

May 3, 2021

Q4FY21 Result Update

Key Financials

Y/e March	FY20	FY21	FY22E	FY23E
Net Premiums (Rs m)	4,03,240	4,98,564	5,70,089	6,56,576
- Growth (%)	22.6	23.6	14.3	15.2
Total Income (Rs mn)	4,38,428	7,45,223	8,03,274	9,44,323
Surplus / Deficit (Rs m)	18,948	13,669	16,669	19,487
PAT (Rs m)	14,222	12,452	15,903	20,820
- Growth (%)	7.2	(12.4)	27.7	30.9
EPS (Rs)	14.2	12.5	15.9	20.8
Emb. Value (Rs bn)	262.9	333.8	390.7	457.1
NBP Margin (%) post overrun	18.7	20.4	20.9	22.2
RoE (%)	17.4	11.7	14.1	17.3
Operating RoEV (%)	20.5	19.1	16.6	16.9
RoEV (%)	17.4	27.0	17.0	17.0
Dividend yield (%)	-	0.2	0.2	0.2
Price/EV (x)	3.6	2.9	2.5	2.1
Ap. Value/EV (x)	3.0	2.8	2.6	2.5

Key Data

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52-W High / Low	Rs. 676 / Rs.984
Sensex / Nifty	48,718 / 14,634
Market Cap	Rs.958.67bn/ \$ 12,967.2m
Shares Outstanding	1,000.1 m
3M Avg. Daily Value	Rs.3,324.9m

Shareholding Pattern (%)

Promoter's	55.70
Foreign	30.51
Domestic Institution	6.94
Public & Others	6.85
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	5.1	17.7	27.9
Relative	6.7	(5.2)	(29.5)

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Strong pullback; momentum should continue

Quick Pointers:

- Retail protection growth continued with mix gradually moving to 6.5%
- FY21 ends with strong growth momentum in premium led by strong growth across channels especially non SBI banca.

SBI Life ended the FY21 with 6.6% of APE growth which grew 48% YoY/13% QoQ on back of 24% growth in New business premium in FY21 & 62% YoY/14% QoQ in Q4FY21. Strong top line and mix also enhanced margins to be better than expectations at 20.4% in FY21 (PLe: 19.9%) and implying 22.2% exit margin in Q4FY21 (PLe:21.2%). This led to a strong 20% YoY growth in absolute VNB. Strong growth was seen in non-par savings, individual protection, group business and recovery in ULIPs happening quarter to quarter. Going ahead, with non-par (both saving & protection) still at 23-24% which is lower than peers will help growth & improve margins. SBIL's is now only a notch lower on effective tax rate basis on margins with peers which it will cover with continued protection & non-par growth and less sensitivity on product through pricing. Risk reward continues to be favourable, maintain BUY with revised TP to Rs1,150 (from Rs1,080) on 2.5x FY23 EV.

- Ends FY21 with strong growth; momentum should continue:** Gross written premium grew by 24% led by both new business and renewal premium. APE grew by 7% YoY in FY21 of what started with 28% YoY decline in Q1FY21 post lock down. Both individual & group businesses have contributed led by non-par saving 64% YoY, annuity by 1.7x YoY and individual protection by 44% YoY in FY21. ULIP also ended at 1% de-growth and improved quarter over quarter. We expect 15-16% average growth in APE in FY22 & FY23 with momentum from protection (has been slow of peers) and room to improve in non-par saving which is still 23-24% of APE mix.
- Margins strong; more levers left:** VNB margins (on actual tax) moved up to 20.4% in FY21 from 19.3% in 9MFY21 led by product mix and growth, while had certain adverse effects from mortality changes and lower risk free rate. Margins have been up on continued traction in high margins products and despite a ULIP coming back in mix perspective. Even on effective tax basis margins stood at 23.4% in FY21 v/s 20.7% which is slightly below peers at 25%. We believe with lower protection base and lower mix of non-par savings with better cost efficiency there is room for margins to gradually move up towards 25% (on effective basis) in next two-three years.
- Strong growth in EV & VNB; risk reward favourable:** VNB grew by 16% YoY in FY21 led by margin expansion, while better experience in persistency, decent unwind rate of 7.8% and VNB led to 27% growth in EV and 10% YoY growth in EVOP. We build in 17% growth in EV in FY22E/FY23E and expansion of 180bps in margins by FY23. With strong growth trajectory, improving margin and strong EV growth favours risk reward with stock trading at 2.2x FY23 EV. SBI Life remains our preferred pick in medium term.

Exhibit 1: High benefits paid, actuarial liability & Covid Provision led to flat earnings

(Rs m)	Q4FY21	Q4FY20	YoY gr. (%)	Q3FY21	QoQ gr. (%)
Policyholders' Account					
Gross Premium Income	1,56,467	1,19,372	31.1	1,38,744	12.8
Net Premium Income	1,55,557	1,18,630	31.1	1,37,665	13.0
Income from Investment (Net)	45,059	(66,772)	(167.5)	1,27,769	(64.7)
Total (A)	2,08,967	56,749	268.2	2,65,519	(21.3)
Net Commission	5,896	4,534	30.0	5,325	10.7
Opex related to Insurance	6,565	7,265	(9.6)	6,300	4.2
Benefits Paid (Net)	76,597	39,601	93.4	46,439	64.9
Change in actuarial liability	1,14,493	(4,053)	(2,924.8)	2,02,436	(43.4)
Total (B)	2,03,890	50,154	306.5	2,62,551	(22.3)
Surplus / (Deficit)	5,077	6,596	(23.0)	2,968	71.1
Shareholders' Account					
Trf from Policyholders A/c	12,175	9,209	32.2	657	1,752.9
Investment Income	2,274	(115)	(2,080.6)	1,745	30.3
Total	14,464	9,115	58.7	2,418	498.3
Non Insurance Expenses	(5)	209	(102.3)	136	(103.6)
Trf to Policyholders A/c	8,248	4,763	73.2	-	NA
Profit/(Loss) before Tax	6,221	5,216	19.3	2,331	166.9
Provision for Taxation	898	(91)	(1,088.4)	2	38,921.7
Profit/(Loss) after Tax	5,324	5,307	0.3	2,329	128.6
Ratios					
Expense Ratio	4.2	6.1	(189)	4.5	(34)
Commission Ratio	3.8	3.8	(3)	3.8	(7)
Cost / TWRP	8.0	9.9	(192)	8.4	(42)

Source: Company, PL

Exhibit 2: APE growth is driven by Protection & Non Par savings, Strong pick up in Annuity

Rs Mn	Q4FY21	Q4FY20	YoY gr. (%)	Q3FY21	QoQ gr. (%)	FY21	FY20	YoY gr. (%)
New Business APE	39,700	26,900	47.6	35,000	13.4	1,14,500	1,07,400	6.6
Individual	36,400	24,900	46.2	32,600	11.7	1,02,200	97,700	4.6
Group	3,300	2,000	65.0	2,400	37.5	12,300	9,700	26.8
Total New Business	61,872	38,054	62.6	54,388	13.8	2,06,242	1,65,925	24.3
Savings	53,472	31,754	68.4	47,288	13.1	1,81,642	1,45,125	25.2
Protection	8,400	6,300	33.3	7,100	18.3	24,600	20,800	18.3
%								
Savings	86.4	83.4	298	86.9	(52)	88.1	87.5	61
Protection	13.6	16.6	(298)	13.1	52	11.9	12.5	(61)
VNB	8,800	5,400	63.0	7,000	25.7	23,300	20,100	15.9
VNB Margin (%)	22.2	20.1	209.2	20.0	216.6	20.4	18.7	170.0
EV	334	263	27.0	-	NA	334	263	27.0

Source: Company, PL

Exhibit 3: Consistently growth in renewal premiums; Retail business grew strong

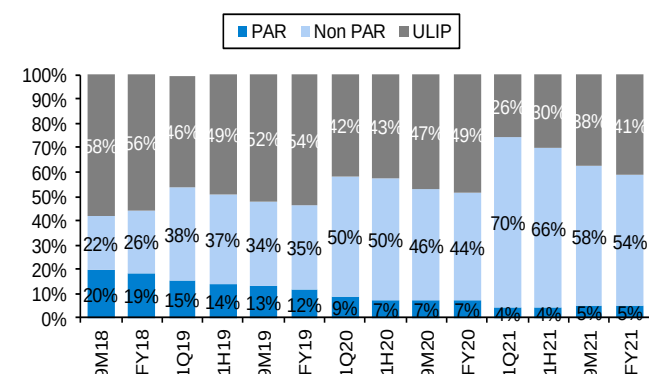
Rs Mn	Q4FY21	Q4FY20	YoY gr. (%)	Q3FY21	QoQ gr. (%)	FY21	FY20	YoY gr. (%)
Retail New Business	57,640	28,500	102.2	38,660	49.1	1,25,000	1,12,400	11.2
Group New Business	4,232	9,554	(55.7)	15,728	(73.1)	81,242	53,500	51.9
Renewal Premium	94,596	81,319	16.3	84,356	12.1	2,96,299	2,40,422	23.2
Gross Written Premium	1,56,467	1,19,372	31.1	1,38,744	12.8	5,02,542	4,06,347	23.7

Source: Company, PL

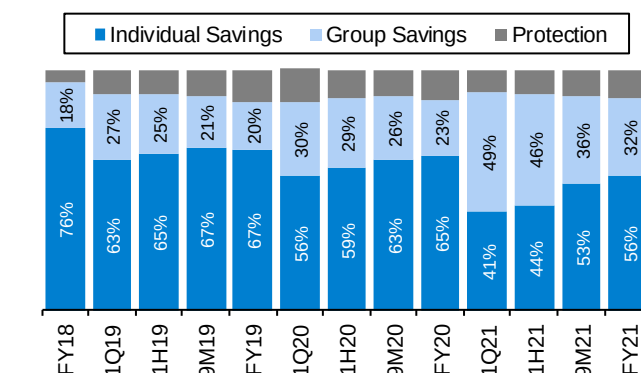
Exhibit 4: Growth witnessed in NPAR products, Savings subdued in Par while ULIP sequentially improved

Total NB Product Mix	Q4FY21	Q4FY20	YoY gr. (%)	Q3FY21	QoQ gr. (%)	FY21	FY20	YoY gr. (%)
Rs Mn								
Individual Savings	39,500	26,800	47.4	37,000	6.8	1,15,900	1,07,200	8.1
PAR	3,100	2,600	19.2	2,900	6.9	9,700	11,600	(16.4)
Non PAR	5,200	3,700	40.5	7,000	(25.7)	20,700	15,100	37.1
ULIP	31,200	20,500	52.2	27,100	15.1	85,500	80,500	6.2
Group Savings	13,900	4,800	189.6	10,300	35.0	65,700	37,900	73.4
Protection	8,400	6,300	33.3	7,100	18.3	24,600	20,800	18.3
(%)								
Individual Savings	63.9	70.7	(680)	68.0	(410)	56.2	64.6	(841)
PAR	5.0	6.9	(184)	5.3	(31)	4.7	7.0	(229)
Non PAR	8.4	9.8	(135)	12.9	(445)	10.0	9.1	94
ULIP	50.5	54.1	(360)	49.8	67	41.5	48.5	(706)
Group Savings	22.5	12.7	983	18.9	356	31.9	22.8	902
Protection	13.6	16.6	(303)	13.1	54	11.9	12.5	(61)

Source: Company, PL

Exhibit 5: Total NB Product Mix – ULIP improved so does non-Par


Source: Company, PL

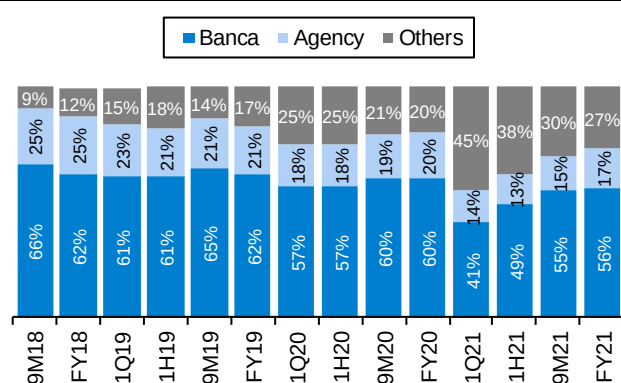
Exhibit 6: Total NB Product Mix – Protection Consistent


Source: Company, PL

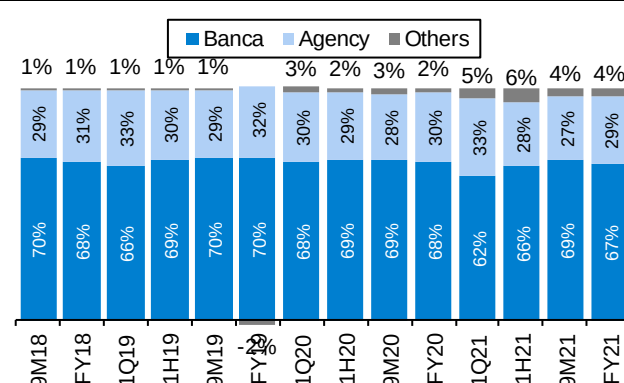
Exhibit 7: Agency picked up; Contribution from banks other than SBI also gained traction

Rs Mn	Q4FY21	Q4FY20	YoY gr. (%)	Q3FY21	QoQ gr. (%)	FY21	FY20	YoY gr. (%)
Total NB Sourcing Mix Breakup								
Banca	36,052	22,800	58.1	35,320	2.1	1,15,472	99,540	16.0
Agency	13,394	8,879	50.9	9,960	34.5	35,054	33,180	5.6
Others	12,354	6,321	95.4	9,120	35.5	55,674	33,180	67.8
Indv APE Sourcing Mix Breakup								
Banca	23,072	16,204	42.4	23,490	(1.8)	68,474	66,436	3.1
Agency	11,872	8,926	33.0	8,470	40.2	29,638	29,310	1.1
Others	1,456	(230)	(733.0)	640	127.5	4,088	1,954	109.2

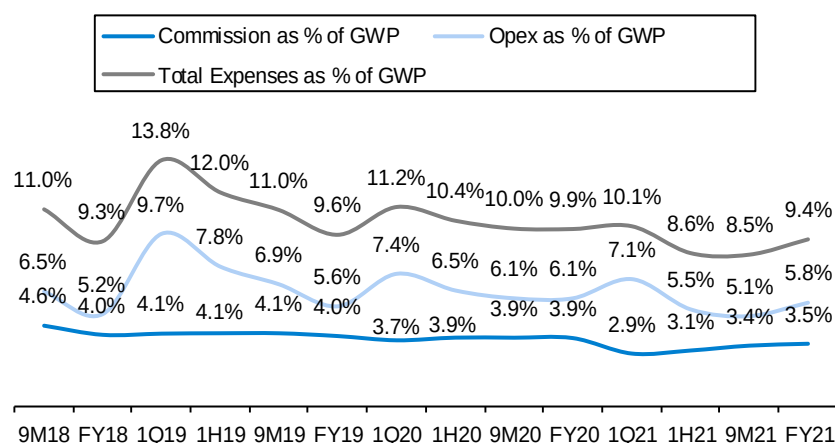
Source: Company, PL

Exhibit 8: Agency cannibalized others share; Banca Stable


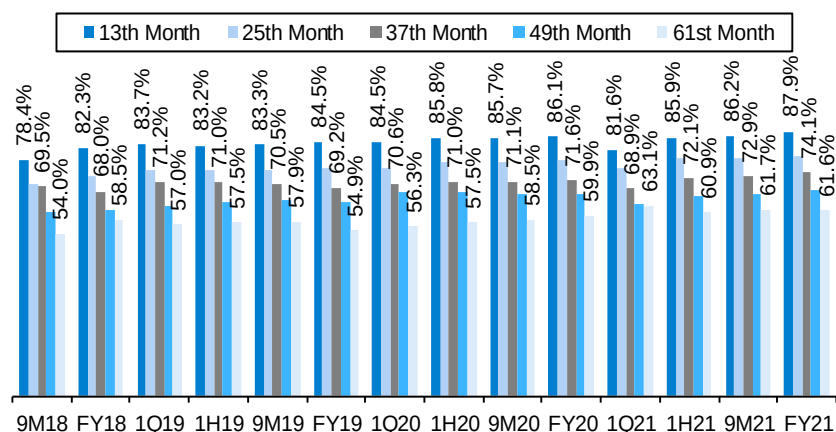
Source: Company, PL

Exhibit 9: similarly, on Individual basis has increased


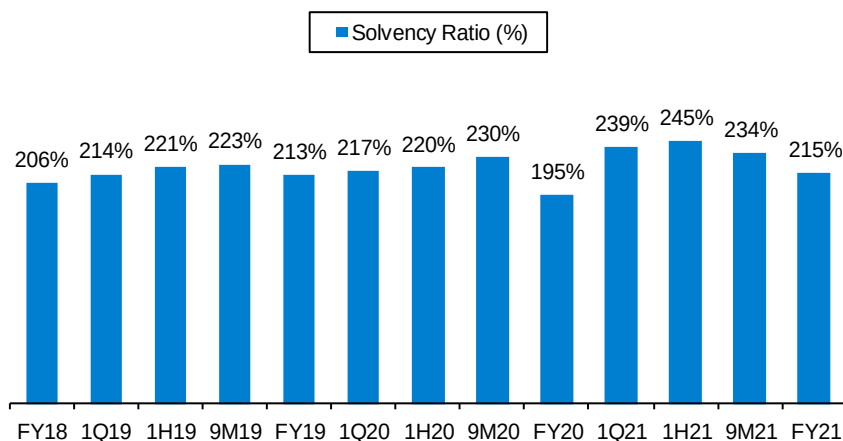
Source: Company, PL

Exhibit 10: Cost has increased marginally but under control


Source: Company, PL

Exhibit 11: Strong Persistency witnessed all across cohorts


Source: Company, PL

Exhibit 12: Solvency Ratio moves lower but still in comfort zone


Source: Company, PL

Exhibit 13: We improve APE growth and along with tad increase in margins we improve VNB as well

Estimates Changes	Old		Revised		%Change	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Rs Bn						
APE	127.5	153.4	132.1	154.0	3.6	0.5
VNB	25.9	32.2	27.6	34.3	6.8	6.4
VNB Margin (%)	20.3	21.0	20.9	22.2	0.6	1.2
EV	366.7	428.0	390.7	457.1	6.5	6.8
Price target (Rs)	1080		1150		7.0	
Recommendation	BUY		BUY			

Source: PL

Exhibit 14: We revise our TP to Rs 1,150 (from Rs1,090) based on 2.5x P/EV Mar-23E

PT calculation and upside	
Op RoEV	16.9%
CoE	13.7%
Terminal Growth	5.0%
Embedded value	457
Price / Embedded value	2.5
Appraisal Value	1150
Number of shares, mn	1,000
Valuation per share	1150
CMP	959
Upside (%)	19.9%

Source: Company, PL

Exhibit 15: Key Metrics and EV movement

Rs bn	FY18	FY19	FY20	FY21	FY22E	FY23E
APE	85.4	97.0	107.4	114.5	132.1	154.0
YoY growth (%)	26.9	13.6	10.7	6.6	15.4	16.6
NBV	13.9	17.2	20.1	23.3	27.6	34.3
YoY growth (%)	33.6	24.1	17.0	15.9	18.4	24.1
EV Movement						
Opening IEV	165.4	190.7	224.0	262.9	333.8	390.7
New Business Value	13.9	17.2	20.1	23.3	27.6	34.3
EVOP	29.5	33.2	45.9	50.2	55.5	66.2
Dividend pay-out	2.4	2.4	-	2.5	2.2	2.3
Closing EV	190.7	224.0	262.9	333.8	390.7	457.1
Adjusted Net worth	74.7	85.7	97.3	104.0	117.4	135.9
Value in force (VIF)	116.0	138.4	165.6	229.8	273.2	321.1
Ratios (%)						
NBAP margins	16.2	17.7	18.7	20.4	20.9	22.2
RoEV	15.3	17.5	17.4	27.0	17.0	17.0
Operating RoEV	17.9	17.4	20.5	19.1	16.6	16.9

Source: Company, PL



Technical account (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Gross Premiums	4,06,347	5,02,461	5,74,695	6,61,968
Reinsurance Ceded	(3,107)	(3,897)	(4,605)	(5,392)
Net Premiums	4,03,240	4,98,564	5,70,089	6,56,576
Income from Investments	29,968	2,40,677	2,26,328	2,79,888
Other Income	5,220	5,982	6,856	7,858
Total income	4,38,428	7,45,223	8,03,274	9,44,323
Commission	16,249	15,726	17,589	20,234
Operating expenses	24,131	29,345	33,418	38,472
Prov for doubtful debts	7	-	-	-
Operating Profit	3,98,042	7,00,152	7,52,267	8,85,617
Prov for Tax	3,767	3,396	3,727	4,402
Benefits Paid (Net)	1,61,754	2,08,732	2,34,851	2,74,376
Chg in reserves	2,06,049	4,73,394	4,95,874	5,85,983
Surplus / Deficit	18,948	13,669	16,669	19,487

Shareholder's a/c (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Transfer from technical a/c	14,627	13,669	16,669	19,487
Income From Investments	4,835	5,050	6,452	9,662
Total Income	19,462	18,719	23,121	29,149
Other expenses	732	555	639	735
Contribution to technical a/c	4,763	5,458	6,255	7,169
Total Expenses	5,326	6,013	6,894	7,904
PBT	14,136	12,706	16,227	21,245
Prov for Tax	(86)	254	325	425
PAT	14,222	12,452	15,903	20,820

Premium (Rs m) & growth (%)

Y/e Mar	FY20	FY21E	FY22E	FY23E
New business prem - unwtld	1,65,925	2,06,162	2,37,086	2,72,649
New business prem - APE	1,05,052	1,11,415	1,32,081	1,54,049
Renewal premium	2,40,422	2,96,299	3,37,609	3,89,319
Total premium - unwtld	4,06,347	5,02,461	5,74,695	6,61,968
New bus. growth - unwtld	20.3	24.3	15.0	15.0
New business growth - APE	10.2	6.1	18.5	16.6
Renewal premium growth	25.2	23.2	13.9	15.3
Total prem growth - unwtld	23.2	23.7	14.4	15.2

Premium mix (%)

Y/e Mar	FY20	FY21E	FY22E	FY23E
New business - unwtld				
- Individual mix	67.8	60.6	63.0	65.0
- Group mix	32.2	39.4	37.0	35.0
New business mix - APE				
- Participating	10.9	9.1	5.3	8.8
- Non-participating	18.6	22.9	27.1	27.8
- ULIPs	70.5	68.0	67.5	63.4
Total premium mix - unwtld				
- Participating	18.3	15.0	13.6	13.8
- Non-participating	23.8	31.0	32.1	32.7
- ULIPs	57.9	54.0	54.3	53.5

Source: Company Data, PL Research

Balance sheet (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Sources of Fund				
Share Capital	10,000	10,000	10,000	10,000
Reserves And Surplus	78,839	89,191	1,02,894	1,21,414
Shareholders' Fund	87,431	97,529	1,10,933	1,29,454
Policy Liabilities	7,61,230	9,06,634	10,97,400	13,24,005
Prov. for Linked Liab.	7,63,007	10,56,472	13,61,581	17,20,959
Funds For Future App.	-	-	-	-
Current liabilities & prov.	30,223	35,663	42,082	42,082
Total	16,55,802	21,04,292	26,21,429	32,25,932
Application of Funds				
Shareholders' inv	68,279	70,090	1,01,975	1,39,581
Policyholders' inv	7,34,199	9,33,707	11,34,514	13,73,045
Assets to cover linked liab.	7,85,653	10,28,789	13,07,568	16,35,934
Loans	3,645	3,827	4,018	4,018
Fixed Assets	5,812	6,044	6,407	6,407
Current assets	58,213	61,835	66,947	66,947
Total	16,55,802	21,04,292	26,21,429	32,25,932

Operating ratios

Y/e Mar	FY20	FY21	FY22E	FY23E
Investment yield (%)	1.9	11.6	8.7	8.8
Commissions / GWP	4.0	3.1	3.1	3.1
- first year premiums	9.0	4.6	4.1	4.0
- renewal premiums	2.7	3.5	3.5	3.5
- single premiums	1.4	0.7	0.7	0.7
Operating expenses / GWP	5.9	5.8	5.8	5.8
Total expense ratio	9.9	9.0	8.9	8.9
Claims / NWP	40.1	41.9	41.2	41.8
Solvency margin	195.0	215.0	215.0	215.0

Persistency ratios (%)

Y/e Mar	FY20	FY21	FY22E	FY23E
13th Month	81.3	81.3	81.3	81.3
25th Month	74.3	74.3	74.3	74.3
37th Month	68.0	68.0	68.0	68.0
49th Month	62.0	62.0	62.0	62.0
61st Month	65.6	65.6	65.6	65.6

Profitability ratios (%)

Y/e Mar	FY20	FY21	FY22E	FY23E
NBP margin (%) post overrun	18.7	20.4	20.9	22.2
RoE (%)	17.4	11.7	14.1	17.3
RoIC (%)	142.2	124.5	212.0	416.4

Valuation ratios

Y/e Mar	FY20	FY21	FY22E	FY23E
Total AUMs (Rs bn)	1,604	2,209	2,544	3,149
- of which equity AUMs (%)	20.8	27.0	25.0	25.0
EVOP as % of MCEV	20.5	19.1	16.6	16.9
RoEV (%)	17.4	27.0	17.0	17.0
Dividend %	-	0.2	0.2	0.2
Dividend payout ratio (%)	-	16.9	13.8	11.0
EPS, Rs	14.2	12.5	15.9	20.8
Embedded Value (Rs bn)	262.9	333.8	390.7	457.1

Source: Company Data, PL Research

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Axis Bank	Accumulate	770	700
2	Bank of Baroda	BUY	82	73
3	Federal Bank	Accumulate	88	76
4	HDFC Bank	BUY	1,735	1,429
5	HDFC Life Insurance Company	Reduce	660	705
6	ICICI Bank	BUY	700	570
7	ICICI Prudential Life Insurance Company	Accumulate	504	452
8	IDFC First Bank	Sell	32	54
9	IndusInd Bank	BUY	1,195	935
10	Kotak Mahindra Bank	Hold	1,912	1,759
11	Max Financial Services	Accumulate	995	890
12	Punjab National Bank	Accumulate	43	37
13	SBI Life Insurance Company	BUY	1,080	919
14	South Indian Bank	BUY	10	8
15	State Bank of India	BUY	445	354

PL's Recommendation Nomenclature (Absolute Performance)

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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