

# IPO Report

“SUBSCRIBE” to

## Life Insurance Corporation of India

Attractive valuations, leaves a lot of potential value on the table for the investors



# IPO Report

## Salient features of the FPO:

- **Life Insurance Corporation of India (LIC)**, a multi-generational trusted brand and India's largest life insurer & the biggest asset manager, is coming up with an IPO to raise around Rs. 21,000cr, which opens on 4<sup>th</sup> May and closes on 9<sup>th</sup> May 2022. The price band is Rs. 902 - 949 per share.
- With continuing volatility in the global equity market (arising from the ongoing Russia-Ukraine conflict, surge in crude & commodities prices and re-emergence of Covid-19 cases in China), LIC has reduced the IPO size from earlier 5% (as mentioned in the DRHP) to now 3.5%. Even with this reduced size, the LIC IPO will be the biggest domestic issue till date.
- The IPO comprises only the OFS portion, thus the company will not receive any proceeds from the issue.

## Key competitive strengths:

- Fifth largest life insurer globally by GWP and the largest player in the fast growing and underpenetrated Indian life insurance sector
- Trusted brand and a customer-centric business model
- Cross-cyclical product mix that caters to diverse consumer needs and an individual product portfolio that is dominated by participating life insurance policies
- Presence across India through an omni-channel distribution network with an unparalleled agency force
- Harnessing technology capabilities to support customer connect and drive operating efficiencies
- Largest asset manager in India with an established track record of financial performance and profitable growth
- Robust risk management framework
- Highly experienced and qualified management team, distinguished board and strong corporate governance framework

## Risk and concerns:

- Unfavorable government policies and regulations
- Continued fall in the market share
- Unfavorable product-mix
- Difficulty in expanding the non-participating business
- Rising interest rate environment
- Volatility in the domestic equity markets
- Unfavorable rise in operating costs
- Competition

## Below are the key highlights of the company:

- In terms of life insurance premium, the Indian life insurance market is the 10<sup>th</sup> largest life insurance market in the world and 5<sup>th</sup> largest in Asia. Indicators such as insurance penetration, insurance density and protection gap point to the fact that the Indian life insurance market is still underinsured thereby presenting a huge potential for growth. As per the Swiss Re report, in 2019 the protection gap for India was 83%, highest amongst all countries in Asia-Pacific. This means that for USD 100 of insurance protection requirement, insurance was only taken for USD 17 in 2019. This indicates the absence of protection coverage for a large part of the Indian population. In 2019, India's protection gap was USD 16.5tn.
- There are currently 24 life insurance companies in India, with LIC being the only public player. The size of the Indian life insurance market was Rs. 6.2lakh cr in FY21. In the last five years, life insurance's premium has increased by 11% CAGR. Further it is expected to grow at 14-15% CAGR over the next five years to reach a size of Rs. 12.4lakh cr by FY26.

Recommendation	SUBSCRIBE
Price band	Rs. 902 - 949 per share
Face value	Rs. 10
Shares for fresh issue	Nil
Shares for OFS	22.137cr shares
Fresh issue size	N/a
OFS issue size	Rs. 19,968 - 21,008.5cr
Total issue size	22.137cr shares (Rs. 19,968 - 21,008.5cr)
Reserved for employees	0.158cr shares (Rs. 142.6 - 150.1cr)
Reserved for policyholders	2.214cr shares (Rs. 1,996.8 - 2,100.8cr)
Net issue size	19.766cr shares (Rs. 17,828.6 - 18,757.6cr)
Bidding date	4 <sup>th</sup> May - 9 <sup>th</sup> May 2022
MCAP at higher price band	Rs. 6,00,242cr
Embedded value (as of 30 <sup>th</sup> Sept. 2021)	Rs. 5,39,686cr
Book running lead manager	Kotak Mahindra Capital Company Ltd., Axis Capital Ltd., BofA Securities India Ltd., Citigroup Global Markets India Pvt. Ltd., Goldman Sachs (India) Securities Pvt. Ltd., ICICI Securities Ltd., JM Financial Ltd., J.P. Morgan India Pvt. Ltd., Nomura Financial Advisory and Securities (India) Pvt. Ltd. and SBI Capital Markets Ltd.
Registrar	KFin Technologies Ltd.
Sector	Life Insurance
Promoters	The President of India, acting through the Ministry of Finance, Government of India

## Issue breakup

Category	Percent of issue (%)	Number of shares
QIB portion	50%	9.883cr shares
Non institutional portion	15%	2.965cr shares
Retail portion	35%	6.918cr shares

## Indicative IPO process time line

Finalization of basis of allotment	12 <sup>th</sup> May 2022
Unblocking of ASBA account	13 <sup>th</sup> May 2022
Credit to demat accounts	16 <sup>th</sup> May 2022
Commencement of trading	17 <sup>th</sup> May 2022

## Pre and post - issue shareholding pattern

	Pre-issue	Post-issue
Promoter & promoter group	100.00%	96.50%
Public	0.00%	3.50%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

## Retail application money at higher cut-off price per lot

Number of shares per lot	15
Employee discount	Rs. 45 per share
Policyholder discount	Rs. 60 per share
Retail investor discount	Rs. 45 per share
Application money	Rs. 14,235 per lot

## Analyst

### Rajnath Yadav

Research Analyst (022 - 6707 9999; Ext: 912)

Email: [rajnath.yadav@choiceindia.com](mailto:rajnath.yadav@choiceindia.com)

## Key highlights of the company (Contd...):

Company name	Face value (Rs.)	CMP (Rs.)	MCAP (Rs. cr)	Embedded value (EV; Rs. cr)	Stock return (%)				NBP market share	No of life insured in FY21 (cr.)	FY21 gross premium (Policyholder's account; Rs. cr)	FY21 total income (Shareholder's account; Rs. cr)	FY21 PAT (Rs. cr)	FY21 PAT margin
					1 M	3 M	6 M	1 Y						
<b>Life Insurance Corporation of India</b>	<b>10</b>	<b>949</b>	<b>600,242</b>	<b>539,686</b>					<b>61.4%</b>	<b>24.7</b>	<b>405,851</b>	<b>2,985.6</b>	<b>2,974.1</b>	<b>99.6%</b>
HDFC Life Insurance Company Ltd.	10	571	120,704	28,700	11.5%	-7.9%	-16.3%	-15.1%	8.4%	4.0	38,583	1,638.5	1,360.0	83.0%
ICICI Prudential Life Insurance Company Ltd.	10	534	76,781	30,200	11.6%	-2.0%	-13.6%	2.5%	5.0%	3.0	35,733	740.4	960.2	129.7%
SBI Life Insurance Company Ltd.	10	1,117	111,696	35,920	3.6%	-7.4%	-4.5%	20.0%	9.2%	3.6	50,254	694.8	132.7	19.1%
<b>Average</b>														<b>77.3%</b>

Company name	3Y NBP growth (CAGR)	FY21 NBP sales channel-mix (Individual agents : Banks : Others)	FY21 NBP customer-mix (Individual : Group)	3Y Gross premium growth (CAGR)	3Y Total income growth (Shareholder's a/c; CAGR)	3Y PAT growth (Shareholder's a/c; CAGR)	3Y AUM growth (CAGR)	3Y Average gross yield	FY21 Agent productivity (In term of policies sold)
HDFC Life Insurance Company Ltd.	15.9%	12.3% : 45.8% : 41.9%	50% : 50%	15.0%	0.1%	3.2%	17.7%	7.4%	1.3
ICICI Prudential Life Insurance Company Ltd.	12.7%	24.7% : 46.8% : 28.4%	60.2% : 39.8%	7.5%	6.7%	-8.2%	15.7%	8.5%	0.9
SBI Life Insurance Company Ltd.	22.3%	27.7% : 65.4% : 6.9%	60.6% : 39.4%	23.4%	15.7%	-4.5%	25.1%	8.3%	3.9
<b>Average</b>	<b>17.0%</b>			<b>15.3%</b>	<b>7.5%</b>	<b>-3.2%</b>	<b>19.5%</b>	<b>8.1%</b>	<b>2.0</b>

Company name	3Y Average commission ratio	3Y Average operating expenses ratio	3Y Average total cost ratio	3Y Average risk retention ratio	3Y Average conservation ratio	Customer complaints per 10,000 policies in FY21	3Y Average claim settlement ratio	FY21 solvency ratio	3Y average persistency ratio	
									13M	61M
<b>Life Insurance Corporation of India</b>	<b>12.7%</b>	<b>19.0%</b>	<b>25.7%</b>	<b>99.9%</b>	<b>88.5%</b>	<b>37.7</b>	<b>97.3%</b>	<b>1.8</b>	<b>76.0%</b>	<b>58.7%</b>
HDFC Life Insurance Company Ltd.	8.3%	22.8%	26.4%	98.8%	83.1%	35.0	99.4%	2.0	89.7%	53.9%
ICICI Prudential Life Insurance Company Ltd.	13.2%	20.3%	27.0%	98.4%	79.0%	39.0	96.4%	2.2	86.7%	58.8%
SBI Life Insurance Company Ltd.	9.4%	11.7%	18.8%	99.3%	85.9%	17.2	97.1%	2.2	86.4%	59.6%
<b>Average</b>	<b>10.3%</b>	<b>18.3%</b>	<b>24.1%</b>	<b>98.8%</b>	<b>82.7%</b>	<b>30.4</b>	<b>97.6%</b>	<b>2.1</b>	<b>87.6%</b>	<b>57.4%</b>

Company name	FY21 EPS (Rs.)	FY21 BVPS (Rs.)	FY20 DPS (Rs.)	3Y Average RoE	3Y Average VNB growth (CAGR)	3Y Average VNB margin	3Y Embedded value growth (CAGR)	EV (Rs. cr)	3Y Average operating return on embedded value	P/E (x)	P/B (x)	P/EV (x)	MCAP / Gross premium AUM (x)	
													MCAP / Gross premium (x)	MCAP / AUM (x)
<b>Life Insurance Corporation of India</b>	<b>4.7</b>	<b>11.0</b>	<b>4.3</b>	<b>289.6%</b>				<b>539,686</b>		<b>201.8</b>	<b>86.0</b>	<b>1.1</b>	<b>1.5</b>	<b>16.3%</b>
HDFC Life Insurance Company Ltd.	6.4	40.9	0.0	21.0%	19.2%	25.5%	20.6%	28,700	18.9%	88.8	14.0	4.2	3.1	69.4%
ICICI Prudential Life Insurance Company Ltd.	6.7	63.4	2.3	14.4%	0.5%	21.3%	16.0%	30,200	16.9%	80.0	8.4	2.5	2.1	35.8%
SBI Life Insurance Company Ltd.	1.3	104.0	2.0	17.1%	16.4%	18.9%	22.1%	35,920	19.0%	841.7	10.7	3.1	2.2	50.6%
<b>Average</b>			<b>1.4</b>	<b>17.5%</b>	<b>12.0%</b>	<b>21.9%</b>	<b>19.6%</b>	<b>31,606.7</b>	<b>18.3%</b>	<b>336.8</b>	<b>11.0</b>	<b>3.3</b>	<b>2.5</b>	<b>51.9%</b>

Source: Choice Broking Research

- According to the RHP, LIC is ranked 5<sup>th</sup> globally in terms of life insurance gross written premium (GWP) in FY21 and 10<sup>th</sup> globally in terms of total assets. It is the largest life insurer in India in terms of GWP, new business premium (NBP), number of individual policies issued and number of group policies issued in FY21 and for the 9M FY21.
- During 9M FY21, LIC's market share in the domestic life insurance sector was 61.4% based on NBP. Further it had 71.8% and 88.8% market share in terms of number of individual and group policies issued, respectively. In FY21, LIC has issued around 21mn individual policies in India, representing approximately 75% market share in new individual policy issuances. As of 31<sup>st</sup> Dec. 2021, it had 13.3lakh individual agents, which was 55% of the total agent network in India. Among the life insurers, which are providing health insurance, LIC had a market share of around 54%. In annuity products, it had 69% market share in India, as of 31<sup>st</sup> Dec. 2021.
- LIC has a broad, diversified product portfolio covering various segments across individual and group products. Its individual products comprise of savings insurance products, term insurance products, health insurance products, annuity & pension products and unit linked insurance products (ULIP). Additionally, it offers riders that provide additional benefits to cover for additional risks, such as accidental disability, death, critical illness and premium waiver on the death of the proposer. LIC's group product included group term insurance products, group savings insurance products, group savings pension products and group annuity products. As of 31<sup>st</sup> Dec. 2021, it had 32 individual and 11 group insurance products.

## Key highlights of the company (Contd...):

- LIC is also the largest asset manager in the country. As of 31<sup>st</sup> Dec. 2021, it had an AUM (asset under management) AUM of Rs. 40.1lakh cr, which was over 3.2x of the total AUM of all private life insurers in India, around 15.6x more than the AUM of the 2<sup>nd</sup> largest life insurer, more than 1.1x of the entire Indian mutual fund sector's AUM and 17% of India's estimated GDP in FY22. Further, its investments in listed equity represented around 4% of the total market capitalization of NSE. Considering its size, market importance and domestic & global inter-connectedness, LIC is identified as a "Domestic Systemically Important Insurer" by the IRDAI.
- Since its incorporation in 1956 and till 2000, it was the only life insurance provider in India, which made LIC, as a brand, synonymous with life insurance in India. The brand "LIC" was recognized as the 3<sup>rd</sup> strongest and 10<sup>th</sup> most valuable global insurance brand in 2021 (Source: RHP). The brand value of LIC in 2021 was USD 8.7bn with a brand strength index score of 84.1 out of 100. The trust in the "LIC" brand is evidenced by the 27.9cr in-force policies which were serviced in India (as of 31<sup>st</sup> Dec. 2021). The brand strength can be further demonstrated by the fact that around 75% of individual policies sold by LIC during 9M FY21, were sold to customers who had not purchased any life insurance policies from it, prior to 1<sup>st</sup> Apr. 2021.
- Its omni-channel distribution platform comprises of individual agents, bancassurance partners, alternate channels (corporate agents, brokers and insurance marketing firms), digital sales (through its website portal), micro insurance agents and Point of Sales Persons-Life Insurance scheme. LIC's individual policies are primarily distributed by its individual agents, which were responsible for sourcing around 95% of the individual products NBP. Moreover, as of 31<sup>st</sup> Dec. 2021, LIC had 2,048 branch offices and 1,559 satellite offices covering 91% of all districts in India.
- Prior to the amendment of the Life Insurance Corporation Act in the Finance Act, 2021, LIC has one fund i.e. "Life Fund" (a participating fund). Moreover, the funds were distributed in the ratio of 95:5 among its policyholders and shareholder. However, post the amendment and since 30<sup>th</sup> Sept. 2021, LIC started maintaining two funds i.e. a participating and non-participating fund. As of 31<sup>st</sup> Dec. 2021, participating fund had Rs. 25.1lakh cr, while non-participating fund had Rs. 11.6lakh cr. Moreover, the surplus from the non-participating fund was Rs. 1,594cr.
- As per the new law, 90% or more of the surplus from the participating fund shall be reserved for the policyholders as against existing 95%. The stated distribution policy from participation fund for FY22 will be 95:5, 92.5:7.5 (for FY23 and FY24), and FY25 onwards (90:10). Also 100% of the surplus from the non-participating fund will be allocated to the shareholders of LIC as against 5% earlier.
- By FY25, the surplus fund distribution policy of LIC would come in-line to the distribution policy of the private insurers. Thus, going forward from FY23, LIC's shareholder will benefit from higher allocation of surplus. Because of the above changes (mainly 100% distribution from non-participating fund), the embedded value (EV) of the company increased from Rs. 0.96lakh cr (as of 31<sup>st</sup> Mar. 2021) to Rs. 5.4lakh cr (as of 30<sup>th</sup> Sept. 2021).
- Currently, LIC just has 4% of the APE (annualized premium equivalent) from non-participating policies as compared to 20-45% for the top private insurers. Also the margins on these non-participating products are far more superior to its own participating business and of non-participating business of the private players. Moreover, LIC's non-participating persistency ratio is superior in the market. Thus post amendment of the surplus distribution policy, there would be sufficient room for LIC to grab non-participating business from the market and create value for the shareholders.
- On the back of 6% and 16% CAGR rise in renewal premiums and premiums from the single premiums policies, respectively, LIC reported a 9.2% CAGR rise in net premium income over FY19-21. Net premium stood at Rs. 4.06lakh cr in FY21. Total income for the policyholder increased by 11% CAGR to Rs. 7.04lakh cr. Over FY19-21, it generated surplus funds in FY19 and FY21.
- Total income for the shareholders increased by 6.2% CAGR to Rs. 2,985.6cr in FY21. Reported PAT increased by 6.4% CAGR to Rs. 2,974.1mn. Average PAT margin during the period stood at 100.7%. On lower equity base, RoE stood at 81.7% in FY21. It paid a dividend of around Rs. 4 per share over FY19-20.

**Peer comparison and valuation:** Despite the trimmed size of the IPO, LIC's issue will be the biggest primary offering in domestic equity market. Despite opening up of the insurance market in 2000-01 to the private players, still today LIC commands a dominant position in the domestic market. This is mainly because of its brand image and being the household name. As of 31<sup>st</sup> Dec. 2021, LIC has 61.4% market share in NBP. Further it had 71.8% and 88.8% market share in terms of number of individual and group policies issued, respectively. LIC had 13.3lakh individual agents, which was 55% of the total agent network in India. Due to its poor presence in the ULIPs, pure protection etc., it is being losing market share to the private insurers. However, post change in the surplus distribution policy and expecting higher focus on the non-participating business, would strengthen LIC's market positioning and returns for its shareholders.

At the higher price band, LIC is demanding a P/EV multiple of 1.1x, which is at significant discount to the multiples of private players (ranging from 2.5-4.2x). Thus considering the above observations, we assign a "SUBSCRIBE" rating for the issue.

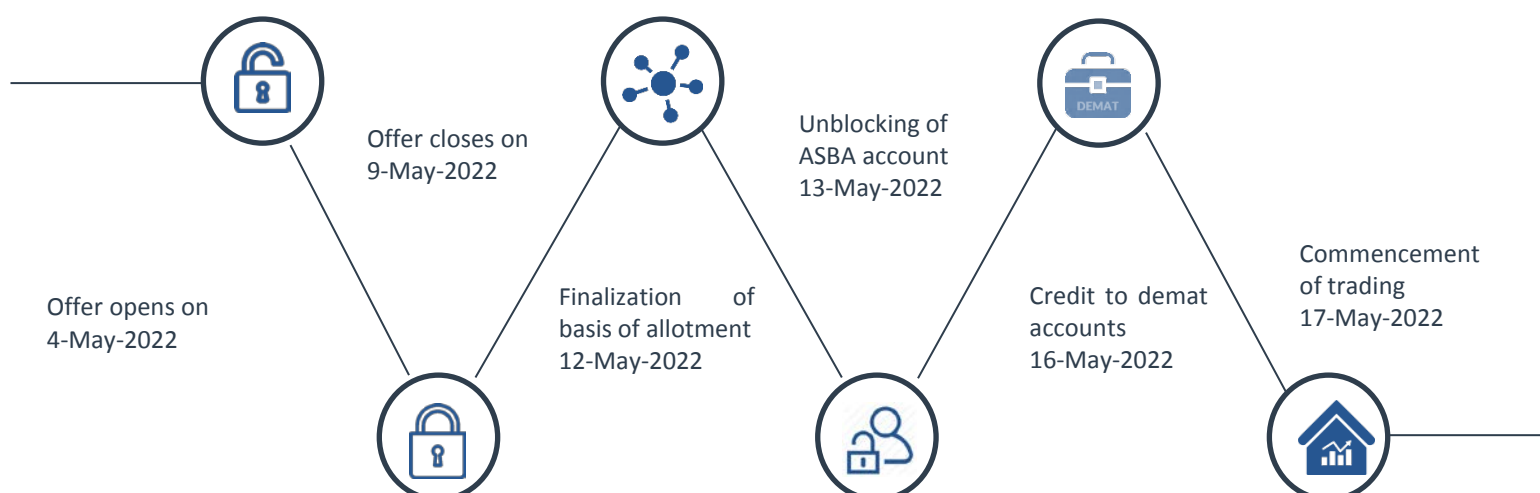
## About the issue:

- LIC is coming up with an IPO with 22.137cr shares (fresh issue: nil; OFS shares: 22.137cr shares) in offering. The offer represents around 3.50% of its post issue paid-up equity shares of the company. Total IPO size is Rs. 19,968 - 21,008.5cr.
- The issue will open on 4<sup>th</sup> May 2022 and close on 9<sup>th</sup> May 2022.
- The issue is through book building process with a price band of Rs. 902 - 949 per share.
- The IPO comprises only the OFS portion, thus the company will not receive any proceeds from the issue.
- 0.158cr shares and 2.214cr shares are reserved for eligible employees and policyholders, respectively. Employees, policyholders and retail investors will be offered a discount of Rs. 45, Rs. 60 and Rs. 45 per share, respectively. Thus net IPO size is Rs. 17,828.6 - 18,757.6cr.
- 50% of the net issue are reserved for qualified institutional buyers, while 15% and 35% of the net issue is reserved for non-institutional bidders and retail investors, respectively.
- Promoter currently holds 100.00% stake in the company and post-IPO this will come down to 96.50%. Public holding will increase from current nil to 3.50%.

Pre and post-issue shareholding pattern (%)		
	Pre-issue	Post-issue (at higher price band)
Promoter & promoter group	100.00%	96.50%
Public	0.00%	3.50%

Source: Choice Equity Broking

## Indicative IPO process time line:



## Financial performance:

**Performance over FY19-21:** On the back of 6% and 16% CAGR rise in renewal premiums and premiums from the single premiums policies, respectively, over FY19-21, LIC reported a 9.2% CAGR rise in net premium income to Rs. 4.06lakh cr in FY21. Total income for the policyholder increased by 11% CAGR to Rs. 7.04lakh cr. Over FY19-21, it generated surplus funds in FY19 and FY21.

Total income for the shareholders increased by 6.2% CAGR to Rs. 2,985.6cr in FY21. Reported PAT increased by 6.4% CAGR to Rs. 2,974.1mn. Average PAT margin during the period stood at 100.7%. On lower equity base, RoE stood at 81.7% in FY21. It paid a dividend of around Rs. 4 per share over FY19-20.

LIC's AUM increased by 6.3% CAGR to Rs. 36.93lakh cr with an average three year gross yield of 8.25%. As of 31st Dec. 2021, AUM stood at Rs. 40.12lakh cr. 38.1% of the investments were in central government securities, 24.6% in equity securities, 24.2% state government securities and 8.3% corporate bonds.

Consolidated financial snapshot (Rs. cr)	FY19	FY20	FY21	9M FY22	CAGR over FY19-21	Y-o-Y (Annual)
<b>Policyholder's account statement</b>						
First year premiums	31,676.6	58,446.5	34,341.0	22,215.3	4.10%	-41.20%
Renewal premiums	196,256.7	202,537.2	220,327.6	158,952.3	6.00%	8.80%
Single premiums & CAG	112,361.4	121,827.7	151,182.2	104,562.4	16.00%	24.10%
Gross premium	340,294.6	382,811.5	405,850.8	285,730.0	9.20%	6.00%
Total income	570,809.6	645,605.5	703,709.4	512,279.0	11.00%	9.00%
Surplus/deficit	-2,416.1	-10,148.9	3,861.8	1,642.6		
<b>Shareholder's account statement</b>						
Amounts transferred from/to the policyholders account	2,599.5	2,695.5	2,962.6	1,637.8	6.80%	9.90%
Total income	2,645.0	2,731.0	2,985.6	1,757.3	6.20%	9.30%
Reported PAT	2,627.4	2,710.5	2,974.1	1,715.3	6.40%	9.70%
Restated reported EPS	4.2	4.3	4.7	2.7	6.40%	9.70%
Commission ratio	14.0%	12.0%	12.0%		(200) bps	
Operating expense ratio	9.3%	10.7%	19.0%		970 bps	830 bps
Total cost ratio	23.4%	22.6%	31.0%		760 bps	0.0840 bps
Risk retention ratio	99.9%	99.9%	99.9%		(2) bps	(0.0002) bps
Conservation ratio	92.2%	88.8%	84.5%		(771) bps	(431) bps
Claim settlement ratio	98.3%	95.4%	98.3%			290 bps
Solvency ratio	1.6	15.6	1.8			
13M persistency ratio	77.0%	72.0%	79.0%		200 bps	700 bps
61M persistency ratio	63.0%	54.0%	59.0%		(400) bps	500 bps
Gross yields	8.3%	8.2%	8.3%		5 bps	11 bps
Value of new business margin			9.9%			
Operating return on embedded value			36.9%			
RoE	404.6%	382.6%	81.7%			

Source: Choice Equity Broking





### Competitive strengths:

- Fifth largest life insurer globally by GWP and the largest player in the fast growing and underpenetrated Indian life insurance sector
- Trusted brand and a customer-centric business model
- Cross-cyclical product mix that caters to diverse consumer needs and an individual product portfolio that is dominated by participating life insurance policies
- Presence across India through an omni-channel distribution network with an unparalleled agency force
- Harnessing technology capabilities to support customer connect and drive operating efficiencies
- Largest asset manager in India with an established track record of financial performance and profitable growth
- Robust risk management framework
- Highly experienced and qualified management team, distinguished board and strong corporate governance framework

### Business strategy:

- Capitalize on the growth opportunities in the Indian life insurance sector
- Further diversify the product mix by increasing the contribution of the non-participating portfolio
- Reinforce omni-channel distribution network and increase its productivity
- Continue leveraging technology to aid growth, drive operating efficiencies and provide digital support
- Maximize value creation through various commercial and financial levers as well as changes to the corporation's surplus distribution policy



### Risk and concerns:

- Unfavorable government policies and regulations
- Continued fall in the market share
- Unfavorable product-mix
- Difficulty in expanding the non-participating business
- Rising interest rate environment
- Volatility in the domestic equity markets
- Unfavorable rise in operating costs
- Competition

## Financial statements:

Consolidated revenue account statement (Rs. cr)						
	FY19	FY20	FY21	9M FY22	CAGR over FY19 - 21	Annual growth over FY20
First year premiums	31,676.6	58,446.5	34,341.0	22,215.3	4.1%	-41.2%
Renewal premiums	196,256.7	202,537.2	220,327.6	158,952.3	6.0%	8.8%
Single premiums & CAG	112,361.4	121,827.7	151,182.2	104,562.4	16.0%	24.1%
<b>Gross premium</b>	<b>340,294.6</b>	<b>382,811.5</b>	<b>405,850.8</b>	<b>285,730.0</b>	<b>9.2%</b>	<b>6.0%</b>
Reinsurance ceded	(323.0)	(335.9)	(452.3)	(388.0)	18.3%	34.6%
<b>Net premium</b>	<b>339,971.6</b>	<b>382,475.5</b>	<b>405,398.5</b>	<b>285,341.9</b>	<b>9.2%</b>	<b>6.0%</b>
Gross interest, dividends & rent income	200,021.0	222,050.1	239,565.0	189,085.0	9.4%	7.9%
Profit on sale/redemption of investments	30,241.2	31,361.7	46,186.8	42,862.4	23.6%	47.3%
Loss on sale/redemption of investments	(6,344.0)	(11,974.2)	(6,377.1)	(6,399.6)	0.3%	-46.7%
Transfer/gain on revaluation/change in fair value	1,125.3	1,398.7	6,145.8	705.9	133.7%	339.4%
Other income	5,794.4	20,293.6	12,790.5	683.4	48.6%	-37.0%
<b>Total income</b>	<b>570,809.6</b>	<b>645,605.5</b>	<b>703,709.4</b>	<b>512,279.0</b>	<b>11.0%</b>	<b>9.0%</b>
Commission expenses	(20,482.6)	(21,548.3)	(22,358.2)	(15,538.1)	4.5%	3.8%
Operating expenses related to the insurance business	(28,331.6)	(34,425.9)	(35,162.2)	(27,267.3)	11.4%	2.1%
Other expenses	(4,832.4)	(19,731.7)	(13,456.2)	(0.3)	66.9%	-31.8%
GST & other charges	(109.8)	(98.3)	(93.2)	(55.7)	-7.8%	-5.1%
Provisions for doubtful debts	(11,452.0)	(10,888.2)	(10,181.9)	213.5	-5.7%	-6.5%
Provision for taxation	(5,556.8)	(10,825.6)	(9,170.5)	(8,002.1)	28.5%	-15.3%
Other provisions	(4,149.1)	(13,562.1)	2,869.6	8,062.1		
Net benefits paid	(252,380.8)	(255,479.5)	(288,489.1)	(234,619.9)	6.9%	12.9%
Interim bonuses paid	(1,651.4)	(1,673.4)	(2,229.1)	(2,470.0)	16.2%	33.2%
Change in valuation of liability in respect of life policies	(253,585.5)	(296,628.4)	(321,134.0)	(239,357.4)	12.5%	8.3%
Transfer to/from provision for linked liabilities	9,312.3	9,110.3	(434.3)	9,527.9		
Transfer to funds for future appropriation	(0.1)	(0.0)	(3.1)	(1,103.7)	473.6%	7524.4%
Transfer to funds for discontinued policies	(5.9)	(3.5)	(5.4)	(25.4)	-4.1%	57.1%
<b>Surplus/deficit</b>	<b>(2,416.1)</b>	<b>(10,148.9)</b>	<b>3,861.8</b>	<b>1,642.6</b>		
Share of profit in associates	668.4	574.4	1,163.4	2,228.1	31.9%	102.5%
Minority interest	2,516.2	6,372.7	(446.5)	(3.0)		
<b>Total surplus/deficit</b>	<b>768.5</b>	<b>(3,201.8)</b>	<b>4,578.6</b>	<b>3,867.8</b>	<b>144.1%</b>	
Transfer to shareholder's account	2,599.5	2,695.5	2,962.6	1,637.8	6.8%	9.9%
Transfer to other reserve	(1,832.3)	(5,911.0)	1,616.1	2,230.2		
Proposed dividend paid	1.4	13.6	0.0	0.0		

Consolidated profit & loss statement (Rs. cr)						
	FY19	FY20	FY21	9M FY22	CAGR over FY19 - 21	Annual growth over FY20
<b>Amounts transferred from/to the policyholders account</b>	<b>2,599.5</b>	<b>2,695.5</b>	<b>2,962.6</b>	<b>1,637.8</b>	<b>6.8%</b>	<b>9.9%</b>
Gross interest, dividends & rent income	37.4	35.2	17.8	97.5	-31.0%	-49.5%
Profit on sale/redemption of investments	12.6	2.1	6.1	22.7	-30.3%	188.6%
(Loss on sale/redemption of investments)	(4.5)	(1.9)	(0.9)	(0.6)	-54.8%	-51.6%
Other income	0.0	0.0	0.0	0.0		
<b>Total income</b>	<b>2,645.0</b>	<b>2,731.0</b>	<b>2,985.6</b>	<b>1,757.3</b>	<b>6.2%</b>	<b>9.3%</b>
Expenses other than those directly related to the insurance business	(0.4)	(0.5)	(0.5)	(0.4)	5.0%	3.1%
Contribution to policyholder's account towards others	(2.2)	(6.1)	(4.8)	0.0	46.8%	-22.2%
Other provisions	0.0	(5.9)	0.0	0.0		
<b>PBT</b>	<b>2,642.4</b>	<b>2,718.5</b>	<b>2,980.3</b>	<b>1,757.0</b>	<b>6.2%</b>	<b>9.6%</b>
Tax expenses	(15.0)	(8.0)	(6.2)	(41.7)	-35.6%	-22.8%
<b>Reported PAT</b>	<b>2,627.4</b>	<b>2,710.5</b>	<b>2,974.1</b>	<b>1,715.3</b>	<b>6.4%</b>	<b>9.7%</b>

Source: Choice Equity Broking



## Financial statements:

Consolidated balance sheet statement (Rs. cr)						
	FY19	FY20	FY21	9M FY22	CAGR over FY19 - 21	Annual growth over FY20
Equity share capital	100.0	100.0	100.0	6,325.0	0.0%	0.0%
Reserves and surplus	798.4	891.7	6,705.5	2,498.6	189.8%	652.0%
Credit/(debit) fair value change account	(88.8)	10.2	78.5	140.8		671.9%
Minority interest	87.8	96.3	99.3	101.9	6.4%	3.1%
<i>Shareholder's fund</i>	<i>897.4</i>	<i>1,098.1</i>	<i>6,983.2</i>	<i>9,066.3</i>	<i>179.0%</i>	<i>535.9%</i>
Borrowings	269,400.6	253,413.6	3.7	3.7	-99.6%	-100.0%
Credit/(debit) fair value change account	216,695.3	(4,316.6)	272,945.0	382,159.8	12.2%	
Policy liabilities	2,805,693.1	3,102,815.5	3,420,727.0	3,660,069.4	10.4%	10.2%
Minority interest	18,836.4	17,133.2	20.9	4.3	-96.7%	-99.9%
Funds for discontinued policies	51.8	51.9	50.7	72.1	-1.1%	-2.3%
Insurance reserves	13,095.9	11,414.9	12,711.5	14,876.8	-1.5%	11.4%
Provision for linked liabilities	41,650.9	32,535.3	32,959.2	23,427.4	-11.0%	1.3%
<i>Policyholder's fund</i>	<i>3,096,023.3</i>	<i>3,159,634.2</i>	<i>3,739,414.2</i>	<i>4,080,609.8</i>	<i>9.9%</i>	<i>18.3%</i>
Funds for future appropriations	13.3	28.7	3.3	1,107.0	-49.8%	-88.4%
<b>Sources of funds</b>	<b>3,366,334.6</b>	<b>3,414,174.6</b>	<b>3,746,404.5</b>	<b>4,090,786.8</b>	<b>5.5%</b>	<b>9.7%</b>
Investment - Shareholder	369.4	400.8	426.4	5,186.7	7.4%	6.4%
Investment - Policyholder	2,877,686.7	2,957,907.8	3,498,440.7	3,843,617.3	10.3%	18.3%
Assets held to cover linked liabilities	33,566.9	32,169.9	32,975.0	23,467.0	-0.9%	2.5%
Loans	249,880.3	237,434.7	108,763.7	111,141.1	-34.0%	-54.2%
Fixed assets	14,567.6	14,571.8	3,474.0	3,463.1	-51.2%	-76.2%
Cash and bank balances	67,899.5	63,152.6	36,078.3	21,827.3	-27.1%	-42.9%
Advances and other assets	183,278.8	194,196.5	149,366.1	150,146.5	-9.7%	-23.1%
Current liabilities	(40,282.3)	(65,031.7)	(68,171.5)	(53,114.7)	30.1%	4.8%
Provisions	(20,632.3)	(20,627.8)	(14,948.3)	(14,947.6)	-14.9%	-27.5%
<b>Application of funds</b>	<b>3,366,334.6</b>	<b>3,414,174.6</b>	<b>3,746,404.5</b>	<b>4,090,786.8</b>	<b>5.5%</b>	<b>9.7%</b>

Consolidated cash flow statement (Rs. cr)						
	FY19	FY20	FY21	TTM	CAGR over FY19 - 21	Annual growth over FY20
<b>Cash flow from operating activities</b>	<b>13,273.8</b>	<b>54,366.9</b>	<b>80,602.0</b>	<b>(9,764.3)</b>	<b>146.4%</b>	<b>48.3%</b>
<b>Cash flow from investing activities</b>	<b>8,764.5</b>	<b>(41,809.1)</b>	<b>148,792.3</b>	<b>(4,687.8)</b>	<b>312.0%</b>	
<b>Cash flow from financing activities</b>	<b>(13,699.6)</b>	<b>(18,663.7)</b>	<b>(256,125.5)</b>	<b>0.0</b>	<b>332.4%</b>	<b>1272.3%</b>
<b>Net cash flow</b>	<b>9,210.5</b>	<b>(4,711.6)</b>	<b>(27,076.7)</b>	<b>(14,283.3)</b>		<b>474.7%</b>
Opening balance of cash	58,695.5	67,906.0	63,194.3	36,117.7	3.8%	-6.9%
<b>Closing balance of cash</b>	<b>67,906.0</b>	<b>63,194.3</b>	<b>36,117.7</b>	<b>21,834.4</b>	<b>-27.1%</b>	<b>-42.8%</b>

Consolidated financial ratios			
Particulars	FY19	FY20	FY21
Commission ratio	14.0%	12.0%	12.0%
Operating expense ratio	9.3%	10.7%	19.0%
Total cost ratio	23.4%	22.6%	31.0%
Risk retention ratio	99.9%	99.9%	99.9%
Conservation ratio	92.2%	88.8%	84.5%
Claim settlement ratio	98.3%	95.4%	98.3%
Solvency ratio	160.0%	1555.0%	176.0%
13M persistency ratio	77.0%	72.0%	79.0%
61M persistency ratio	63.0%	54.0%	59.0%
Gross yields	8.3%	8.2%	8.3%
Value of new business margin			9.9%
Operating return on embedded value			36.9%
RoE	404.6%	382.6%	81.7%

Source: Choice Equity Broking

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## Choice Equity Broking Pvt. Ltd.

Sunil Patodia Tower, J.B. Nagar, Andheri (East), Mumbai 400099



+91-022-6707 9999





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