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VALUATION MULTIPLE SERIES INDUSTRY FOCUS - LIFE INSURANCE

1ST EDITION

August 2024



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Methodology for Estimating Valuation Multiples

This Report's goal is to explain how the business valuation, financial performance, and corresponding valuation multiples for companies operating in the Insurance Industry have changed over time.

The market bases its future growth projections & prospects, business valuation, and associated valuation multiples for enterprises on past financial performance.

India is emerging as a powerhouse in the global insurance market, ranking as the 10th largest by total premium volumes and the 2nd largest among all emerging markets, with an estimated market share of 1.9%. India is poised to lead the G20 nations in insurance sector growth over the next five years until 2028, with a projected real-term expansion of 7.1% in total insurance premiums. The life insurance segment is anticipated to witness a 6.7% growth during this period, driven by escalating demand for term life coverage within the middle-class demographic and the incorporation of Insurtech solutions by the industry.

As of July 2024, India has 54 insurers, including 27 life insurers, 27 general insurers (of which 7 are stand-alone health insurers), and 1 re-insurer. s. The insurance penetration in the life insurance sector has risen from 2.2% in FY20 to 3.2% in FY22, which is twice the rate of other emerging markets and slightly above the global average. In FY22, the gross direct premium of life insurers saw a YoY growth of 10.2%. In FY23, the New Business Premium of the life insurance industry grew by 17.91%, with private insurers contributing 37% of the New Business Premium of INR 3.7 lakh crore.

Source: Indian Brand Equity Foundation

We have identified Life Insurance as the key sector, that has a significant influence on the overall Gross Domestic Output of India. Further, we have identified 3 companies ("Representative Companies") that fairly represents the technical dynamics of the Life Insurance Industry. Although LIC is the largest Public Player in the market, due to the lack of sufficient data we have not included LIC in our report.

As a part of this research, we have derived the following Valuation Multiples for Representative Companies that hold relevance in the Life Insurance Industry:- Market Capital to Embedded Value Multiple, P/E Ratio, and P/B Ratio.



This Report is providing the information of Representative Companies namely:



SBI Life Insurance Company Ltd is engaged in the business of life insurance and annuity. It was started as a Joint-venture between State Bank of India (majority stake owning 55.45% of Equity Shares as on March 31, 2022) and BNP Paribas Cardif S.A. The Equity Shares of the Company were listed on National Stock Exchange Limited ('NSE') and Bombay Stock Exchange Limited ('BSE') on October 03, 2017. As per 9MFY22, the company has a market share of approximately 9% of the life insurance industry in India. The company offers various products across individual and group categories such as participating, non-participating, pension, group gratuity, group leave encashment, group superannuation, group immediate annuity, unit-linked insurance products, variable insurance products, etc. As at 31st March 2023, the Assets Under Management increased by 14.9% to INR 3,07,339 crore, with Value of New Business being INR 5,550 crore. The company noted a Solvency Ratio of 2.15 Times for Financial Year 2024 with a Claim Settlement Ratio of 98.39%.



HDFC Life incorporated as a JV between HDFC (As on March 31, 2024, HDFC Bank held 50.37% in HDFC Life) and Standard Life Aberdeen is one of India's top 3 leading life insurance companies. Established in 2000, HDFC Life's shares were listed on BSE & NSE on 17th November, 2017. It has more than 80 products (including individual and group products) and optional riders in its portfolio, catering to a diverse range of customer needs. HDFC Life continues to benefit from its increased presence across the country. The count of distribution partnerships is over 300, comprising banks, NBFCs, MFIs, SFBs, brokers, new ecosystem partners amongst others and has a strong base of over 2 lakh agents. As at 31st March 2024, the Assets Under Management increased by 22% to INR 2,92,220 crore, with the Value of New Business of INR 3,501 crore. The company noted a Solvency Ratio of 1.87 Times for Financial Year 2024 with a Claim Settlement Ratio of 99.7%.



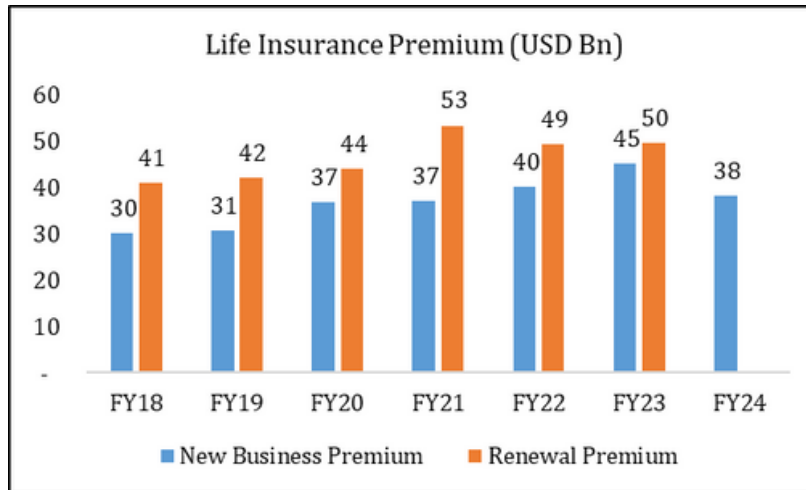
ICICI Prudential Life Insurance Company is jointly promoted by ICICI Bank Limited (51% stake) and Prudential Corporation Holdings Limited (22% stake), a part of the Prudential PLC group of the United Kingdom. The Company commenced its operations in FY2001 and is the first insurance company in India to be listed on National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) in 2017. ICICI Prudential Life Insurance Company Ltd carries on business of providing life insurance, pensions and health insurance products to individuals and groups. The business is conducted in participating, non-participating and unit linked lines of business. These products are distributed through individual agents, corporate agents, banks, brokers, sales force and company's website. As per FY24, the company's distribution network includes 471 company branches 209,521 agents and 59,000+ partner branches. As at 31st March 2024, the Assets Under Management increased by 13% to INR 2,94,140 crore, with Value of New Business standing at INR 2,227 crore. The company noted a Solvency Ratio of 1.92 Times for Financial Year 2024 with a Claim Settlement Ratio of 99.17%.



India's Evolving Life Insurance Landscape

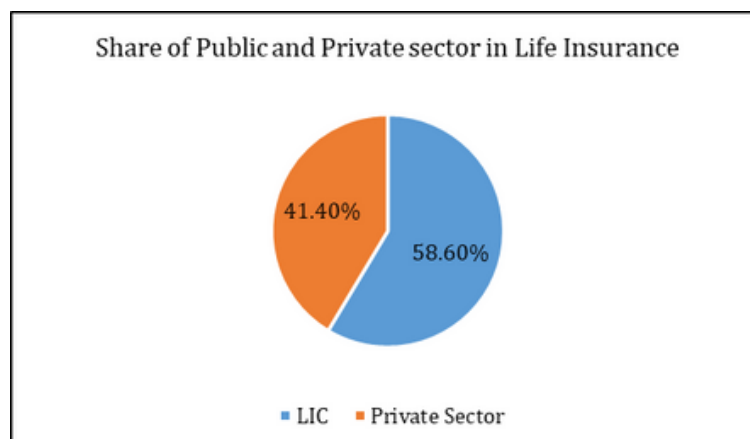
India's life insurance industry has grown significantly in the past two decades, fueled by increased private sector involvement, enhanced distribution networks, and improved operational efficiencies. The Insurance Regulatory and Development Authority of India (IRDAI) remains proactive, aiming to achieve "Insurance for All by 2047" with robust strategies to tackle industry challenges.

From April 2023 to February 2024, new business premiums for life insurers surged to INR 317,746 crore (US\$ 38.2 billion), as reported by the Life Insurance Council. Private sector premiums in March 2023 grew impressively by 35% year-on-year and 20% for FY23.



As of January 2024, leading private players SBI Life, HDFC Life, and ICICI Prudential Life dominated premium collections. SBI Life led with INR 31,218 crore (US\$ 3.76 billion), followed by HDFC Life at INR 22,744 crore (US\$ 2.74 billion) and ICICI Prudential Life at INR 13,091 crore (US\$ 1.58 billion).

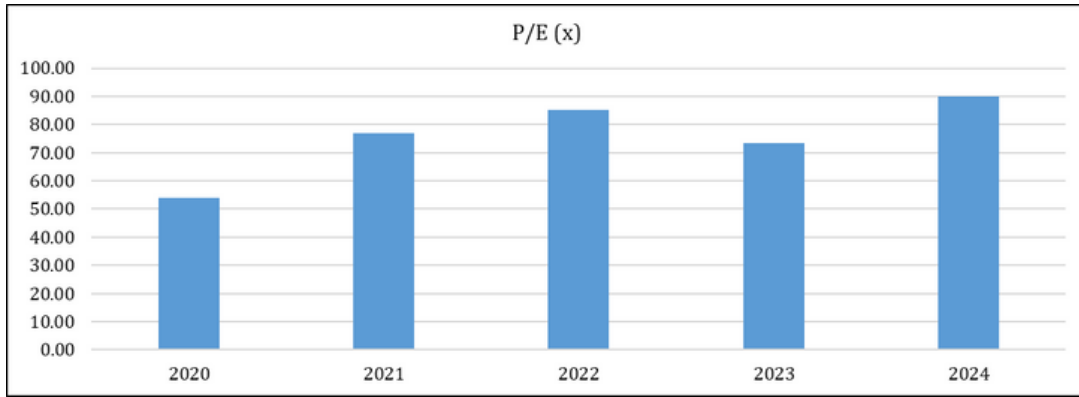
LIC, India's state-run insurance behemoth, contributed over 58.6% to total new business premiums, amounting to approximately INR 166,326 crore (US\$ 20.02 billion) in FY24 (until January, 2024). Recent data from IRDAI shows LIC's market share rose to 67.72% by October, gaining 447 basis points from the previous year. As of 2021-22, private players held 36.75% of the life insurance market, while LIC held 63.25%



Multiples - Life Insurance Industry

P/E

Price to earnings ratio measures the company's current share price relative to its earnings per share. P/E ratios are used to determine the relative value of a company's shares.

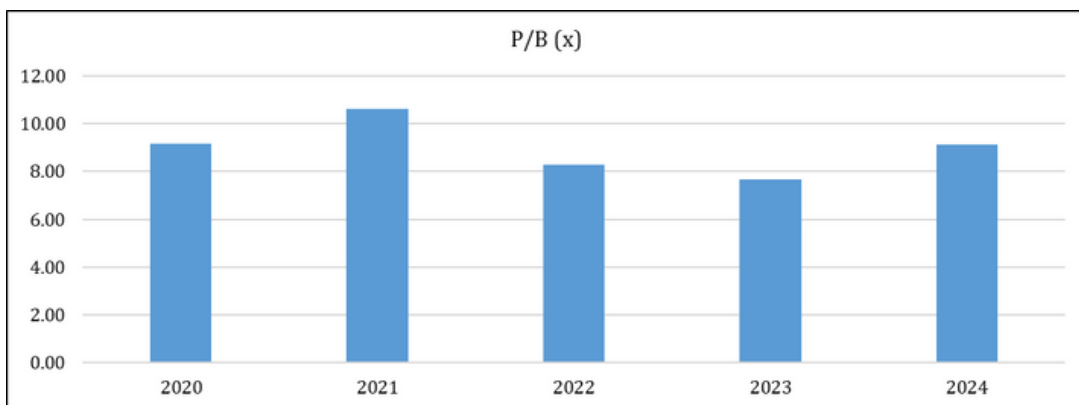


Particulars	2020	2021	2022	2023	2024
P/E	53.87	76.94	85.09	73.34	89.90

The P/E ratio displayed a consistent upward trend until FY22, reaching 85.09x, before experiencing a slight decline to 73.34x in FY23. Since then, it has resumed its upward trajectory.

P/B

Price to book ratio compares a firm's market capitalization to its book value and is usually used to locate undervalued companies. This multiple is calculated by dividing the company's current stock price per share by its book value per share.



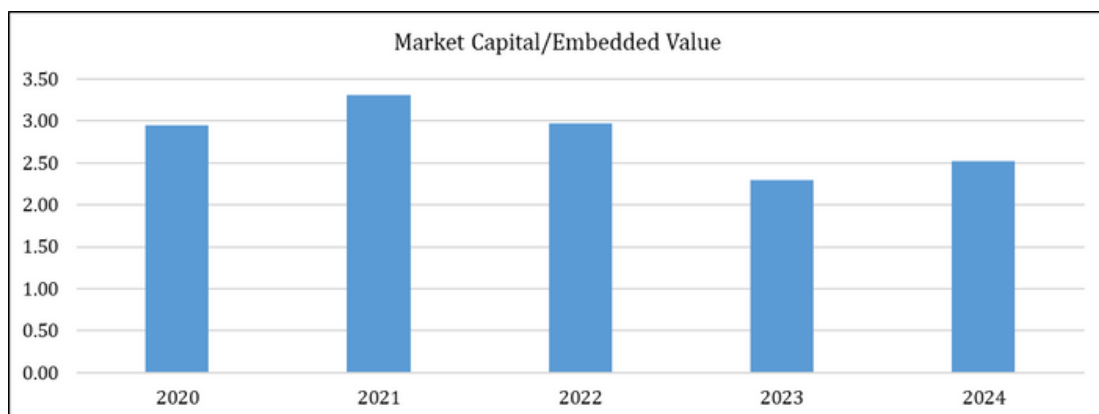
Multiples - Life Insurance Industry

Particulars	2020	2021	2022	2023	2024
P/B	9.17	10.59	8.28	7.67	9.13

The P/B ratio peaked at 10.59x in FY21, followed by a steady decline until FY23, reaching 7.67x. It then increased again to 9.13x in FY24.

Market Capital / Embedded Value Multiple

The Market Cap/Embedded Value (EV) Multiple measures how much investors are willing to pay relative to an insurer's embedded value, which represents the present value of future profits and shareholders' net worth. This multiple is calculated by dividing the company's Market Capital by its Embedded Value.



Particulars	2020	2021	2022	2023	2024
Market Cap/Embedded Value	2.95	3.30	2.97	2.30	2.51

The Market Cap/Embedded Value (EV) Multiple saw an initial rise from 2.95 in 2020 to 3.30 in 2021. This was followed by a decline to 2.97 in 2022 and further to 2.30 in 2023. However, in 2024, the multiple increased slightly to 2.51, indicating a modest recovery.

About RNM Capital Advisors

RNM Capital Advisors (“RNM”), erstwhile known as RNM & Associates, is an associate firm of RN Marwah & Co. LLP, Chartered Accountants.

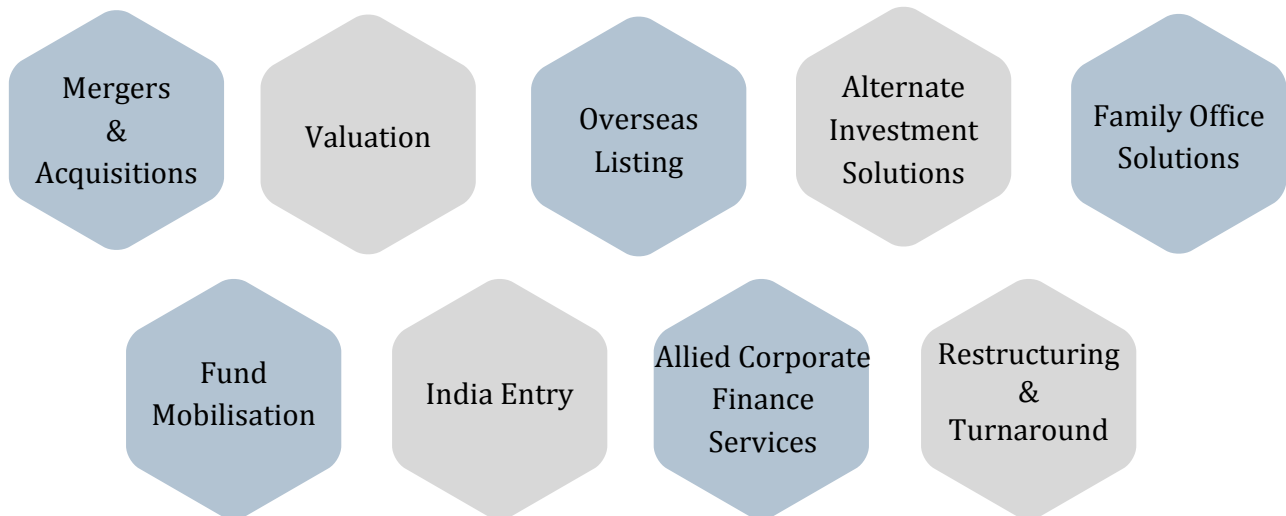
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RNM provides advisory services to its leading clients across sectors and geographies in area of mergers & acquisitions, joint ventures/ collaborations, fund mobilization, restructuring & turnaround, valuations, due diligence, India entry, other allied corporate finance matters, family office solutions and alternate investment solutions. RNM boasts strong direct access to Promoters of Indian Corporates across sectors.

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RNM's has strong relationship with most of the active PE/VC Funds, Banks, NBFCs and Financial Institutions and experience of closing multiple fund raise assignments under most challenging situations.

Our Services



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