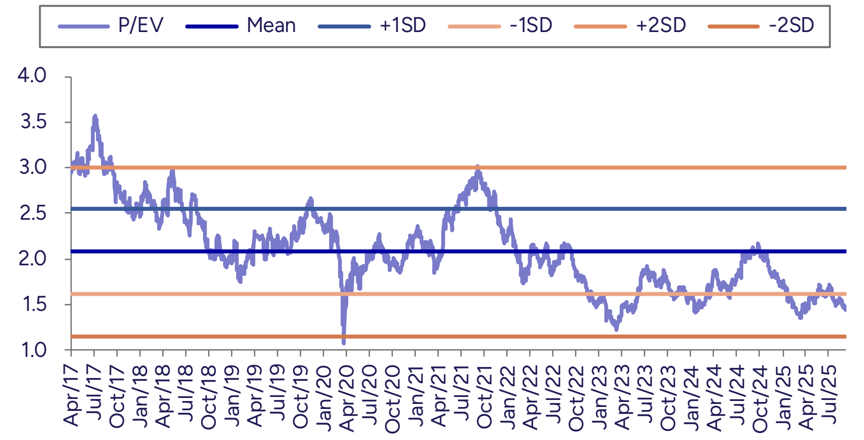
Expect 11% APE CAGR over FY25-28E: IPRU saw a turnaround in APE growth in FY25 (+15% YoY vs. 5%/ 12% in FY24/ FY23) led by ULIP (+29% YoY) and retail protection (+25% YoY). While FY26 growth is likely to be tempered due to a moderating share of ULIP and a high base, we expect sustained momentum in protection, NPAR and annuity to contribute to an APE CAGR of 11% over FY25-28E. A strong retail-protection franchise, innovative product offerings and a well-entrenched distribution channel are key catalysts to drive growth.

Diversified distribution mix to contribute to growth: IPRU has a well-diversified distribution mix spread across 49 banks, 1,300+ partnerships and a strong agency force of >229k agents. Moreover, by aligning with banks like IDFC First, RBL, and IIB (ex-ICICI Bank partners), IPRU has gained access to the under-penetrated mass and mass-affluent customer segments. It has also invested in building a strong proprietary franchise over FY24-25, which we believe will contribute to growth. While ICICI Bank's run-rate remains stable (12-15% share in overall APE), we expect non-ICICI Bank partners to grow faster.

VNB margin to improve to 24% by FY28E: Higher expenses, sluggish growth in group protection and the impact of surrender value guidelines led to a weak VNB margin of 22.8% in FY25. Negative operating variances (downgrade in mortality assumptions) and economic variances further impacted profitability. While the impact of GST exemption is likely to keep FY26E VNB Margin subdued, we expect an improvement to ~24% by FY28E driven by a shift towards high-margin products (protection and NPAR).

Most attractively priced stock in the sector: While IPRU had a high base in Q1FY26, we expect it to become favorable over the year. In our view, decent growth (11% APE CAGR over FY25-28E) along with an improvement in margin trajectory, is likely to be a key re-rating catalyst for IPRU, which trades at 1.5x FY27E EV, 25-40% discount to peers. We use the appraisal value framework to value IPRU at TP of Rs725 (1.9x FY27E P/EV). We view the risk-reward trade-off to be positive and initiate on 'BUY' rating.

Exhibit 59: Stock is trading at 1-year forward EV of 1.5x



Source: Company, PL

Company Overview

IPRU Life (IPRU) was among the first private sector life insurance companies to begin operations in Dec'2000 after receiving approval from the Insurance Regulatory Development Authority of India. It was incorporated as a JV between ICICI Bank, a leading private sector bank in India, and Prudential Plc, a leading international financial services group based in the UK. As of now, ICICI Bank holds ~51% share and Prudential Plc holds ~22% share in IPRU. For over a decade, IPRU has maintained its dominant position (on new business retail weighted basis) among private life insurers in the country, with an array of products to match the different life stage requirements of customers and enable them to achieve their long-term financial goals.

Exhibit 60: Key Milestones

2001	IPRU started its operations
2002	Crossed the mark of 100,000 policies
2005	Crossed the mark of 1mn policies
2008	Crossed the mark of 5mn policies
	Crossed receipt of Rs100bn of total premium
	Crossed Rs250bn of AUM
2010	Established subsidiary to undertake pension funds related business
	IPRU turned profitable - registered profit of Rs2.58bn
	Crossed Rs500bn of assets under management
2012	Started paying dividends
2015	Crossed Rs1trn of AUM
2017	First insurance company in India to list on NSE and BSE
2021	Crossed Rs2trn of AUM
2023	Crossed Rs2.5trn of AUM
2025	Crossed Rs3trn of AUM

Source: Company, PL

Investment Rationale

ULIP to moderate; focus on NPAR and protection

IPRU clocked an APE CAGR of ~19% over FY14-19, driven by market share gains from ULIP portfolio expansion. However, in FY19, the company made a strategic decision to diversify its product mix and move away from ULIP since it is a low-margin, volatile product dependent on capital markets. Consequently, IPRU reduced the share of ULIP products to ~43% in FY24 from ~82% in FY19. While growth slowed down considerably during the period – 10% CAGR over FY22-25 – the company has been able to broaden its product proposition through new launches in the annuity, protection and NPAR segments.

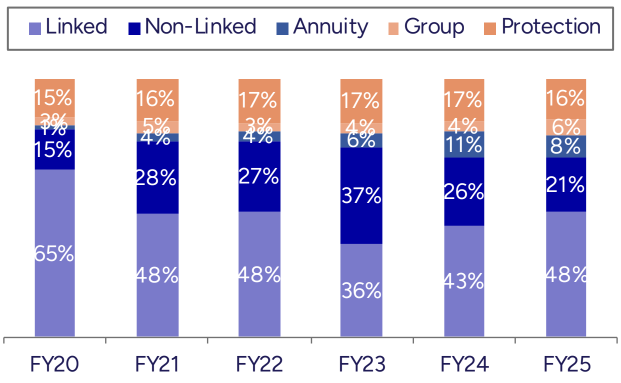
Despite new launches, FY25 was a strong year for the equity markets, resulting in high demand for ULIP products. IPRU saw an overall APE growth of 15% YoY led by the outperformance of its ULIP portfolio (+29% YoY). While the share of ULIP was elevated in FY25 at ~48%, company indicates a mix of 40:30:20:10 for ULIP, non-linked savings, protection and annuity/group to sustain over the medium term. Q1FY26 commentary highlighted a surge in the non-linked segment as customer preference is shifting toward guaranteed products, given the volatility in equity markets.

Expect IPRU to deliver APE growth of 11% over FY25-28E

Apart from savings, IPRU has the largest share of protection in its mix at 16% for FY25 vs. 10%-15% for peers. With a diversified product mix and a comprehensive protection franchise, we expect IPRU to deliver APE growth of 11% over FY25-28E.

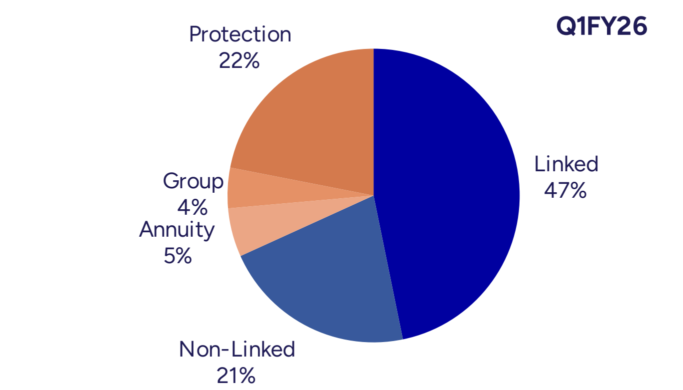
Expect 11% APE growth over FY25-28E

Exhibit 61: APE mix (%)-ULIP to moderate…



Source: Company, PL

Exhibit 62: …shifting toward non-linked and protection



Source: Company, PL

- **ULIP share is moderating:** ULIP saw strong growth of +29% YoY in FY25. The company highlighted that higher attachment rates and sum assured led to a better margin profile in ULIP. However, demand has started to moderate since Q1 (-13.6% YoY) on account of increased volatility in the equity markets, and we expect the share to reduce in FY26.

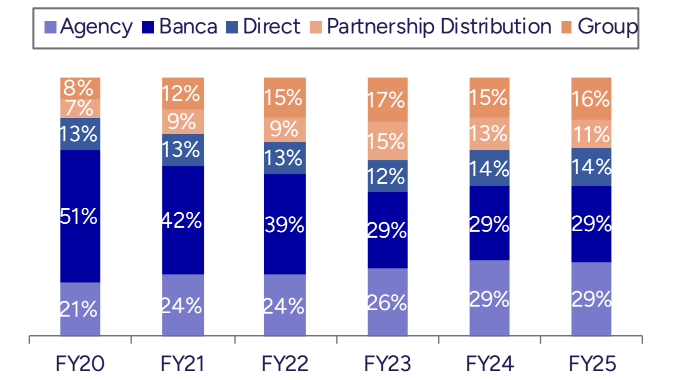
- **NPAR demand seeing a surge:** NPAR APE grew 21% YoY in Q1FY26 aided by lower interest rates and equity market uncertainty. The company expects NPAR demand to sustain in FY26.

- **Protection to drive growth in FY26:** Retail protection showed strong momentum in FY25 (+25% YoY). IPRU expects the trend to continue in FY26 (+24% YoY in Q1FY26), led by a shift in preference toward pure protection (vs. RoP). Within group protection, the company highlighted growth in group term insurance and non-MFI credit life and expects recovery in MFI credit life in subsequent quarters.

Tapping growth from multiple channels

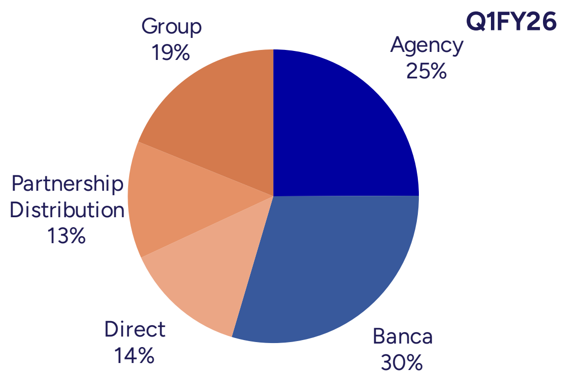
IPRU has a diversified channel mix with 29%/29%/14%/11%/16% of FY25 APE coming from the agency/banca/direct/ partnership distribution/ group channel.

Exhibit 63: Distribution mix (% of APE)- banca down to ~30%...



Source: Company, PL

Exhibit 64: ...focus on diversification



Source: Company, PL

Ex-ICICI Bank tie-ups such as AU SFB, IDFC First Bank, RBL Bank, IndusInd Bank to deliver growth

- ICICI Bank share in total APE has declined from 31% in FY21 to ~12-15% currently due to an under-performance in the channel. While ICICI Bank has slowed down growth in ULIP and NPAR, it continues to focus on the opportunity in protection and annuity. We expect the share to remain stable (between ~12-15%) and expect non-ICICI Bank partners to grow faster.

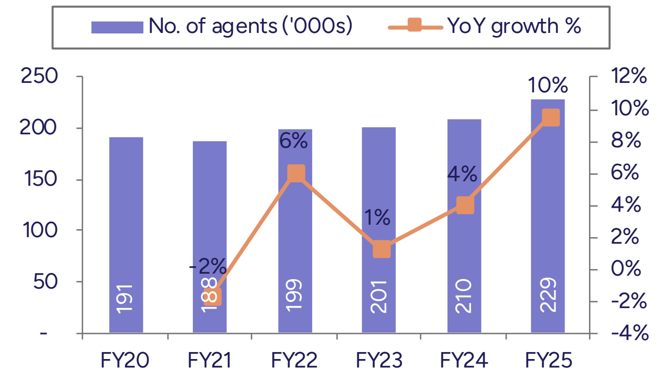
- Ex-ICICI Bank tie-ups such as AU SFB, IDFC First Bank, RBL Bank, and IndusInd Bank have delivered strong fee-income growth over FY22-25 and we expect the momentum to continue. IPRU currently has tie-ups with 48 banks with access to 23k branches.

- IPRU has a force of 229k+ advisors and has made significant investments in the channel (added 60k advisors in FY25). Its strategy in the agency channel is to ring-fence top advisors while continuing to focus on expanding the width of advisor activation.

- Partnership distribution: IPRU Life currently has tie-ups with 1,300+ partners (added 200+ new partners in FY25)

- Direct channel: IPRU Life has an evolved direct channel (14% contribution to APE in FY25) which can be used to leverage data analytics for cross-sell/upsell.

Exhibit 65: IPRU continues to add advisors over FY20-25



Source: Company, PL

Exhibit 66: Distribution strength across partners

Distribution footprint	FY23	FY24	FY25	Q1FY26
Banca tie-ups (#)	39	44	48	49
Access to bank branches (#)	17,500+	21,000+	23,000+	23,900+
Agency advisors (#)	200,000+	209,000+	229,000+	240,000+
Partnership distributions (#)	945+	1,112	1,300+	1,350+

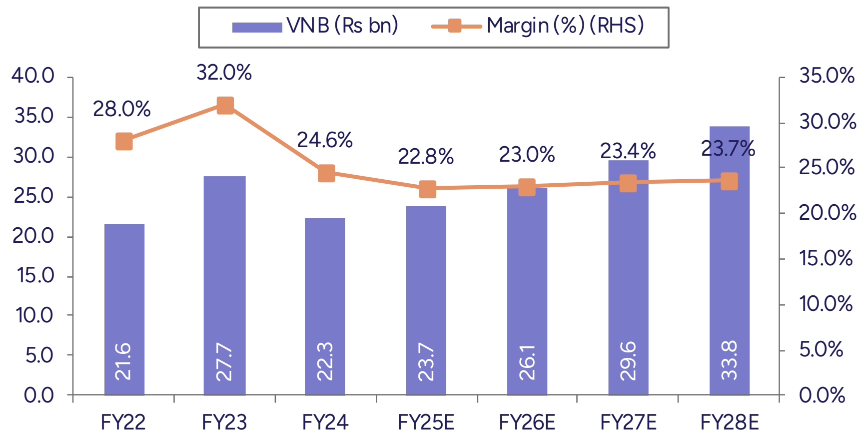
Source: Company, PL

VNB margin to improve to ~24% by FY28E

Expect margin to improve to ~24% by FY28E driven by a rising share of protection/ NPAR

IPRU saw a weak margin profile in FY25 at 22.8%; change in mix toward ULIP and a slowdown in group protection skewed the margin downward. Despite a significant shift in product mix toward high-margin products such as protection and NPAR in Q1FY26, margin expansion was moderate (50 bps YoY to 24.5%). While the impact of GST exemption is likely to be absorbed in 9MFY26E, we expect margin to improve to ~24% by FY28E driven by a rising share of protection/ NPAR.

Exhibit 67: VNB margin improving

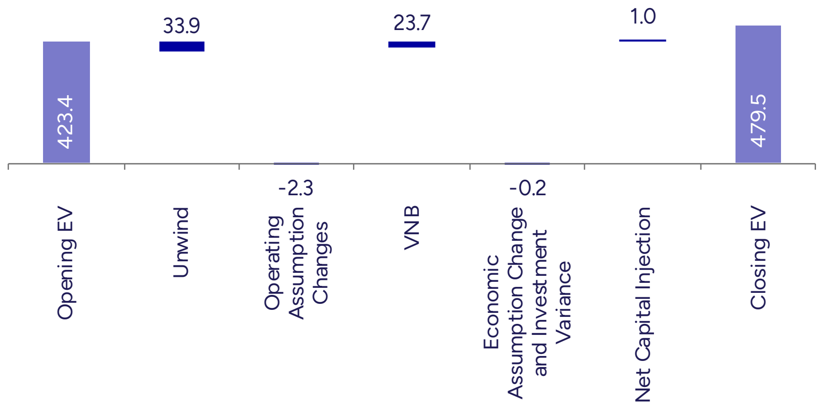


Source: Company, PL

EV assumptions and sensitivity

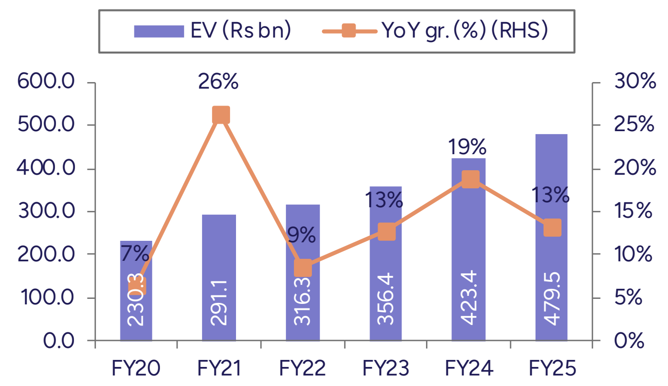
IPRU reported an opening EV of Rs423.4bn in FY25 with an unwind rate of 8%. Post factoring in the VNB and operating variance, EVOP was Rs55.3bn, while closing EV stood at Rs479.5bn. For FY26, we assume a similar unwind rate of 8% and expect EV to grow by 14% over FY25-28E.

Exhibit 68: FY25 EV at Rs479.5bn with RoEV of ~13%



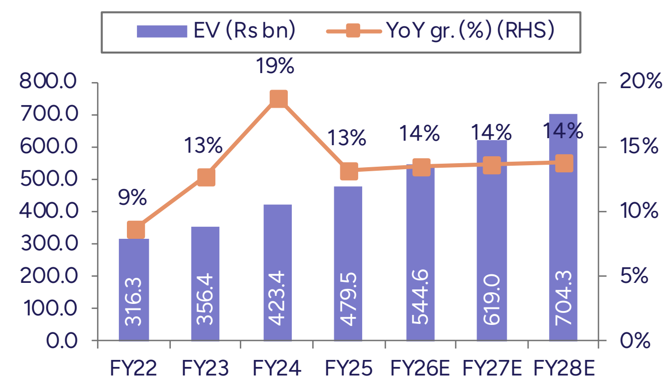
Source: Company, PL

Exhibit 69: EV grew at a CAGR of 16% over FY20-25...



Source: Company, PL

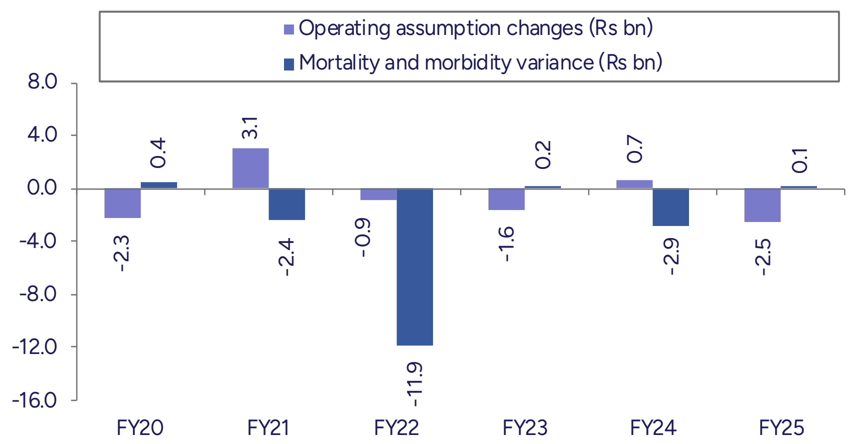
Exhibit 70: ...expect 14% CAGR over FY25-28E



Source: Company, PL

Sensitivity: IPRU has seen a higher mortality variance in FY21/ FY22 and FY24 (negative variance due to impact of Covid claims). The impact also reflected in FY25 (- Rs 2.5 bn) when the company aligned its operating assumptions. Hence, any changes in mortality/ morbidity assumption are likely to have a higher impact on VNB/ EV for IPRU.

Exhibit 71: IPRU saw higher mortality variance in FY21/ FY22 and FY24



Source: Company, PL

Exhibit 72: Changes in mortality likely to have a higher impact

	% change in VNB		% change in IEV	
	FY24	FY25	FY24	FY25
Increase in 100 bps in the reference rates	-2.9%	-3.7%	-3.5%	-3.5%
Decrease in 100 bps in the reference rates	2.7%	3.9%	3.8%	3.8%
10% increase in the discontinuance rates	-1.2%	-1.6%	-0.4%	-0.4%
10% decrease in the discontinuance rates	1.3%	1.8%	0.4%	0.4%
10% increase in mortality/morbidity rates	-3.6%	-3.6%	-2.0%	-2.4%
10% decrease in mortality/morbidity rates	3.7%	3.6%	2.1%	2.3%
10% increase in acquisition expenses	-4.4%	-3.9%	Nil	Nil
10% decrease in acquisition expenses	4.4%	3.9%	Nil	Nil
10% increase in maintenance expenses	-0.8%	-0.8%	-0.8%	-0.7%
10% decrease in maintenance expenses	0.8%	0.8%	0.8%	0.7%
Tax rates increased to 25%	-2.8%	-2.4%	-6.6%	-6.5%
10% increase in equity values	0.3%	0.3%	1.6%	1.4%
10% decrease in equity values	-0.2%	-0.2%	-1.7%	-1.5%

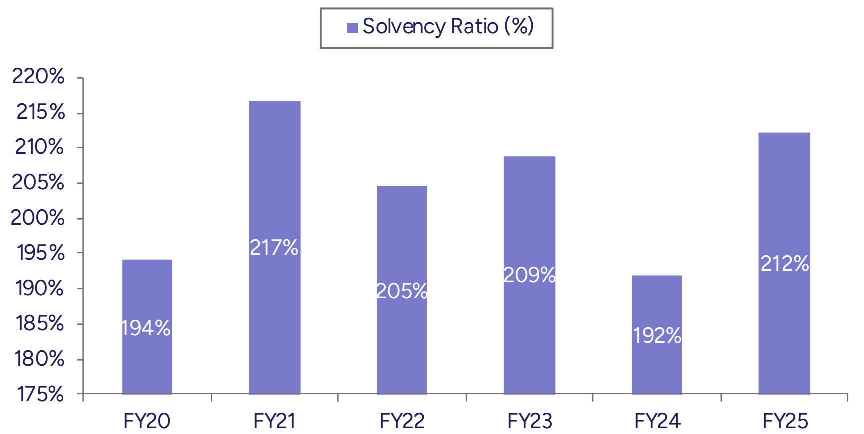
Source: Company, PL

Solvency comfortable; sub-debt due for call-back in FY26

Company raised sub-debt of Rs 14bn in Q3FY25, boosting solvency to 212% (vs. regulatory guidance of 150%). Rs12bn of sub-debt is due for call-back in FY26, and the company will decide to call back or renew based on the new risk-based capital regime.

Rs12bn of sub-debt is due for call-back in FY26

Exhibit 73: Solvency comfortable at 212% post sub-debt raise in Q3FY25

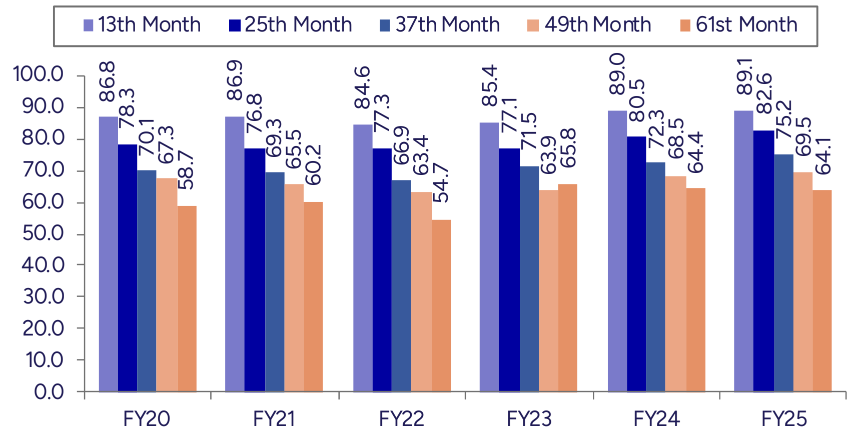


Source: Company, PL

Persistency profile to improve

IPRU saw an improvement in persistency across cohorts at 89.1%/ 82.6%/ 75.2%/ 69.5%/ 64.1% for 13M/ 25M/ 37M/ 49M/ 61M. We expect persistency to improve as the company continues to focus on improving customer retention.

Exhibit 74: Persistency profile improving across cohorts



Source: Company, PL

Our valuation methodology

We value insurance stocks using the appraisal value framework. We are factoring in 11%, 13% and 14% CAGR in APE, VNB and EV, respectively, over FY25–28E with the margin profile improving as Protection and NPAR pick up. We initiate coverage on IPRU with 'BUY' rating and TP of Rs725, implying 1.9x FY27E P/EV.

Exhibit 75: IPRU at TP of Rs725 (1.9x FY27E P/EV)

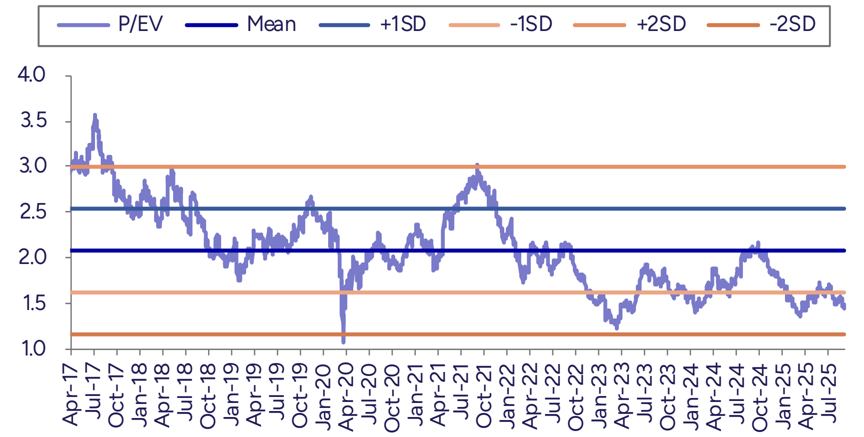
Appraisal Value Framework	Value (Rs mn)
FY27 VNB	29,647
VNB Multiple	17.0x
Structural Value - (A)	502,924
Embedded Value, F26E - (B)	544,639
Appraisal Value- (A) + (B)	1,047,563
No. of shares o/s (#)	1,445.3
Value per share (Rs)	725
Implied P/EV, F27E	1.9x

Source: PL

IPRU trading at an attractive valuation

IPRU is trading at an attractive valuation of 1.5x FY27 EV (25-40% discount to peers). Shift in strategy by ICICI Bank, unfavorable product mix and underperformance on the margin front have kept valuations low. While growth in FY26 would remain subdued on a high base and the impact of GST exemption is likely to be absorbed, we expect the P/EV multiple to move up driven by an improvement in margin to ~24% by FY28E.

Exhibit 76: Stock is trading at 1-year forward EV of 1.5x



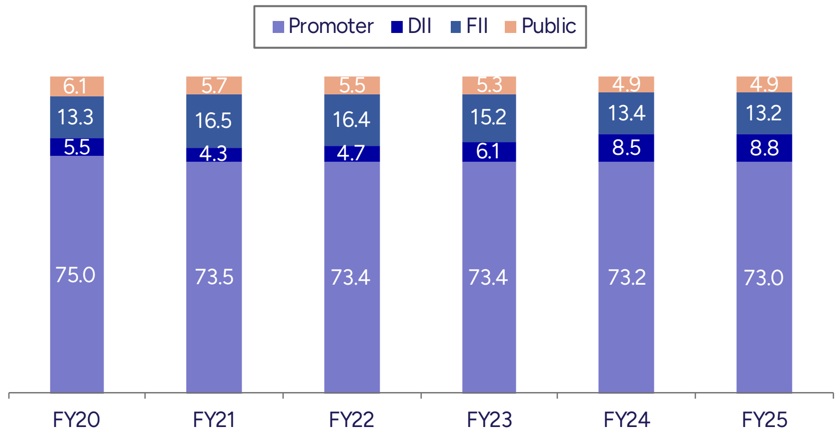
Source: Company, PL

Risks

- Slow growth in ICICI Bank channel and weak performance of other banca partners/ partnerships could result in lower growth.
- Impact of GST exemption is likely to hurt margins over the short-term. Moreover, disruption in VNB margin over FY25-28E due to high opex/ commission costs, could impact profitability.
- Continued negative operating and economic variance in FY26 is likely to affect embedded value

Shareholding pattern

Exhibit 77: Shareholding pattern (%) - ICICI Bank/Prudential Corp hold 51%/22%



Source: Company, PL

Financials

Exhibit 78: Revenue Account

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
FYP (first year premium)	70,315	81,146	94,940	105,858	118,562
SP (single premium)	116,473	151,160	184,415	208,389	239,647
NBP (new business premium)	**186,788**	**232,306**	**279,355**	**314,248**	**358,209**
RP (renewal premium)	245,568	257,202	277,445	307,218	342,853
Gross premium	**432,356**	**489,507**	**556,800**	**621,465**	**701,062**
(-) Reinsurance ceded	14,760	16,913	19,488	21,751	24,537
Net premiums	**417,597**	**472,594**	**537,312**	**599,714**	**676,525**
Investment & other income	485,476	233,605	246,298	270,994	297,540
Total income	**903,073**	**706,199**	**783,611**	**870,708**	**974,065**
- Commission expenses	37,220	48,594	52,724	57,048	61,612
- Operating expenses	41,260	39,716	47,328	49,717	56,085
- Provision for doubtful debts and taxes	6,173	6,953	8,884	9,799	10,925
Operating surplus	**818,420**	**610,937**	**674,674**	**754,144**	**845,444**
- Benefits paid (net)	397,459	454,711	473,280	497,172	616,935
- Interim & terminal bonuses paid	2,601	7,114	2,000	2,000	2,000
- Change in reserves	406,390	135,714	182,598	233,409	199,533
Pre-tax surplus / (deficit)	**11,970**	**13,398**	**16,795**	**21,563**	**26,976**
Provisions for tax	1,079	2,502	3,136	4,026	5,037
Post-tax surplus / (deficit)	**10,891**	**10,896**	**13,659**	**17,537**	**21,939**

Source: Company, PL

Exhibit 79: P&L Account

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
T/f from technical a/c	14,719	10,931	12,293	16,660	20,842
Investment and other income	13,835	7,304	14,883	16,669	18,669
Total income	**28,554**	**18,234**	**27,176**	**33,328**	**39,511**
Total expenses	**19,322**	**4,917**	**13,048**	**15,558**	**18,569**
PBT	9,232	13,317	14,128	17,771	20,942
Provision for tax	708	1,462	1,551	1,950	2,298
PAT	**8,524**	**11,855**	**12,578**	**15,820**	**18,644**

Source: Company, PL

Exhibit 80: Balance Sheet

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Sources of Funds					
Shareholders' fund	**110,086**	**119,338**	**126,999**	**141,237**	**158,016**
Policy liabilities	2,812,318	2,956,225	3,248,722	3,582,275	3,904,305
Funds for future appropriations	12,866	12,832	1,366	877	1,097
Total	**2,935,270**	**3,088,395**	**3,377,088**	**3,724,390**	**4,063,419**
Application of Funds					
Shareholders' investments	105,755	140,404	157,253	176,123	197,258
Policyholders' investments	1,143,182	1,286,988	1,539,917	1,748,800	1,994,544
Asset held to cover linked liabilities	1,648,424	1,612,399	1,644,647	1,776,219	1,847,267
Net other and current assets	37,909	48,604	35,271	23,248	24,349
Total	**2,935,270**	**3,088,395**	**3,377,088**	**3,724,390**	**4,063,419**

Source: Company, PL

Exhibit 81: Embedded Value (EV)

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Opening EV	**356,380**	**423,370**	**479,500**	**544,639**	**619,045**
Unwind	30,710	33,900	38,360	43,571	49,524
VNB	22,270	23,700	26,078	29,647	33,779
Operating variance	-2,820	-2,270	770	1,270	1,770
EV Operating Profit (EVOP)	**50,160**	**55,330**	**65,208**	**74,488**	**85,072**
Non-operating variance	16,910	-240	1,000	1,500	2,000
EV Profit	**67,070**	**55,090**	**66,208**	**75,988**	**87,072**
Net capital injection	-60	1,040	-1,069	-1,582	-1,864
Closing EV	**423,390**	**479,500**	**544,639**	**619,045**	**704,253**

Source: Company, PL

Exhibit 82: Key Ratios

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
Growth (%)					
APE	4.7	15.0	8.9	11.7	12.5
Renewal premium	9.0	4.7	7.9	10.7	11.6
Net premium	8.3	13.2	13.7	11.6	12.8
PAT	5.1	39.1	6.1	25.8	17.8
Total AUM	16.7	4.9	9.9	10.8	9.1
Total Assets	17.3	5.2	9.3	10.3	9.1
Expense analysis (%)					
Commission ratio	7.2	8.4	8.5	8.2	8.0
Opex ratio	9.5	8.1	8.5	8.0	8.0
Claims ratio	95.2	96.2	85.0	80.0	88.0
P/hs' opex / Avg P/hs' AUM	1.6	1.4	1.6	1.5	1.5
Profitability analysis (%)					
RoA	0.3	0.4	0.4	0.4	0.5
RoE	8.3	10.5	10.2	11.7	12.4
RoEV	14.1	13.1	13.6	13.7	13.7
VNB margin	24.6	22.8	23.0	23.4	23.7
S/hs' AUM yield	13.5	5.9	10.0	10.0	10.0
P/hs' AUM yield	18.0	8.0	8.0	8.0	8.0
Balance sheet analysis					
P/hs' funds / P/hs' AUM (x)	1.0	1.0	1.0	1.0	1.0
P/hs' liabilities / Net worth (x)	25.4	25.5	25.1	25.3	24.9
Per share data (Rs)					
EPS	5.9	8	9	11	13
BVPS	74	83	88	98	110
EVPS	294	332	377	428	487
Valuation data (x)					
P/E	101.1	72.9	68.7	54.7	46.4
P/EV	2.0	1.8	1.6	1.4	1.2

Source: Company, PL

PL Capital
PRABHUDAS LILLADHER

Max Financial Services (MAXF IN)

Rating: BUY | CMP: Rs1,597 | TP: Rs1,850

August 5, 2025

Company Initiation

Key Financials - Consolidated

Y/e Mar	FY25	FY26E	FY27E	FY28E
NBP (Rs mn)	1,21,736	1,45,077	1,68,308	1,94,125
APE (Rs mn)	87,700	1,02,694	1,19,567	1,38,073
VNB (Rs mn)	21,070	24,441	29,055	34,104
Margin (%)	*24.0*	*23.8*	*24.3*	*24.7*
Embedded Value (Rs mn)	2,51,920	2,97,770	3,51,455	4,14,125
EVOP (Rs mn)	37,300	45,850	53,684	62,670
RoEV (%)	*19.1*	*18.2*	*18.0*	*17.8*
P/EV (x)	2.7	2.3	1.9	1.6

Key Data	MAXI.BO | MAXF IN
52-W High / Low	Rs.1,679 / Rs.973
Sensex / Nifty	81,101 / 24,869
Market Cap	Rs.555.0bn/ $ 6,295.1m
Shares Outstanding	345.1m
3M Avg. Daily Value	Rs.1,280.1m

Shareholding Pattern (%)

Promoter's	1.74
Foreign	44.75
Domestic Institution	47.30
Public & Others	6.21
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	3.7	54.5	41.3
Relative	1.1	43.3	41.5

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Consistent performer with all the levers in place

Quick Pointers:

- APE to clock 16% CAGR over FY25-28E led by growth in protection and NPAR
- VNB margin to improve to ~25% by FY28E driven by a favorable product mix
- Building 17%/ 18% CAGR for VNB/ EV over FY25-28E

We initiate coverage on MAXF with 'BUY' rating and TP of Rs1,850 (2.0x FY27E P/EV). Strong rebound in NPAR and innovative product offerings in protection and annuity are likely to help Axis Max Life become a strong player in these segments- expect 16% APE CAGR over FY25-28E. Recent re-branding and capital infusion by Axis Bank to strengthen its banca reach and a well-entrenched proprietary channel will aid in growing the retail portfolio. While FY26E VNB margin is expected to see a weakness at 23.8% (impact of GST exemption), we expect a recovery to ~25% by FY28E driven by a higher share of NPAR and protection. Expect holding co. discount to gradually narrow with progress being made on the reverse-merger scheme. Initiate with 'BUY'.

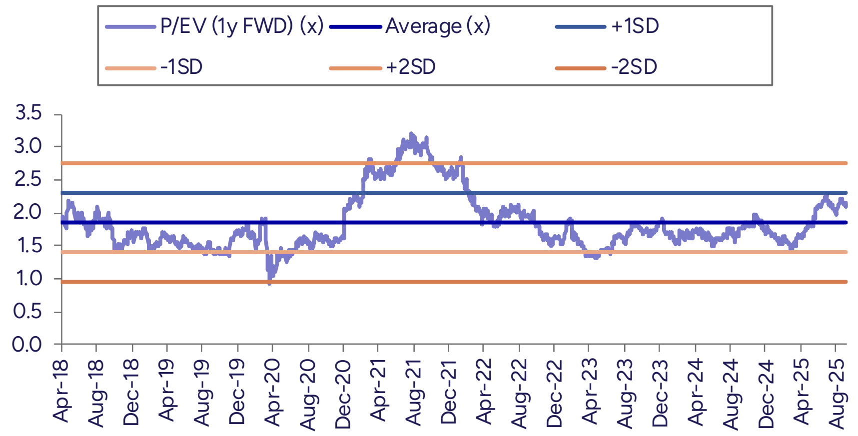
New launches to drive growth: Axis Max Life's APE has grown at a CAGR of ~17% over FY22-25, led by savings and protection. Share of ULIP stood elevated in FY25 at 42% vs. 25-30% historically. While we expect ULIP growth to moderate in FY26E, it will be offset by a pick-up in protection and NPAR. With the launch of innovative products (SEWA, SWAG), rising contribution from annuity (5% of APE in FY25) and steady growth in savings portfolio (PAR and NPAR), we expect Axis Max Life to deliver 16% CAGR over FY25-28E.

Re-branding to strengthen franchise: Recent rebranding to Axis Max Life Insurance, post the stake increase and capital infusion of Rs16.1bn by Axis Bank, highlights strong commitment by the bank to drive growth. Proprietary channel, contributing 42% to FY25 APE, has grown at a faster pace of ~24% CAGR vs. ~11% for bancassurance over FY20-25 and will be a key growth driver. Further, with a leadership position in the online market for protection and savings, Axis Max Life is well-placed to diversify growth across channels.

VNB margin to improve to ~25% by FY28E: FY25 VNB margin was subdued at 24.0% due to elevated ULIP share and adverse impact (~50bps) of the new surrender value guidelines. We expect FY26E VNB margin to continue to see a weakness at 23.8% on account of the recent GST exemption. Post that, we expect an improvement to ~25% by FY28E as the share of protection and NPAR increases. Continuous investment in opex-heavy agency and proprietary channels, however, is likely to offset the gain.

Holdco discount to narrow: Axis Max Life has delivered strong EV growth of ~21% over FY22-25. But uncertainty surrounding the lack of a big bank-backed distribution infrastructure has reflected in its valuation (average of 1.7x P/EV for the past 3 years). Moreover, we have adjusted for a holding company discount in our valuation since the parent company (MAXF) is the listed entity currently. With Axis Bank as an active partner on board and progress being made on the merger of the two companies, we expect the discount (currently at ~11%) to narrow. We value MAXF using the appraisal value framework (FY26E EV + FY27E structural value) to arrive at TP of Rs1,850 (2.0x FY27E P/EV). Initiate with 'BUY'.

Exhibit 83: Stock is currently trading at 1-year forward P/EV of 2.1x



Source: Company, PL

Company Overview

Max Financial Services Limited (MFSL) is the holding company of Axis Max Life Insurance with a majority shareholding of ~81%. Axis Max Life is a JV between MFSL and Axis Bank. It commenced operations in FY01 and is the 4th largest private life insurer in the country with a market share of ~6.9% in FY25 Individual APE. It offers both Savings as well as Protection products through a multi-channel distribution platform, including bancassurance, individual agents and direct salesforce. Axis Bank (having ~19% stake in the entity) is also its largest bancassurance channel partner, contributing ~48% of APE (FY25).

Exhibit 84: Key milestones

2001	Axis Max Life started its operations
2012	Became the largest non-bank private life insurance company in India
2013	Entered into the e-commerce space with the launch of Axis Max Life online term plan
2014	Rated "The Most Trusted Private Life Insurer" by the brand trust report
2015	Won the "Bancassurance Leader Award" in a large company category
2016	EV crossed Rs5.5bn mark
2017	VNB reached Rs5bn mark
2018	AUM crossed the Rs500bn mark
2019	Operating EV touched the peak of 22%
2020	GWP crossed Rs150bn mark
2021	EV crossed Rs100bn mark
2022	AUM crossed Rs1tn mark
2023	Achieved a peak VNB Margin of 31.2%
2024	AUM crossed Rs1.5tn mark
2025	Retained rank #2 for customer satisfaction 3rd time in a row as per syndicate NPS study for Life Insurers with a score of 64% vs industry average of 58%

Source: Company, PL

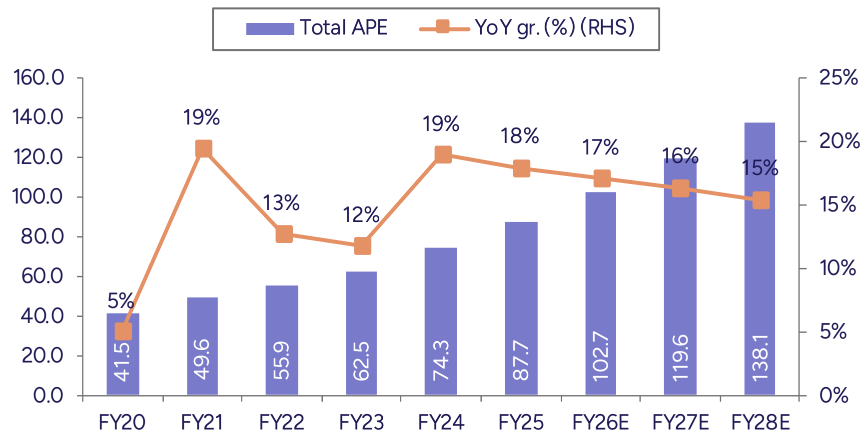
Investment Rationale

Strong growth momentum to continue in FY26

APE grew 18% in FY25 led by ULIP (+42% YoY) and Protection (+36% YoY). We expect the momentum to continue with 16% CAGR over FY25-28E, backed by innovative products (SEWA, SWAG) and strong growth in proprietary channels. Further, considering rapid ramp-up in the annuity portfolio, healthy growth in ULIPs and rising popularity of new launches in PAR and NPAR segments, we expect Axis Max Life to continue to perform well.

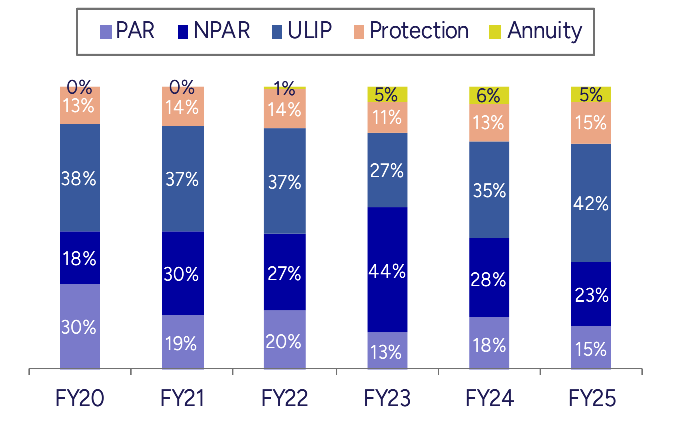
Expect 16% APE CAGR over FY25-28E, backed by innovative products (SEWA, SWAG)

Exhibit 85: Expect 16% APE CAGR over FY25-28E



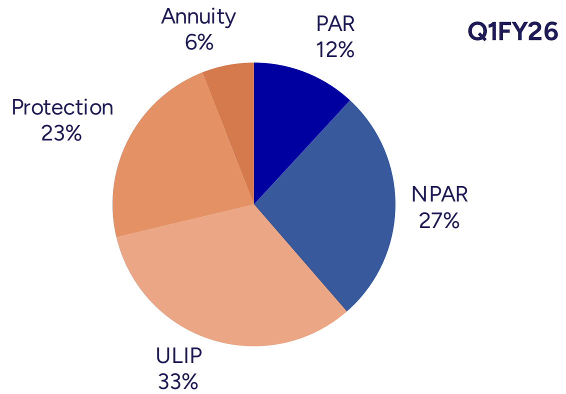
Source: Company, PL

Exhibit 86: APE mix (%)- ULIP share has increased in FY25...



Source: Company, PL

Exhibit 87: ...protection / PAR and NPAR share to grow



Source: Company, PL

New launches in protection and NPAR to drive growth

ULIP growth to moderate: ULIP grew 42% YoY in FY25 led by buoyant equity markets. However, the volatility in equity markets has led to moderation in demand for ULIPs (Q1FY26 saw a decline of 3% YoY). Commentary highlighted efforts to improve profitability in the segment by adding more riders.

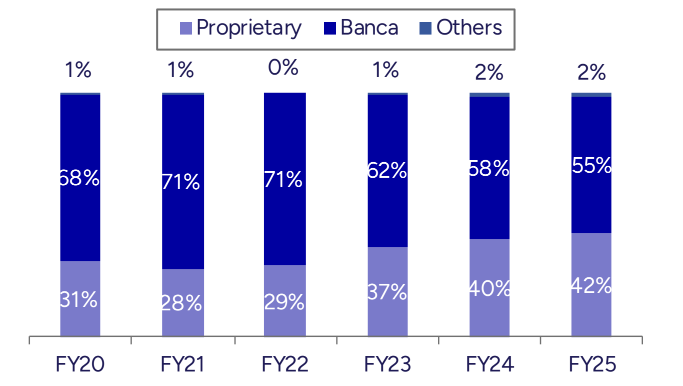
Protection to pick up: Retail protection grew 47.5% in FY25 led by new launches (SEWA 2.0 and smart term plan plus), and we expect the momentum to continue. However, slowdown in credit life disbursements and increased competitive intensity led to lower growth in group volume (18% YoY in FY25). We expect a recovery in group protection in H2FY26 as MFI disbursals normalize.

New launches to drive growth: PAR/ NPAR segment saw a de-growth of 2%/ 3% YoY in FY25 on account of a shift in demand to ULIP. Q1FY26 management commentary, however, highlighted a pick-up in growth in the segments with new launches (Smart VIBE).

Distribution mix- focus on proprietary and banca

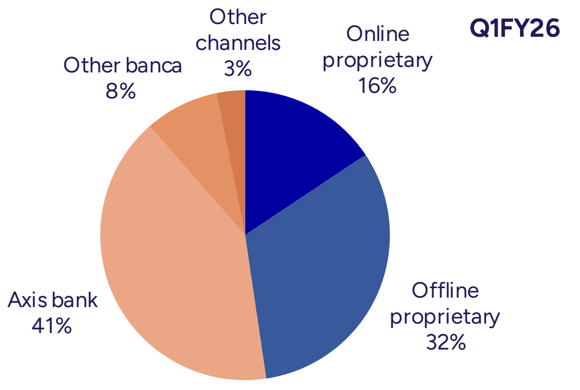
Banca share stood at 55% of APE in FY25 while 42% was contributed by proprietary channels (agency and direct). While banca dominates the mix (55% as of FY25), proprietary channels have seen a rise over the past few years. Company is focusing on both banca and online/ offline proprietary channels to drive growth.

Exhibit 88: % of APE- proprietary share has increased…



Source: Company, PL

Exhibit 89: …focusing on proprietary and banca

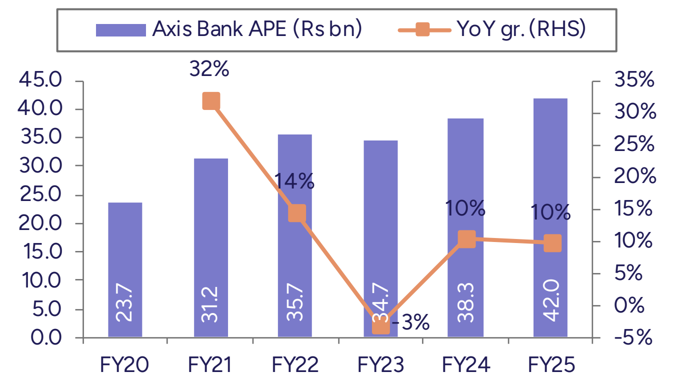


Source: Company, PL

Axis Bank share stood at ~48% of overall APE

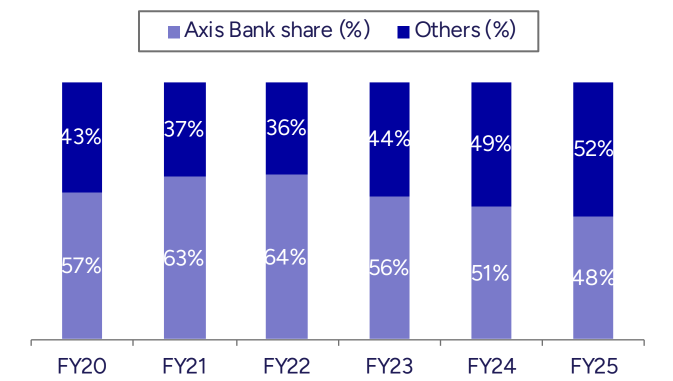
Doubling down on growth effort in banca: Banca grew 12% YoY in FY25 and contributed to ~55% of APE, while Axis Bank share stood at ~48% of overall APE. Over the past year, the company has identified a new emerging vertical within Axis with dedicated manpower to increase penetration and explore retail opportunities (home loans etc.) Moreover, the recent re-branding (to Axis Max Life Insurance) is likely to boost Tier 2/ 3 penetration. While the banca channel has grown at a CAGR of 11% over FY20-25, the company is guiding for a growth of 13-14% in FY26 as it doubles down on growth efforts. Additionally, deepening of relationship with newer partners such as Tamilnad Mercantile Bank, South Indian Bank and DCB is likely to contribute to banca growth.

Exhibit 90: Axis Bank APE grew 12% over FY20-25



Source: Company, PL

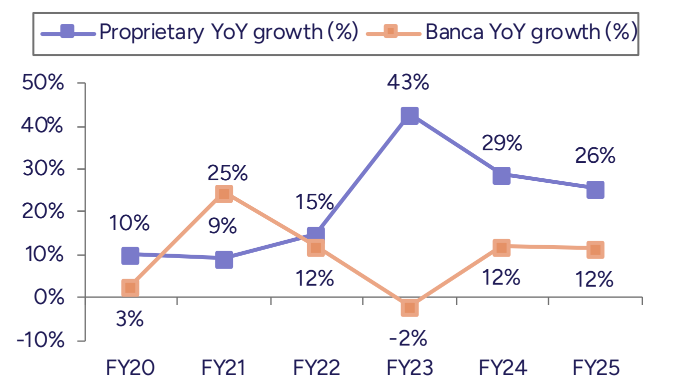
Exhibit 91: ...and contributes ~48% of total APE (FY25)



Source: Company, PL

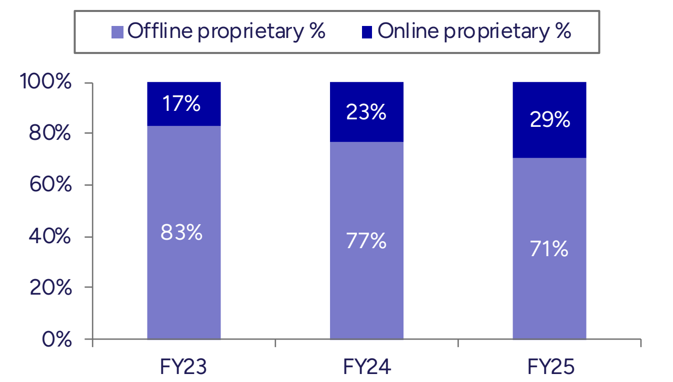
Proprietary channels to do the heavy lifting: Proprietary channel (direct and agency) grew 26% YoY and contributed 42% to APE in FY25. Growth in offline proprietary channels is being fueled by new agent recruitment – the number of agents has grown 22% CAGR over FY20-25. In online channels, the company has been able to maintain market leadership in protection and savings, with 60% CAGR in online proprietary channels over FY20- FY25.

Exhibit 92: Proprietary channels have grown faster than banca



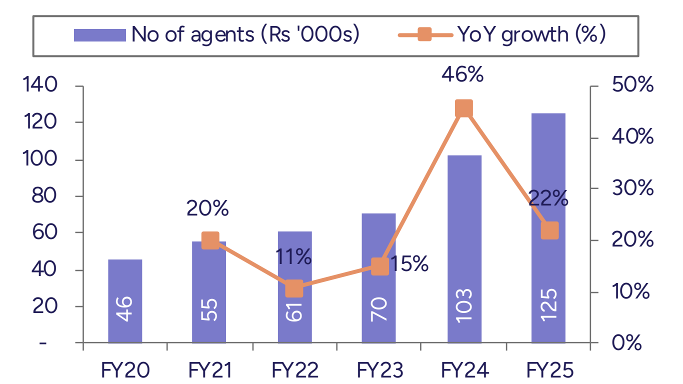
Source: Company, PL

Exhibit 93: ...led by strong growth in the online channel



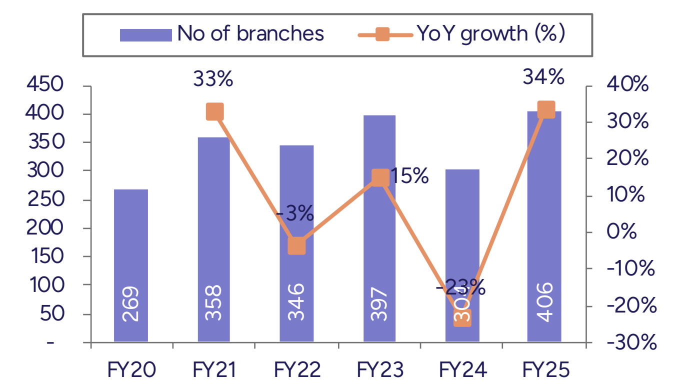
Source: Company, PL

Exhibit 94: No. of agents have grown ~22% over FY20-25



Source: Company, PL

Exhibit 95: ...while no. of branches have grown ~9% CAGR



Source: Company, PL

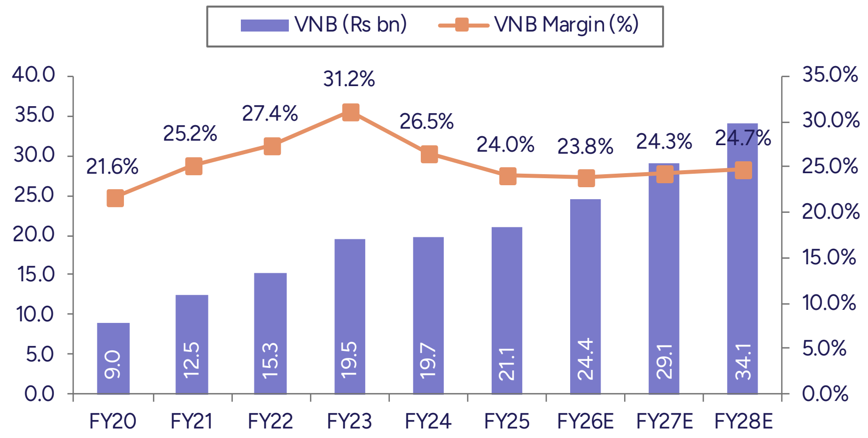
By making significant investments in both banca as well as proprietary channels (opening new branches, hiring more employees, etc.), Axis Max Life is making a concerted effort to improve productivity. We expect strong APE CAGR of 16% over FY25-28E with the addition of new banca tie-ups, improvement in productivity and activation of new agents and e-commerce segments.

Margins to improve to ~25% by FY28E

FY25 VNB margin at 24% contained the net impact of ~50bps due to the new surrender value guidelines. We expect FY26E VNB margin to continue to see a weakness at 23.8% on account of the recent GST exemption. Post that, we expect an improvement to ~25% by FY28E as the share of traditional products moves up, supporting margins. Continuous investment in opex-heavy agency and proprietary channels, however, is likely to offset the gain.

Expect VNB margin to improve to ~25% by FY28E as the share of traditional products moves up

Exhibit 96: VNB margin to improve to ~25% by FY28E

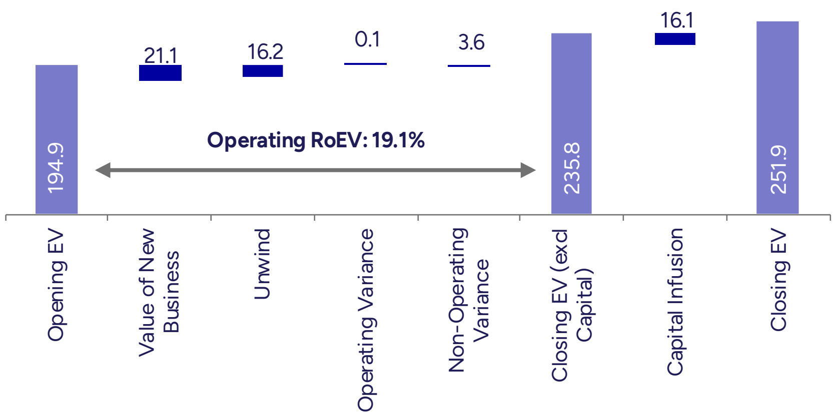


Source: Company, PL

EV assumptions and sensitivity

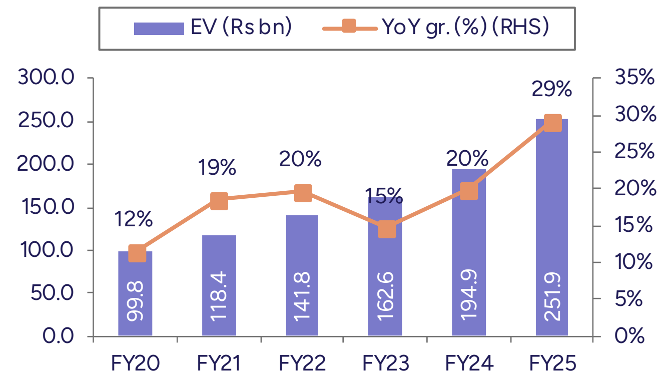
Axis Max Life reported opening EV of Rs 194.94bn in FY25. Post factoring in a VNB of Rs 21bn in FY25, an unwind rate of 8.3% and a small positive operating variance, EVOP stood at Rs 37.3bn. Closing EV got a boost of Rs 3.6bn (positive economic variance) and capital infusion of Rs 16.1bn by Axis Bank, to reach Rs 251.9bn in FY25. For FY26, we assume a lower unwind rate of 8.1% and a positive operating variance profile (better persistency experience). Consequently, we expect EV to grow by 18% CAGR over FY25-28E.

Exhibit 97: FY25 EV at Rs251.9bn with operating RoEV of 19%



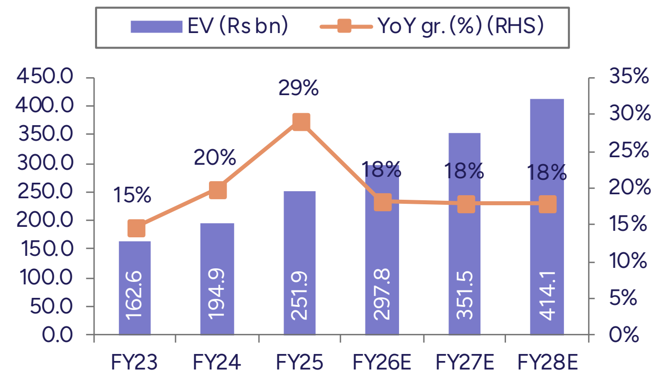
Source: Company, PL

Exhibit 98: EV has grown 21% over FY22-25...



Source: Company, PL

Exhibit 99: ...expect 18% CAGR over FY25-28E



Source: Company, PL

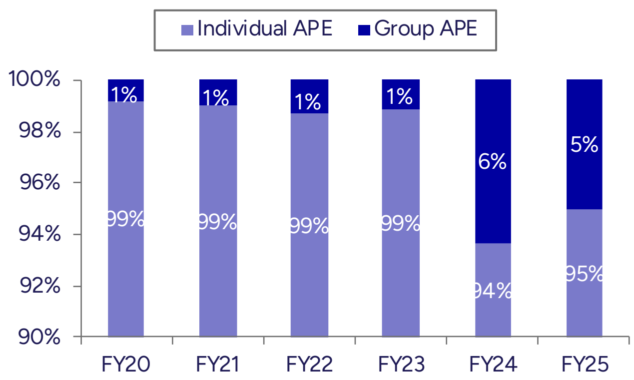
Sensitivity: Axis Max Life has built a strong retail-focused portfolio (95% of APE is individual as of FY25). Consequently, it has higher sensitivity to mortality and any changes in assumptions are likely to have a higher impact on VNB/ EV. Moreover, any significant change in the expense profile is also likely to impact VNB/ EV as the company is operating at a higher cost ratio vs. peers (23% vs. ~15% for peers as of FY25).

Exhibit 100: Higher sensitivity to mortality and expenses

	% change in VNB		% change in IEV	
	FY24	FY25	FY24	FY25
Lapse/Surrender - 10% increase	-0.6%	-3.0%	0.8%	0.7%
Lapse/Surrender - 10% decrease	0.4%	3.0%	-0.9%	-0.8%
Mortality - 10% increase	-6.5%	-7.9%	-2.6%	-2.8%
Mortality - 10% decrease	6.6%	7.9%	2.6%	2.8%
Expenses - 10% increase	-7.9%	-9.3%	-0.9%	-0.9%
Expenses - 10% decrease	7.9%	9.3%	0.9%	0.9%
Risk free rates - 1% increase	0.3%	0.3%	-1.5%	-2.9%
Risk free rates - 1% reduction	-2.3%	-0.4%	0.8%	3.4%
Equity values - 10% immediate rise	Negligible	Negligible	1.7%	1.3%
Equity values - 10% immediate fall	Negligible	Negligible	-1.7%	-1.3%
Corporate tax Rate - 2% increase	-3.3%	-3.4%	-2.3%	-2.2%
Corporate tax Rate - 2% decrease	3.3%	3.4%	2.3%	2.2%
Corporate tax rate increased to 25%	-14.8%	-15.1%	-10.3%	-9.9%

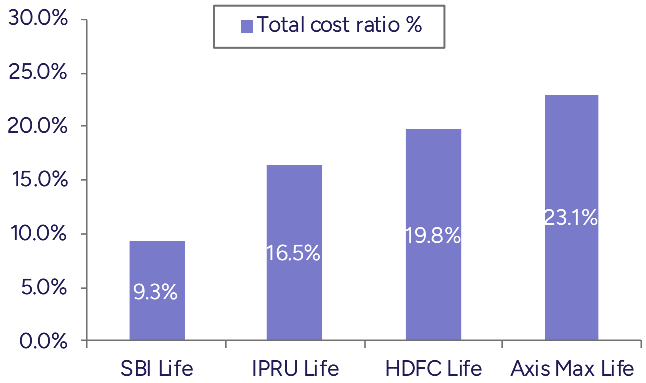
Source: Company, PL

Exhibit 101: 95% of the portfolio is retail-focused



Source: Company, PL

Exhibit 102: Total cost ratio is higher vs. peers (FY25)

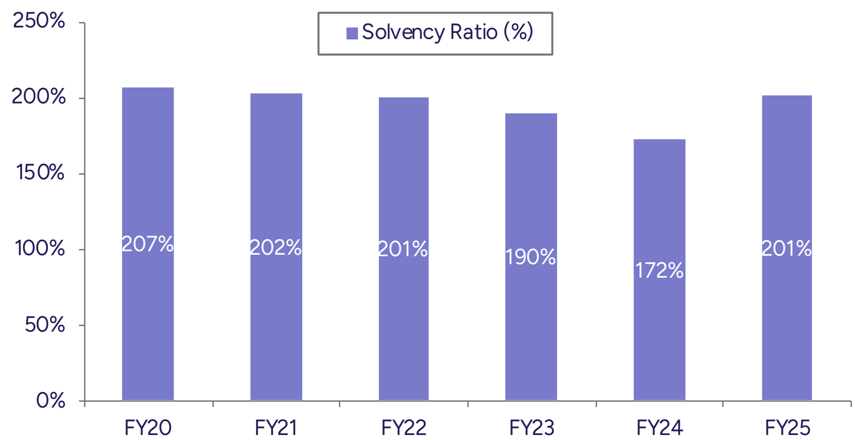


Source: Company, PL

Solvency boost post debt-raise in FY25

Axis Max Life maintained a solvency ratio of 201% in FY25 (vs. regulatory guidance of 150%) aided by AA+ rated debt raise of Rs 5bn during Q4FY25.

Exhibit 103: Solvency comfortable at 201% in FY25



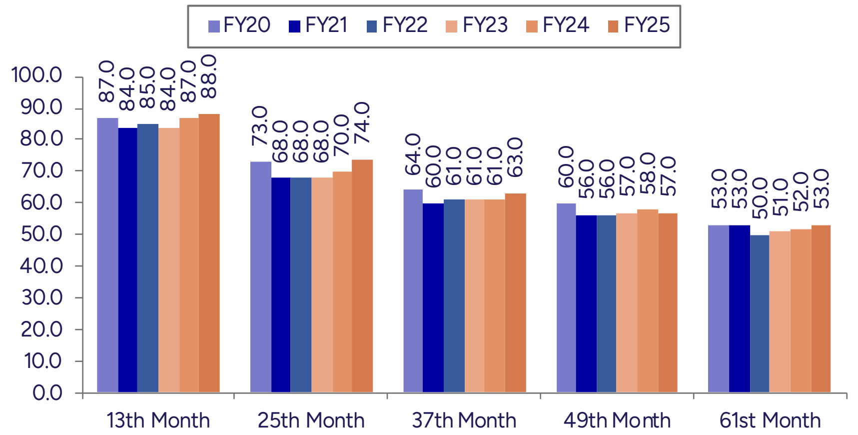
Source: Company, PL

Persistency to improve with re-branding

Axis Max Life has demonstrated a strong persistency profile – 13M/61M persistency for regular/limited pay premiums stood at 88.0%/53.0% in FY25 vs. 87.0%/52.0% in FY24. We expect persistency ratio to improve with the re-branding to Axis Max Life Insurance, especially in Tier 2 and 3 markets.

Expect persistency ratio to improve with the re-branding to Axis Max Life Insurance, especially in Tier 2 and 3 markets

Exhibit 13: Persistency trend has been strong over the past few years



Source: Company, PL

Our valuation methodology

We value insurance stocks using the appraisal value framework. For MAXF, we factor in 16% APE, 17% VNB and 18% EV CAGR over FY25-28E and expect VNB margin to expand to ~25% by FY28E. We initiate coverage on MAXF with 'BUY' rating and TP of Rs1,850, implying 2.0x FY27E P/EV.

Exhibit 104: MAXF at TP of Rs1,850 (2.0x FY27E P/EV)

Appraisal Value Framework	Value (Rs mn)
FY27 VNB	29,055
VNB Multiple	20.1x
Structural Value - (A)	583,744
Embedded Value, FY26E - (B)	297,770
Appraisal Value- (A) + (B)	881,515
Max Financial Services Ltd. Stake (%)	81%
Stake value	714,027
Holding company discount	11%
No. of shares o/s (#)	345.1
Value per share (Rs)	1,850
Implied P/EV, F27	2.0x

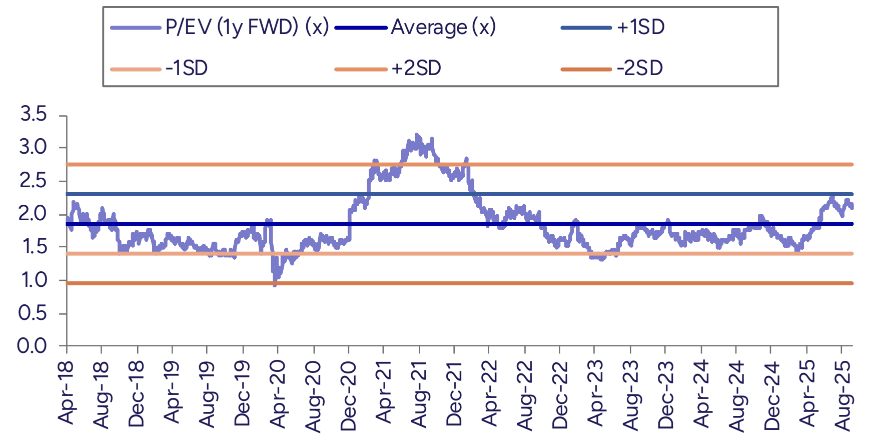
Source: PL

MAXF trading at 2.1x P/EV

The stock has been volatile in the past due to news flow related to Axis Bank/ merger timeline (average 1-year forward P/EV multiple of 1.7x for the past 3 years). Currently, it is trading at a multiple of 2.1x FY27E EV on our estimates. P/EV multiple is likely to see an expansion from here as we build in (1) 16% APE CAGR over FY25-28E, (2) sustainable margin improvement to 25% by FY28E, and (3) lower holding co. discount (currently at 11%) with the anticipated merger.

Stock has been volatile in the past due to news flow related to Axis Bank/ merger timeline

Exhibit 105: Stock is currently trading at 1-year forward P/EV of 2.1x

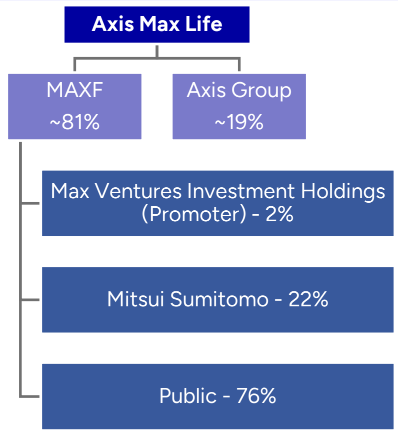


Source: Company, PL

Risks

- Slow growth in key segments such as protection and NPAR, leading to subdued growth in APE
- Higher than anticipated impact of GST exemption on margins
- Any fallout in the deal with Axis Bank due to regulatory issues/ bancassurance caps, resulting in lower strategic gains for Axis Max Life
- High opex could result in a drag on margins

Exhibit 106: Axis Bank owns ~19%



Source: Company, PL

Shareholding pattern

Max Ventures Investment Holdings, the promoter, holds ~2% stake in MAXF, the parent company of Axis Max Life, which is listed on BSE, while ~22% is owned by Mitsui Sumitomo. MAXF, in turn, holds ~81% stake in Axis Max Life, while Axis Bank along with its subsidiaries owns the remaining.

Financials

Exhibit 107: Revenue account

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
FYP (first year premium)	68,894	81,995	97,984	114,152	131,845
SP (single premium)	41,337	39,741	47,092	54,156	62,280
NBP (new business premium)	**110,231**	**121,736**	**145,077**	**168,308**	**194,125**
RP (renewal premium)	185,059	210,490	242,428	285,947	340,084
Gross premium	**295,290**	**332,226**	**387,505**	**454,255**	**534,209**
(-) Reinsurance ceded	5,443	6,250	7,289	9,085	10,684
Net premiums	**289,847**	**325,977**	**380,216**	**445,170**	**523,525**
Income from investments & other income	170,875	132,119	143,260	154,009	176,781
Total income	**460,800**	**458,179**	**523,476**	**599,179**	**700,306**
- Commission expenses	23,983	31,449	36,121	41,401	48,164
- Operating expenses	40,861	45,140	52,313	59,962	69,447
- Provision for doubtful debts and taxes	2,094	2,717	2,780	3,252	3,820
Operating surplus	**393,862**	**378,872**	**432,262**	**494,565**	**578,874**
- Benefits paid (net)	133,177	170,258	190,108	200,326	232,445
- Interim & terminal bonuses paid	35	25	20	20	20
- Change in reserves	257,486	205,253	238,333	289,547	340,825
Pre-tax surplus / (deficit)	**3,164**	**3,336**	**3,801**	**4,671**	**5,584**
Provisions for tax	-	-	-	-	-
Post-tax surplus / (deficit)	**3,164**	**3,336**	**3,801**	**4,671**	**5,584**

Source: Company, PL

Exhibit 108: P&L account

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
T/f from technical a/c	2,612	2,777	3,040	3,737	4,746
Investment and other income	4,246	6,129	8,989	9,499	10,145
Total income	**6,858**	**8,907**	**12,030**	**13,236**	**14,892**
Total expenses	**3,110**	**4,423**	**5,086**	**6,103**	**7,324**
PBT	3,749	4,484	6,944	7,133	7,568
Provision for tax	152	420	868	892	946
PAT	**3,597**	**4,064**	**6,076**	**6,241**	**6,622**

Source: Company, PL

Exhibit 109: Balance sheet

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Source of Funds					
Shareholders' fund	**39,983**	**61,244**	**65,895**	**65,933**	**65,983**
Policy liabilities	1,459,507	1,672,958	1,901,643	2,191,480	2,532,597
Funds for future appropriations	38,727	42,470	67,859	68,793	69,631
Total	**1,538,216**	**1,776,671**	**2,035,396**	**2,326,206**	**2,668,212**
Application of Funds					
Shareholders' investments	58,484	90,932	100,025	115,028	132,283
Policyholders' investments	1,008,078	1,182,110	1,386,187	1,625,494	1,906,116
Asset held to cover linked liabilities	441,793	477,681	516,484	558,439	603,802
Net other and current assets	29,861	25,949	32,701	27,244	26,011
Total	**1,538,216**	**1,776,671**	**2,035,396**	**2,326,206**	**2,668,212**

Source: Company, PL

Exhibit 110: Embedded value (EV)

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Opening EV	**162,630**	**194,940**	**251,920**	**297,770**	**351,455**
Unwind	13,690	16,180	20,909	24,119	28,116
VNB	19,730	21,070	24,441	29,055	34,104
Operating variance	-570	50	500	510	450
EV Operating Profit (EVOP)	**32,850**	**37,300**	**45,850**	**53,684**	**62,670**
Non-operating variance	-540	3,560	-	-	-
EV Profit	**32,310**	**40,860**	**45,850**	**53,684**	**62,670**
Net capital injection	-	16,120	-	-	-
Closing EV	**194,940**	**251,920**	**297,770**	**351,455**	**414,125**

Source: Company, PL

Exhibit 111: Key ratios

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
Growth (%)					
New business premium	23.0	10.4	19.2	16.0	15.3
Renewal premium	13.0	13.7	15.2	18.0	18.9
Net premium	16.5	12.5	16.6	17.1	17.6
PAT	-17.4	13.0	49.5	2.7	6.1
Total AUM	22.8	16.1	14.4	14.8	14.9
Total Assets	23.8	15.5	14.6	14.3	14.7
Expense analysis (%)					
Commission ratio	8.1	9.5	9.3	9.1	9.0
Opex ratio	13.8	13.6	13.5	13.2	13.0
Claims ratio	45.9	52.2	50.0	45.0	44.4
P/hs' opex / Avg P/hs' AUM	3.1	2.9	2.9	2.9	3.0
Profitability analysis (%)					
RoA	0.3	0.2	0.3	0.3	0.3
RoE	9.5	8.0	9.6	9.5	10.0
RoEV	20.2	19.1	18.2	18.0	17.8
VNB margin	26.5	24.0	23.8	24.3	24.7
S/hs' AUM yield	7.5	8.2	8.2	8.2	8.2
P/hs' AUM yield	13.0	8.4	7.9	7.3	7.1
Balance sheet analysis					
P/hs' funds / P/hs' AUM (x)	1.0	1.0	1.0	1.0	1.0
NWP / Net worth (x)	7.2	5.3	5.8	6.8	7.9
Per share data (Rs)					
EPS	8.4	9.5	14.3	14.6	15.5
EVPS	457.5	591.3	698.9	824.9	972.0
Valuation data (x)					
P/E	189.2	167.4	112.0	109.0	102.7
P/EV	3.5	2.7	2.3	1.9	1.6

Source: Company, PL

PL Capital
PRABHUDAS LILLADHER

SBI Life Insurance Company (SBILIFE IN)

Rating: HOLD | CMP: Rs1,806 | TP: Rs1,925

August 5, 2025

Company Initiation

Key Financials - Consolidated

Y/e Mar	FY25	FY26E	FY27E	FY28E
NBP (Rs mn)	3,55,768	4,11,248	4,68,518	5,31,462
APE (Rs mn)	2,14,100	2,39,878	2,71,442	3,05,811
VNB (Rs mn)	59,500	66,686	76,004	85,627
Margin (%)	*27.8*	*27.8*	*28.0*	*28.0*
Embedded Value (Rs mn)	7,04,583	8,30,075	9,74,332	11,41,492
EVOP (Rs mn)	1,17,800	1,32,592	1,49,470	1,70,507
RoEV (%)	*20.2*	*18.9*	*18.1*	*17.6*
P/EV (x)	2.6	2.2	1.9	1.6

Key Data	SBIL.BO | SBILIFE IN
52-W High / Low	Rs.1,930 / Rs.1,373
Sensex / Nifty	81,101 / 24,869
Market Cap	Rs.1,841.6bn/ $ 20,890.1m
Shares Outstanding	1,002.4m
3M Avg. Daily Value	Rs.1,876.6m

Shareholding Pattern (%)

Promoter's	55.38
Foreign	21.88
Domestic Institution	18.67
Public & Others	4.06
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	0.2	29.4	(0.9)
Relative	(2.3)	18.2	(0.6)

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Near-term growth challenges persist

Quick Pointers:

- Expect lukewarm APE growth of 13% over FY25-28E; slowdown at parent bank a key challenge
- Margins to remain steady at ~28% factoring the impact of GST exemption
- Building 13%/ 17% VNB/ EV CAGR over FY25-28E

We initiate coverage on SBILIFE with 'HOLD' rating and TP of Rs1,925 (2.3x FY27E P/EV). SBILIFE has seen subdued growth in FY25- volatility in the equity market affecting ULIP (64% of the portfolio), slowdown at the main banca partner (SBI) and concerns around banca caps and regulation change continue to be an overhang for the stock. We expect lukewarm growth of 13% over FY25-28E. While the impact of GST exemption is expected to be absorbed in FY26E, a favorable mix (growing NPAR and protection franchise) and ramp-up in agency productivity are likely to support margins. A steady margin profile (~28% over FY25-28E) and cost leadership among peers provide a competitive edge; however, concerns around near-term growth seem to be adequately priced in. Initiate with 'HOLD'.

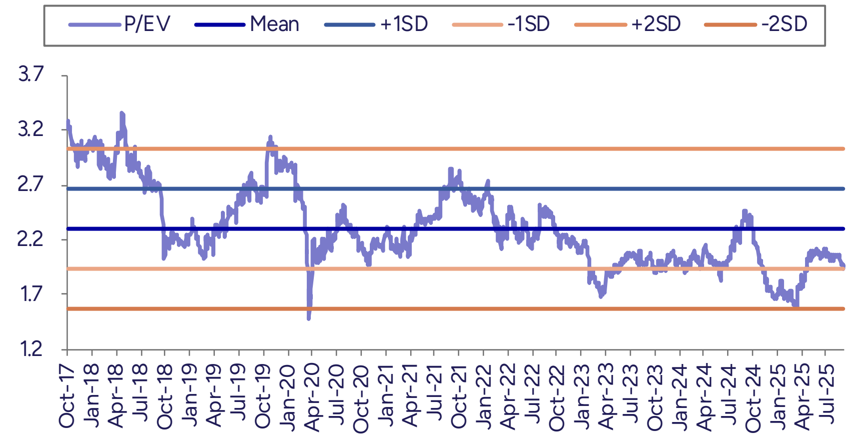
Stagnation in growth, H2 to see a pick-up: SBILIFE saw APE growth of 9% in FY25. We expect growth to be subdued in FY26 as the demand for ULIP moderates. Low momentum at the parent bank and volatility in the ULIP portfolio (64% of the mix) continue to be major challenges; however, growing NPAR and protection portfolio and ramp-up in agency franchise could provide an upside. SBILIFE continues to be optimistic about a strong H2 and has guided for mid-teen growth in the year, driven by protection and NPAR. We factor a shift toward a favorable product mix and build a healthy APE CAGR of 13% over FY25-28E.

Investments in distribution to pay off in the long term: Banca continues to dominate the mix (61% of APE as of FY25) with SBI (~23k branches) as the biggest moat. We expect SBILIFE to improve penetration in the channel by increasing the number and productivity of active branches. The company is also expecting a more favorable mix within banca - higher non-ULIP share in the channel to contribute to profitability. Moreover, gains from investing in a large agency force (240k agents) and concerted efforts to ramp up productivity are likely to contribute to growth over the long term.

Steady margin trajectory; maintains cost leadership vs. peers: SBILIFE has seen a stronger margin trajectory in FY25 – VNB margin of 27.8% vs. 24%-26% for peers. Shift toward NPAR and protection and a favorable cost profile (cost ratio of 9% for FY25 vs. 16-20% for most private players) are some of the key margin drivers for SBILIFE. We bake in a stable VNB margin of ~28% over the medium term as the impact of GST exemption is likely to be offset by a favorable shift in product mix. Persistency ratios have remained stable, and the company has a sufficient capital buffer (solvency ratio of 196% as of FY25) to deliver growth.

Stock is thinly priced: Concerns around lower APE growth, possibility of banca caps at SBI, and regulation change continue to be an overhang with the stock trading at 2.0x 1-year forward EV. Given the lukewarm growth prospects, we do not see any room for upside from current levels. Valuing SBILIFE using the appraisal value framework (FY26E EV + FY27E structural value), we arrive at TP of Rs1,925 (2.3x FY27E P/EV). Initiate with 'HOLD'.

Exhibit 112: Stock is trading at 2.0x 1-year forward EV



Source: Company, PL

Company Overview

SBI Life Insurance (SBILIFE) was established in 2001 as a joint venture between the State Bank of India and BNP Paribas Cardif. The company started operations in 2001 and has since grown to become one of the largest life insurance providers in India. The company's head office is located in Mumbai, Maharashtra, and it has a strong presence across the country with over 1,000 offices and a network of over 240,000 advisors. SBILIFE offers a comprehensive range of life insurance products and services that cater to the diverse needs of customers. The company's product portfolio includes term insurance plans, ULIPs, endowment plans, retirement plans, child plans and group insurance plans.

Exhibit 113: Key milestones

2000	Incorporated on 11 Oct 2000; JV agreement signed with BNP Cardif on 27 Feb 2001
2001	Commenced business with Rs146.9mn new premium, selling policies via 719 advisors
2002	Launched bancassurance channel and settled the first claim
2004	Launched Horizon ULIP in Jan; AUM crossed Rs10bn for the first time
2005	Became first new-gen private life insurer to post profit with Rs20.3mn PAT
2007	Achieved Rs56.2bn GWP and Rs101.6bn AUM, wiped out accumulated losses and doubled share capital to Rs10bn
2009	GWP crossed Rs101.04bn; ranked #1 globally in MDRT membership
2010	Expanded network to over 500 branches
2011	PAT crossed Rs5.6bn and declared maiden 5% dividend
2012	AUM crossed Rs519.1bn; branch network expanded beyond 750
2014	Increased dividend payout to 12%
2015	GWP crossed Rs158.25bn, marking a record growth year
2016	Renewal premium crossed Rs108.7bn; Value Line and McRitchie bought 1.95% stake each from SBI
2017	AUM crossed Rs1012.3bn; expanded to 801 branches pan-India
2018	SBI Life listed on BSE/NSE; AUM crossed Rs1trn; PAT hit Rs10bn
2019	Crossed Rs300bn revenue milestone in GWP
2020	Individual New Business Premium & APE crossed Rs100bn; included in MSCI Emerging Markets Index
2021	AUM hit Rs2trn; GWP crossed Rs500bn; included in NSE NIFTY 50 index
2022	Individual New Business Premium crossed Rs150bn; AUM hit Rs2.5trn; Renewal Premium surpassed Rs300bn; PAT reached Rs15bn
2023	Ranked #1 among private insurers in NBP; AUM crossed Rs3trn with 15% GWP and 16% NBP YoY growth
2024	Ranked #1 among private insurers in NBP metrics, achieved 98.9% digital application rate and won FICCI’s Insurer of the Year – Life award
2025	AUM crossed Rs4trn with 15% GWP and 16% NBP YoY growth; issued 2.2mn new individual policies expanding in-force base to 12.6mn

Source: Company, PL

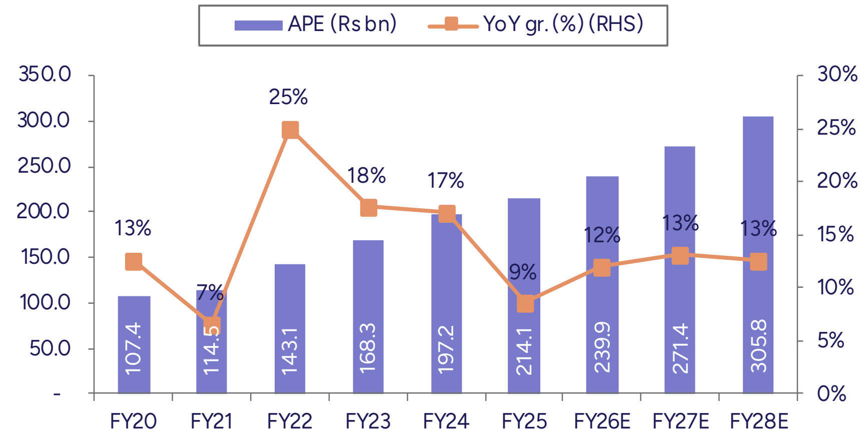
Volatility in equity markets and low momentum at the parent bank are key challenges for growth

Investment Rationale

APE to clock 13% CAGR over FY25-28E

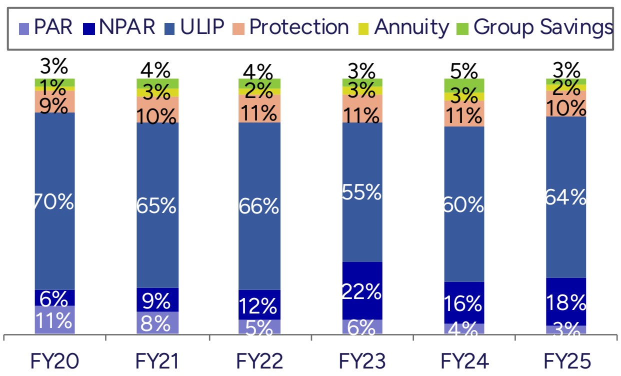
SBILIFE's APE clocked a CAGR of 13% over FY20-25, with ULIP contributing 60%+. We expect growth to remain almost the same over FY25-28E – 13% CAGR – as demand for ULIP moderates. Volatility in equity markets and low momentum at the parent bank are key challenges for growth. However, strong ramp-up in new products (NPAR, protection) could provide an upside.

Exhibit 114: Expect 13% APE CAGR over FY25-28E



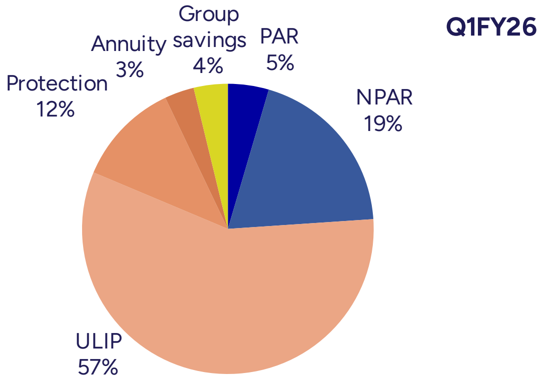
Source: Company, PL

Exhibit 115: APE mix (%)- ULIP share moved up in FY25...



Source: Company, PL

Exhibit 116: ...NPAR/protection share to grow in FY26



Source: Company, PL

Slowly moving away from a ULIP-heavy mix

- **Product mix skewed toward ULIP:** ULIP continued to dominate the company's product mix with 64% share as of FY25. While ULIP is a low-margin product highly dependent on equity markets, the company has started to see a moderation in demand. Consequently, it expects ULIP to contribute to ~60% of the mix in FY26.

Launched 4 new NPAR products - Smart Platina Supreme, Smart Bachat Plus, Smart Platina Young Achiever, and Smart Future Star

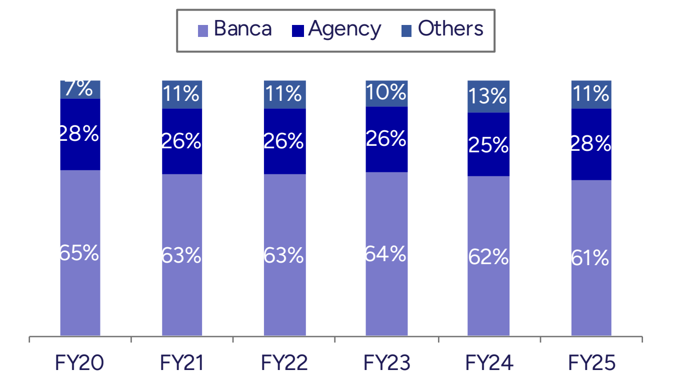
- **NPAR segment to drive growth:** SBILIFE has recently launched 4 new NPAR products - Smart Platina Supreme, Smart Bachat Plus, Smart Platina Young Achiever, and Smart Future Star. We expect strong traction in these products to drive growth in FY26.

- **Growing the protection franchise:** Along with NPAR, SBILIFE is focused on increasing the protection share. While retail protection has seen subdued volumes in FY25 (-12% YoY), the company has launched new products (HNI product/ new launch on YONO channel) over the last 6 months to combat the decline. Moreover, Q1FY26 commentary highlights a pick-up in credit protect volumes and group term insurance deals. We expect the segment to recover in H2FY26.

Significant opportunity to scale up in distribution

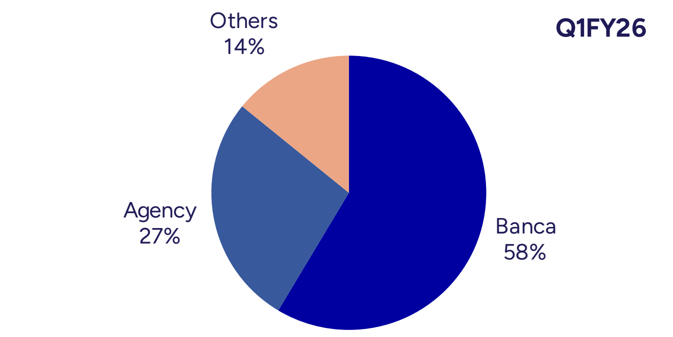
Banca/Agency/Others contributed 61%/28%/11% of SBILIFE's APE in FY25. Its main partner, SBI has ~23k branches, of which ~70% are active.

Exhibit 117: Distribution mix (% of APE) - agency at ~28%



Source: Company, PL

Exhibit 118: ...however banca dominates the mix



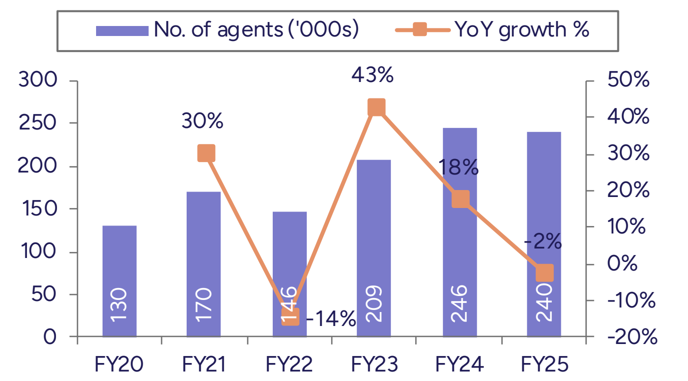
Source: Company, PL

Currently, SBI branch productivity (on individual APE) is Rs5.4mn

- We believe there is huge scope to increase penetration within the banca channel as well by: (1) increasing the number of active branches, and (2) increasing productivity of an active branch. Currently, SBI branch productivity (on individual APE) is Rs5.4mn. We expect it to improve as the bank leverages cross-selling opportunity. This, coupled with the launch of new products, higher sum assured/ attachment rates for credit protect products and use of data analytics, is likely to drive ~10% growth in banca in FY26.

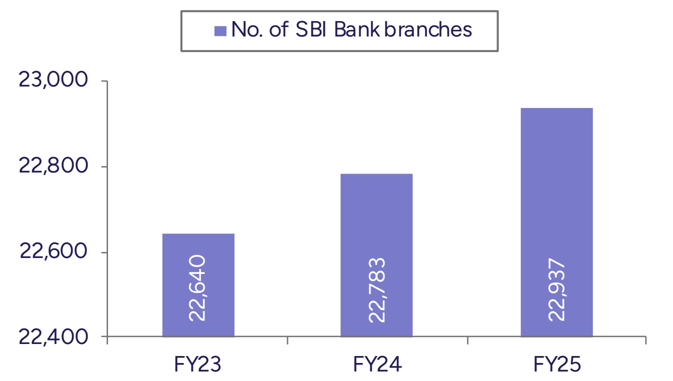
- While banca dominates the mix, the share of agency has gone up over the past 5 years. SBILIFE with 240k agents, has the largest agency network among private life insurers, and the company is actively building capacity in the channel to drive growth. It has made structural changes in the channel (via recruitment/ engagement in terms of training and lead-generation) to boost productivity and expects strong growth in the channel in FY26.

Exhibit 119: No. of agents has grown 13% over FY20-25



Source: Company, PL

Exhibit 120: SBI has a reach of ~23k branches (FY25)

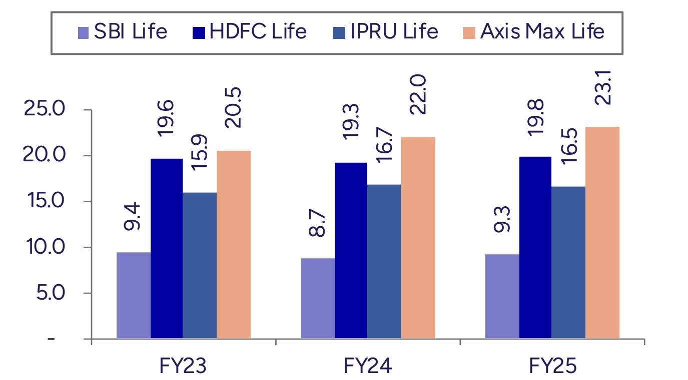


Source: Company, PL

Margin trajectory to remain stable

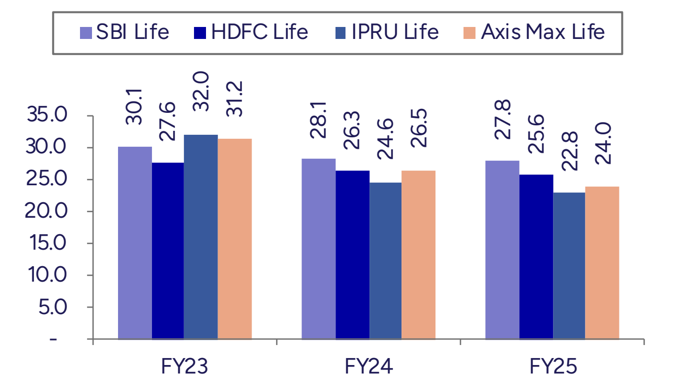
SBILIFE has seen a stronger margin trajectory of 27.8% vs. 24%-26% for peers in FY25. A shift in the product mix toward NPAR and protection segments and a favorable cost profile vs. peers (Exhibit 121) are key margin drivers for SBILIFE. While the impact of GST exemption is expected to be absorbed in FY26E, we bake in a stable VNB margin of ~28% over FY25-28E led by a favorable shift in product mix.

Exhibit 121: SBILIFE is the cost leader



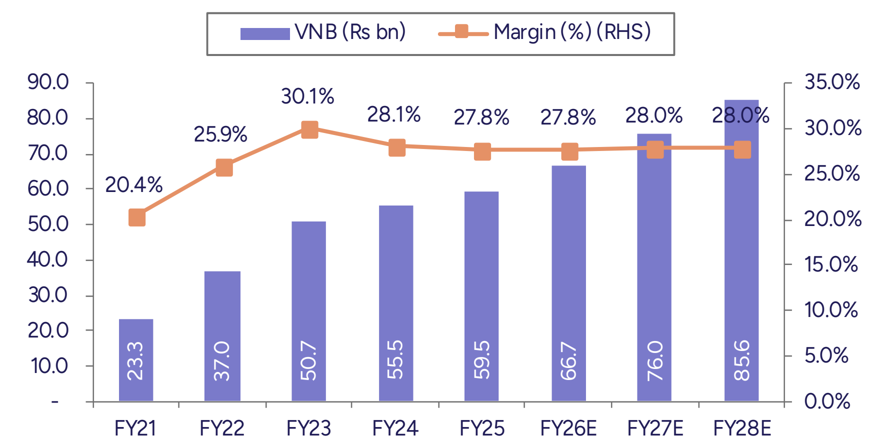
Source: Company, PL

Exhibit 122: SBILIFE has seen a stronger VNB margin trajectory



Source: Company, PL

Exhibit 123: VNB margin to be largely stable over FY25-28E

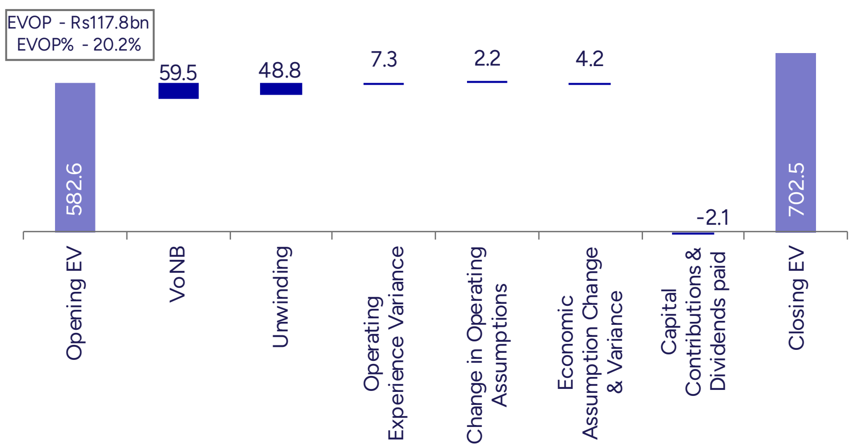


Source: Company, PL

EV assumptions and sensitivity

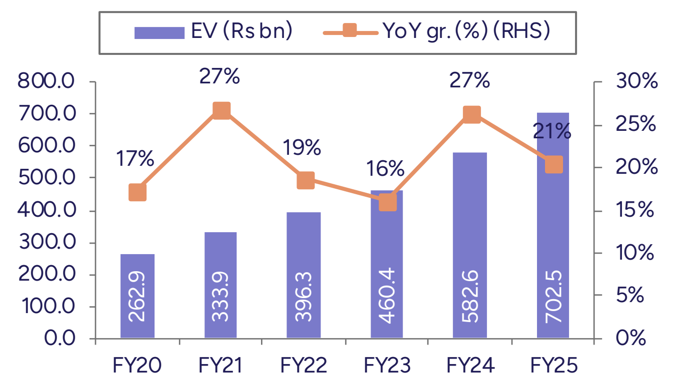
SBILIFE reported an opening EV of Rs582.6bn in FY25 with an unwind rate of 8.4%. Post adding VNB and factoring in operating variance, EVOP was Rs117.8bn, while closing EV stood at Rs702.5bn. For FY26, we are assuming a lower unwind rate of 8.2% and a positive operating variance profile. Factoring an APE CAGR of 13% over FY25-28E, we expect EV to grow by 17% CAGR.

Exhibit 124: FY25 EV at Rs702.5bn with RoEV of ~20%



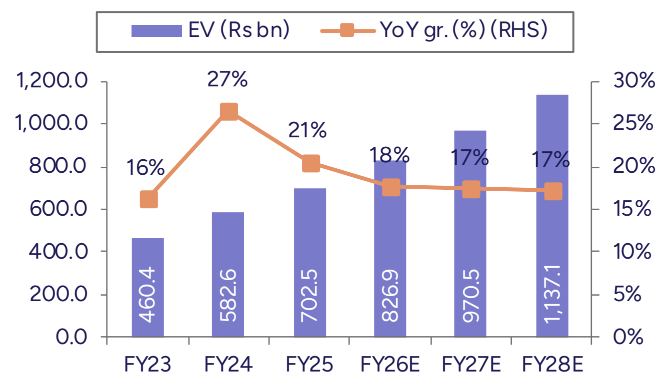
Source: Company, PL

Exhibit 125: EV has grown 21% over FY20-25...



Source: Company, PL

Exhibit 126: ...expect 17% CAGR over FY25-28E



Source: Company, PL

Sensitivity: SBILIFE is more sensitive to changes in persistency assumptions, especially higher lapse rates in the ULIP segment (comprising 64% of the mix) as reflected below. Moreover, changes in mortality assumptions are also likely to have a higher impact on VNB/ EV estimates.

Exhibit 127: Sensitive to persistency and mortality assumptions

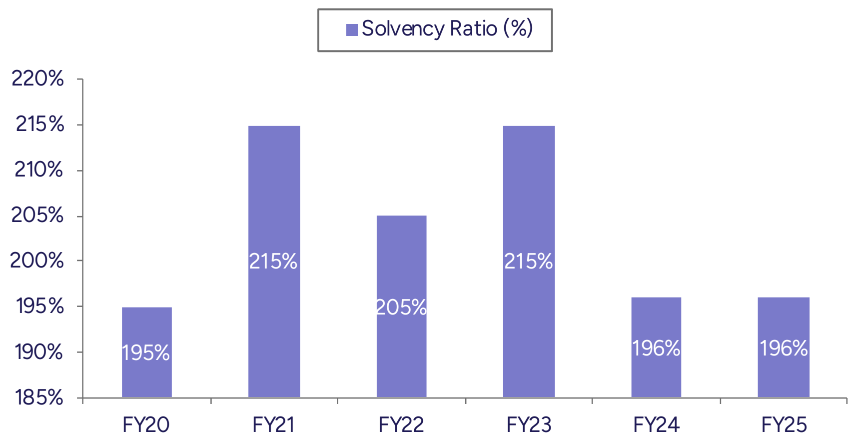
	% change in VNB		% change in IEV	
	FY24	FY25	FY24	FY25
Reference Rate +100 bps	-0.8	-0.5	-3.7	-3.2
Reference Rate -100 bps	0.7	0.5	3.4	3.4
Decrease in Equity Value 10%	-0.2	0.4	-1.8	-2.1
Proportionate change in lapse rate +10%	-3.6	-4.5	-1.0	-1.0
Proportionate change in lapse rate -10%	3.8	4.8	1.1	1.0
Mortality / Morbidity +10%	-4.9	-6.1	-1.7	-2.1
Mortality / Morbidity -10%	4.9	6.1	1.7	2.1
Maintenance Expense +10%	-1.8	-0.1	-0.6	-0.6
Maintenance Expense -10%	1.8	1.8	0.6	0.6
Mass Lapse for ULIPs in the year after the surrender penalty period of 25%	-6.4	-9.1	-2.3	-2.6
Mass Lapse for ULIPs in the year after the surrender penalty period of 50%	-14.0	-19.6	-4.9	-5.7
Tax Rate Change to 25% on Normal Tax basis	-8.4	-8.9	-5.2	-5.4

Source: Company, PL

Solvency comfortable at 196%

SBILIFE is adequately capitalized with a solvency ratio of 196% vs. regulatory guidance of 150%.

Exhibit 128: Solvency comfortable at 196%

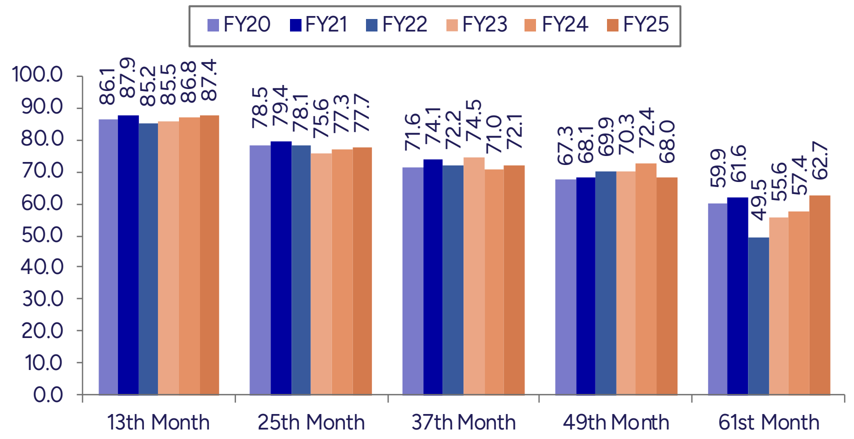


Source: Company, PL

Persistency trends stable

SBILIFE has seen stable persistency trends in most brackets. We expect persistency experience to improve as the company uses data analytics to identify those customers who have the propensity to pay for the product.

Exhibit 129: Persistency profile stable across cohorts



Source: Company, PL

Our valuation methodology

We value insurance stocks using the appraisal value framework. Factoring in 13% APE CAGR, 13% VNB CAGR (VNB margin to remain steady at ~28%), we estimate 17% EV CAGR over FY25-28E. We initiate coverage on SBILIFE with 'HOLD' rating and TP of Rs1,925 implying 2.3x FY27E P/EV.

Exhibit 130: SBILIFE at TP of Rs1,925 (2.3x FY27E P/EV)

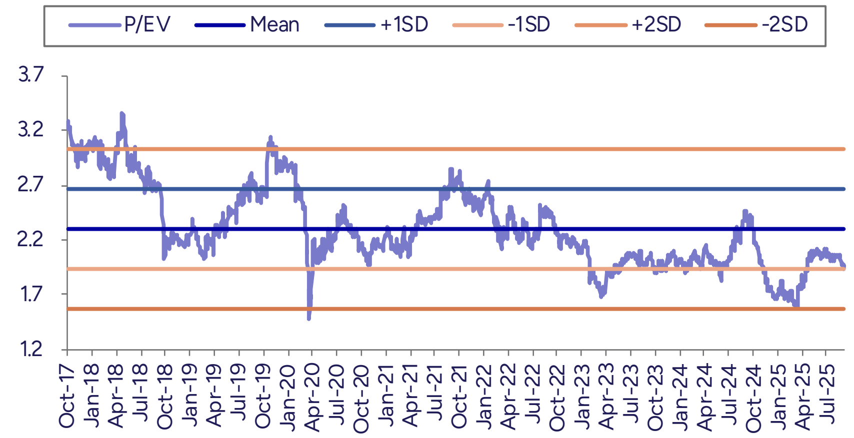
Appraisal Value Framework	Value (Rs mn)
FY27 VNB	76,004
VNB Multiple	14.5x
Structural Value - (A)	1,099,706
Embedded Value, F26E - (B)	826,862
Appraisal Value- (A) + (B)	1,926,568
No. of shares o/s (#)	1,001.0
Value per share (Rs)	1,925
Implied P/EV, FY27E	2.3x

Source: PL

SBILIFE trading at 2.0x P/EV

SBILIFE is trading at a valuation of 2.0x FY27E EV. Given the lukewarm growth outlook, we believe the stock is thinly priced, with limited upside potential.

Exhibit 131: Stock is trading at 2.0x 1-year forward EV



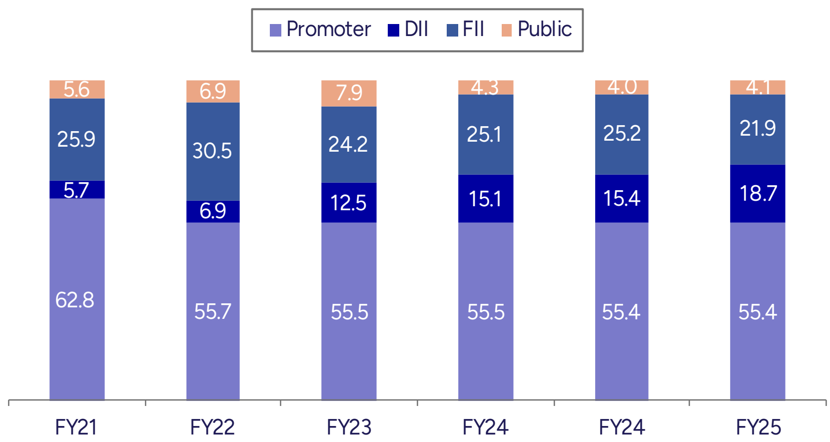
Source: Company, PL

Risks

- Bancassurance has majority contribution to the company's channel mix with SBI as the main banca partner. SBI adopting open architecture could pose a significant risk for SBILIFE.
- Higher commission payouts to SBI/ agents could also pose a threat to margins.
- Due to a high share of ULIP, SBILIFE is likely to be more affected by volatility in equity markets.

Shareholding pattern

Exhibit 132: Shareholding pattern (%) – SBI holds 55.4%



Source: Company, PL

Financials

Exhibit 133: Revenue account

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
FYP (first year premium)	174,758	193,716	220,836	249,545	280,738
SP (single premium)	207,626	162,052	190,411	218,973	250,724
NBP (new business premium)	**382,383**	**355,768**	**411,248**	**468,518**	**531,462**
RP (renewal premium)	431,923	494,078	567,430	646,379	734,658
Gross premium	**814,306**	**849,846**	**978,678**	**1,114,897**	**1,266,120**
(-) Reinsurance ceded	8,435	9,248	10,650	12,132	13,778
Net premiums	**805,871**	**840,598**	**968,028**	**1,102,765**	**1,252,342**
Investment & other income	520,443	330,589	337,688	352,924	405,972
Total income	**1,326,314**	**1,171,187**	**1,305,716**	**1,455,689**	**1,658,314**
- Commission expenses	32,553	37,388	39,147	45,153	51,911
- Operating expenses	39,819	44,908	49,913	57,417	65,838
- Provision for doubtful debts and taxes	9,283	10,926	13,745	15,517	17,485
Operating surplus	**1,244,659**	**1,077,966**	**1,202,911**	**1,337,601**	**1,523,080**
- Benefits paid (net)	431,074	483,295	538,273	585,321	630,528
- Interim & terminal bonuses paid	0	5,723	650	650	650
- Change in reserves	784,313	557,001	626,066	708,678	845,426
Pre-tax surplus / (deficit)	**29,272**	**31,946**	**37,923**	**42,952**	**46,477**
Provisions for tax	1,357	1,979	2,351	2,663	2,882
Post-tax surplus / (deficit)	**27,915**	**29,967**	**35,571**	**40,289**	**43,595**

Source: Company, PL

Exhibit 134: P&L account

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
T/f from technical a/c	25,977	27,397	33,793	38,274	41,415
Investment and other income	10,341	11,159	10,064	11,698	14,038
Total income	**36,317**	**38,555**	**43,857**	**49,973**	**55,453**
Total expenses	**16,896**	**13,609**	**14,228**	**14,503**	**14,783**
PBT	19,421	24,947	29,628	35,470	40,670
Provision for tax	483	814	966	1,157	1,327
PAT	**18,938**	**24,133**	**28,662**	**34,313**	**39,344**

Source: Company, PL

Exhibit 135: Balance sheet

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Sources of Funds					
Shareholders' fund	**149,086**	**169,854**	**193,688**	**224,154**	**259,087**
Policy liabilities	3,765,379	4,323,465	4,696,175	5,404,854	6,250,279
Funds for future appropriations	13,366	15,914	1,779	2,014	2,180
Total	**3,927,830**	**4,509,232**	**4,891,643**	**5,631,023**	**6,511,547**
Application of Funds					
Shareholders' investments	130,364	146,045	163,612	196,334	235,601
Policyholders' investments	1,565,436	1,852,268	2,170,361	2,566,952	3,044,477
Asset held to cover linked liabilities	2,160,103	2,476,357	2,522,005	2,824,645	3,163,603
Net other and current assets	71,927	34,563	35,665	43,092	67,866
Total	**3,927,830**	**4,509,232**	**4,891,643**	**5,631,023**	**6,511,547**

Source: Company, PL

Exhibit 136: Embedded value (EV)

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Opening EV	**460,440**	**582,583**	**702,483**	**826,862**	**970,485**
Unwind	38,080	48,800	58,306	68,216	79,580
VNB	55,476	59,500	66,686	76,004	85,627
Operating variance	6,954	9,500	7,600	5,250	5,300
EV Operating Profit (EVOP)	**100,511**	**117,800**	**132,592**	**149,470**	**170,507**
Non-operating variance	23,900	4,200	-5,000	-2,000	500
EV Profit	**124,410**	**122,000**	**127,592**	**147,470**	**171,007**
Net capital injection	-2,267	0	0	0	0
Closing EV	**582,583**	**704,583**	**830,075**	**974,332**	**1,141,492**

Source: Company, PL

Exhibit 137: Key ratios

Y/E March	FY24	FY25	FY26E	FY27E	FY28E
Growth (%)					
APE	17.2	8.6	12.0	13.2	12.7
Renewal premium	14.5	14.4	14.8	13.9	13.7
Net premium	21.0	4.3	15.2	13.9	13.6
PAT	10.1	27.4	18.8	19.7	14.7
Total AUM	26.7	16.0	8.5	15.1	15.3
Total Assets	26.9	14.8	8.5	15.1	15.6
Expense analysis (%)					
Commission ratio	3.8	4.0	4.0	4.1	4.1
Opex ratio	4.9	5.3	5.1	5.2	5.2
Claims ratio	53.5	57.5	55.0	52.5	49.8
P/hs' opex / Avg P/hs' AUM	1.2	1.1	1.1	1.1	1.1
Profitability analysis (%)					
RoA	0.5	0.6	0.6	0.7	0.6
RoE	13.8	15.4	15.9	16.6	16.4
RoEV	21.8	20.2	18.9	18.1	17.6
VNB margin	28.1	27.8	27.8	28.0	28.0
S/hs' AUM yield	8.5	8.1	6.5	6.5	6.5
P/hs' AUM yield	15.1	7.9	7.5	7.0	7.0
Balance sheet analysis					
P/hs' funds / P/hs' AUM (x)	1.0	1.0	1.0	1.0	1.0
P/hs' liabilities / Net worth (x)	24.4	25.8	25.1	24.4	24.3
Per share data (Rs)					
EPS	19	24	29	34	39
BVPS	146	168	192	222	257
EVPS	582	702	826	970	1,136
Valuation data (x)					
P/E	95.5	74.9	63.1	52.7	45.9
P/EV	3.1	2.6	2.2	1.9	1.6

Source: Company, PL

Notes

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Bajaj Finance	Hold	900	959
2	Cholamandalam Investment and Finance Company	Hold	1,500	1,423
3	Mahindra & Mahindra Financial Services	Hold	285	266
4	Shriram Finance	Hold	650	616
5	Sundaram Finance	Hold	4,800	4,646

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Buy	:	> 15%
Accumulate	:	5% to 15%
Hold	:	+5% to -5%
Reduce	:	-5% to -15%
Sell	:	< -15%
Not Rated (NR)	:	No specific call on the stock
Under Review (UR)	:	Rating likely to change shortly

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