

Refer to important disclosures at the end of this report

Profitable growth trend continues

- SBIL reported healthy growth in value of new business (VNB) in Q1FY22, up ~45% yoy (-61% qoq) to Rs3.4bn. Annualized premium equivalent (APE) grew 27% yoy to Rs16.2bn. AUM growth was also healthy at ~32% yoy to Rs2.3tn. In NBP, SBIL maintained leadership among private players with an ~18.9% market share.
- VNB margins improved ~250bps yoy (-100bps qoq) to ~21.2% in Q1FY21, lower than our estimate of ~21.8% due to a surge in ULIPs (~37% of product mix) against non-par products. SBIL's dependence on Bancassurance (~45% of distribution) would allow steady growth for ULIPs.
- SBIL, like its peers, witnessed a jump in Covid-related claims. It maintains Rs4.5bn in provisions, along with tightening of mortality assumptions. Management remains firm over SBIL's ability to cope with incremental claims. SBIL saw a surge in demand for protection plans (~13% of mix), mainly aided by demand for group protection.
- We continue to like SBIL, considering steady growth and favorable risk-reward. We keep our estimates unchanged and maintain Buy with OW in EAP. We roll forward to Sep'22E and arrive at a TP of Rs1,230 (previously Rs1,150), corresponding to ~2.6x P/Sep'23E EV.

Sequential dip in VNB margins amid rise in ULIPs, improvement likely but pricing is key: SBIL reported a ~100bps qoq decline in VNB margins at 21.2% (+250bps yoy) due to a shift in the product mix to ULIPs against non-par products. We expect the trend to improve with the rising share of protection plans. However, management needs to re-price its existing protection plans as most of the reinsurance companies have already opted for a price hike.

Best-in-class operating efficiency maintained: SBIL is following Cardiff's model on bancassurance distribution, making the bank sell insurance policies rather than driving sales through its own employees sitting in the branch. Overall opex ratio remained steady at 10.5% against ~10.1% last year. With further push for digitalization, management expects further improvement in the matrix.

Outlook and valuation: Maintain Buy; OW in EAP: We continue to like SBIL, considering the gradual shift to a profitable product mix, relatively comfortable valuations, steady growth and favorable risk-reward. We keep our estimates unchanged and maintain Buy with OW in EAP. We roll forward to Sep'22E and arrive at a TP of Rs1,230 ((previously Rs1,150), corresponding to ~2.6x P/Sep'23E EV.

Please see our sector model portfolio (Emkay Alpha Portfolio): [BFSI-Insurance \(Page 7\)](#)

Financial Snapshot (Standalone)

(Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Net Profit	14,222	14,558	25,987	31,626	42,560
EPS (Rs)	14.2	14.6	26.0	31.6	42.6
VNB	20,100	23,300	27,256	31,829	38,040
VNB margin %	18.7	20.4	21.1	21.3	21.8
EV	262,900	333,900	383,698	439,886	506,218
ROEV %	20.4	19.1	15.7	15.3	15.6
P/EV (x)	4.1	3.2	2.8	2.4	2.1

Source: Company, Emkay Research

CMP	Target Price
Rs 1,077 as of (July 26, 2021)	Rs 1,230 (▲) 12 months
Rating	Upside
BUY (■)	14.2 %

Change in Estimates

EPS Chg FY22E/FY23E (%)	0.9/1.1
Target Price change (%)	7.0
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

EPS Estimates		
	FY22E	FY23E
Emkay	26.0	31.6
Consensus	19.4	21.8
Mean Consensus TP (12M)	Rs 1,205	

Stock Details

Bloomberg Code	SBILIFE IN
Face Value (Rs)	10
Shares outstanding (mn)	1,000
52 Week H/L	1,104 / 755
M Cap (Rs bn/USD bn)	1,077 / 14.47
Daily Avg Volume (nos.)	2,623,239
Daily Avg Turnover (US\$ mn)	34.5

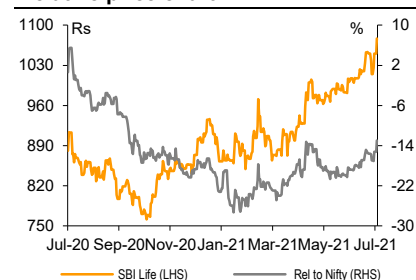
Shareholding Pattern Jun '21

Promoters	55.7%
FIIIs	27.2%
DIIIs	9.6%
Public and Others	7.4%

Price Performance

(%)	1M	3M	6M	12M
Absolute	7	14	25	24
Rel. to Nifty	7	5	12	(12)

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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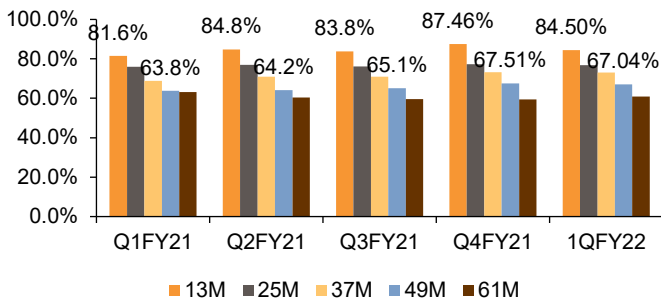
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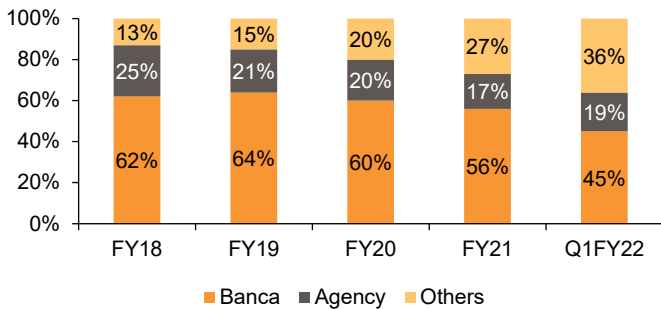
Story in Charts

Exhibit 1: Persistency witnesses a slowdown amid the second Covid wave



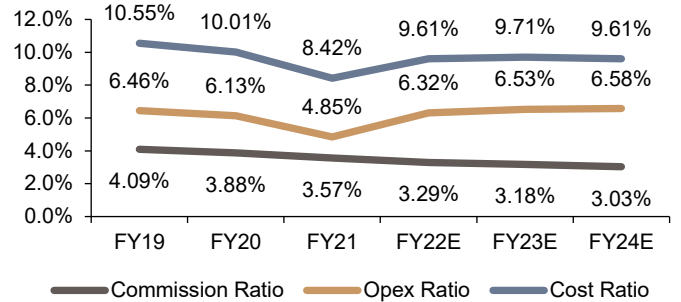
Source: Company, Emkay Research

Exhibit 3: Other distribution channels garner momentum



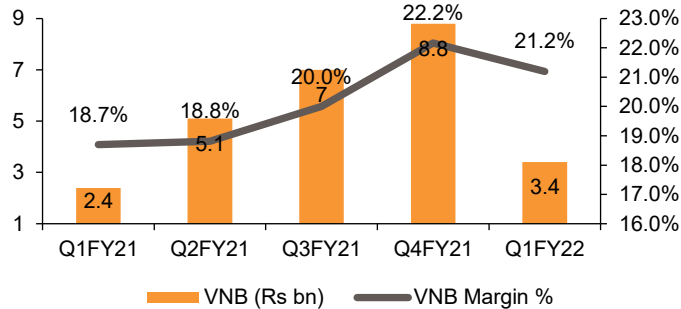
Source: Company, Emkay Research

Exhibit 2: Strong cost management structures bring down cost ratios



Source: Company, Emkay Research

Exhibit 4: VNB margins decline qoq, grow on yoy basis



Source: Company, Emkay Research

Exhibit 5: Revision in estimates

Rs mn	FY22E			FY23E			FY24E		
	Old	New	% change	Old	New	% change	Old	New	% change
NBP	2,56,267	2,59,452	1.2%	3,24,569	3,27,855	1.0%	4,15,864	4,19,151	0.8%
APE	1,30,652	1,29,232	-1.1%	1,51,106	1,49,629	-1.0%	1,75,653	1,74,127	-0.9%
PAT	25,758	25,987	0.9%	31,290	31,626	1.1%	42,028	42,560	1.3%
EV	3,83,328	3,83,698	0.1%	4,41,278	4,39,886	-0.3%	5,09,689	5,06,218	-0.7%
VNB margin %	21.0%	21.1%	12bps	21.3%	21.3%	-5bps	21.8%	21.8%	3bps
ROE %	22.4%	22.5%	10bps	22.3%	22.3%	1bps	24.1%	24.1%	-3bps
ROEV %	15.7%	15.7%	-4bps	15.9%	15.3%	-61bps	16.2%	15.6%	-54bps

Source: Company, Emkay Research

Exhibit 6: Movement in EV

Rs mn	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Opening Embedded value (EV)	1,65,379	1,90,834	2,24,000	2,62,900	3,33,900	3,83,698	4,39,886
Expected return on existing business (A+B+C)	15,800	16,020	25,700	26,900	25,043	26,859	30,792
Expected return on existing business (unwind) (A)	14,100	16,200	19,000	20,600	25,043	26,859	30,792
Operating assumption changes (B)	100	(1,010)	1,200	(800)	-	-	-
VNB added during the period	13,855	17,200	20,100	23,300	27,256	31,829	38,040
Operating experience variance (C)	1,600	830	5,500	7,100	-	-	-
IEV operating earnings (EVOP)	29,655	33,220	45,800	50,200	52,298	58,688	68,832
Economic assumption changes and investment variance	(1,800)	2,500	(7,100)	23,300	-	-	-
IEV total earnings	27,855	35,720	38,900	73,500	52,298	58,688	68,832
Capital contributions/ (dividends paid out)	(2,400)	(2,410)	-	(2,500)	(2,500)	(2,500)	(2,500)
Closing IEV	1,90,834	2,24,144	2,62,900	3,33,900	3,83,698	4,39,886	5,06,218
Expected return as % of opening (PAT/opening EV)	7.0%	7.0%	6.3%	5.5%	7.8%	8.2%	9.7%
VIF transfer as % of opening (unwinding/opening EV)	8.5%	8.5%	8.5%	7.8%	7.5%	7.0%	7.0%
ROEV %	17.9%	17.4%	20.4%	19.1%	15.7%	15.3%	15.6%
Operating ROEV %	16.9%	17.5%	17.5%	16.7%	15.7%	15.3%	15.6%

Source: Company, Emkay Research

Con call highlights

- Management indicated its strong focus for targeted growth in non-par products by the year end. The non-par product mix was ~9% in FY21, which decreased to ~7% in Q1FY22 as the company saw good demand for ULIPs. However, SBIL is confident of increasing the non-par product mix to double digits in FY22 and it has already decreased the price of a few non-par products to increase traction.
- The company aims to enable all its branches to service insurance products, currently only ~80% of SBI's branch offer insurance products.
- The company holds additional reserves of Rs4.4bn toward Covid-19.
- Management indicated that SBIL received 28k+ death claims in Q1FY22, with gross claims of Rs15.76bn and claims net of reinsurance of Rs13.15bn. For the quarter, gross Covid claims stood at Rs7.32bn, while net of reinsurance claims stood at Rs5.7bn.
- Mortality assumptions changed in Mar'21 provided support as it was sufficient to take care of all Covid claims in Q1FY22.
- Management indicated that the average ticket size for ULIPs is Rs100,000, while it was Rs50,000-60,000 for non-par products. Going forward, the ticket size for non-par products may come down, but margins will remain protected, if not increase.
- SBIL believes that the company maintains an edge against the industry on account of the ticket size, spread across geography, and good investment yield.
- Management mentioned that Rs300mn NBP was through the YONO channel in FY21.

Key Financials (Standalone)**Income Statement**

Policyholders Account-Y/E (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Net earned premium	403,240	497,683	618,663	765,526	954,465
Income from investments	29,968	314,560	177,083	212,499	254,999
Contribution from the shareholders fund	4,763	8,248	3,299	1,320	528
Miscellaneous income	0	358	394	433	477
Total income	437,971	820,849	799,439	979,778	1,210,468
Commissions	15,662	17,788	20,374	24,309	28,953
Operating expenses	24,718	24,123	39,091	49,996	62,788
Provisions	0	4,721	5,720	6,914	8,439
Total expenses	40,380	46,631	65,184	81,219	100,180
Benefits paid (net)	162,509	215,826	240,694	275,698	330,837
Change in liabilities (net)	206,049	539,342	473,081	603,154	751,112
Total	368,558	755,168	713,775	878,852	1,081,950
Surplus	29,033	19,050	20,480	19,707	28,338
Tax	3,767	976	1,374	1,510	2,002
Net surplus	25,265	18,074	19,106	18,197	26,337
Transfer to shareholders account	14,627	16,788	23,100	26,496	35,621

Shareholders Account-Y/E (Rs mn)	FY20	FY21	FY22E	FY23E	FY24E
Transfer from policyholders account	14,627	16,788	23,100	26,496	35,621
Income from investments	4,767	6,885	7,538	8,674	10,408
Other income	68	63	73	83	96
Total income	19,461	23,736	30,710	35,253	46,125
Expenses	483	310	356	410	471
Provisions	80	(247)	0	0	0
Contribution to policyholders account	4,763	8,248	3,299	1,320	528
Profit before tax	14,135	15,425	27,055	33,524	45,126
Tax	(86)	866	1,068	1,897	2,566
Net profit	14,222	14,558	25,987	31,626	42,560

Balance Sheet

Y/E Year End	FY20	FY21	FY22E	FY23E	FY24E
Sources of funds					
Share capital	10,000	10,001	10,001	10,001	10,001
Reserve and surplus	78,839	90,926	114,413	143,540	183,599
Fair value change account credit/(debit)	(1,408)	3,077	3,077	3,077	3,077
Net worth (including fair value change)	87,431	104,004	127,491	156,618	196,677
Policyholders funds	1,538,148	2,113,493	2,510,967	2,988,950	3,567,983
Funds for future appropriations	0	0	4,429	(3,870)	(13,155)
Total liabilities	1,625,579	2,217,497	2,642,887	3,141,697	3,751,505
Application of funds					
Shareholders investments	68,279	86,047	103,257	123,908	148,689
Policyholders investments	734,199	939,364	1,131,676	1,358,011	1,629,613
Assets to cover linked liabilities	785,653	1,162,150	1,394,580	1,673,496	2,008,196
Loans	3,645	3,581	3,581	3,581	3,581
Fixed assets	5,812	5,654	5,654	5,654	5,654
Net current assets (A-B)	27,990	29,124	4,139	(22,954)	(44,228)
Total assets	1,625,579	2,225,921	2,642,887	3,141,697	3,751,505

Key Ratio (%)

Y/E Year End	FY20	FY21	FY22E	FY23E	FY24E
Conservation ratio %	85.1	87.5	91.6	93.0	95.0
Commissions ratio %	3.9	3.6	3.3	3.2	3.0
Opex ratio %	6.1	4.8	6.3	6.5	6.6
ROA %	0.9	0.8	1.1	1.1	1.2
ROE %	17.4	15.2	22.5	22.3	24.1
Dividend payout ratio %	0.0	17.2	9.6	7.9	5.9

EV Data	FY20	FY21	FY22E	FY23E	FY24E
Embedded value (Rs mn)	262,900	333,900	383,698	439,886	506,218
Value of new business (Rs mn)	20,100	23,300	27,256	31,829	38,040
EVOP (Rs mn)	45,800	50,200	52,298	58,688	68,832
ROEV %	20.4	19.1	15.7	15.3	15.6
VNB margin %	18.7	20.4	21.1	21.3	21.8

Source: Company, Emkay Research

Per Share Data (Rs)	FY20	FY21	FY22E	FY23E	FY24E
EPS	14.2	14.6	26.0	31.6	42.6
DPS	0.0	2.5	2.5	2.5	2.5
BVPS	87.4	104.0	127.5	156.6	196.7

Valuation (x)	FY20	FY21	FY22E	FY23E	FY24E
P/E	75.7	74.0	41.4	34.0	25.3
P/B	12.3	10.4	8.4	6.9	5.5
P/EV	4.1	3.2	2.8	2.4	2.1
P/VNB	53.6	46.2	39.5	33.8	28.3
Dividend yield (%)	0.0	0.2	0.2	0.2	0.2

Source: Company, Emkay Research

Growth (%)	FY20	FY21	FY22E	FY23E	FY24E
GWP	23.2	23.7	24.5	23.9	24.8
New business premium (NBP)	20.3	24.3	25.8	26.4	27.8
Annualized premium equivalent (APE)	10.2	8.2	13.7	15.8	16.4
Retail APE	9.0	5.7	13.1	16.3	16.9
Commissions	16.3	13.6	14.5	19.3	19.1
Operating expenses	0.0	(2.4)	62.1	27.9	25.6
Net income	7.2	2.4	78.5	21.7	34.6

Quarterly (Rs mn)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22
Net earned premium	75,881	128,580	137,665	155,557	83,126
Total income	162,745	186,516	267,280	203,008	160,216
Total expenses	158,868	183,521	264,949	196,787	157,882
Net income	3,909	2,997	2,329	5,324	2,232
EPS (Rs)	3.91	3.00	2.33	5.32	2.23

Source: Capitaline

Shareholding Pattern (%)	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Promoters	60.7	60.7	60.7	55.7	55.7
FIIIs	26.2	25.8	27.0	30.5	27.2
DIIIs	7.0	7.1	5.9	7.0	9.6
Public and Others	6.1	6.5	6.4	6.8	7.4

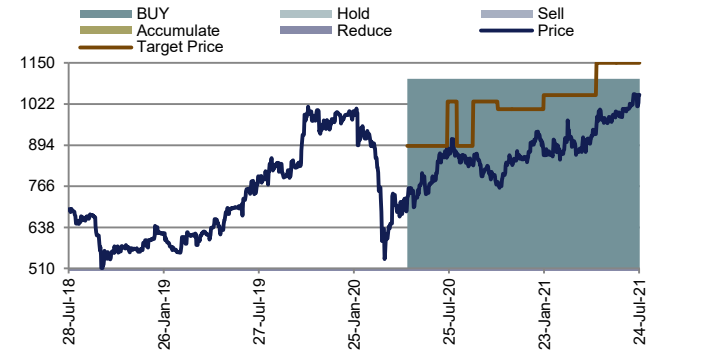
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
03-May-21	959	1,150	12m	Buy	Jignesh Shial
20-Apr-21	899	1,050	12m	Buy	Jignesh Shial
09-Mar-21	971	1,050	12m	Buy	Jignesh Shial
09-Feb-21	889	1,050	12m	Buy	Jignesh Shial
22-Jan-21	863	1,050	12m	Buy	Jignesh Shial
09-Jan-21	936	1,006	12m	Buy	Jignesh Shial
09-Dec-20	858	1,006	12m	Buy	Jignesh Shial
26-Oct-20	779	1,006	12m	Buy	Jignesh Shial
09-Sep-20	831	1,030	12m	Buy	Jignesh Shial
09-Aug-20	869	892	12m	Buy	Jignesh Shial
22-Jul-20	859	1,030	12m	Buy	Jignesh Shial
01-Jul-20	805	892	12m	Buy	Jignesh Shial
11-Jun-20	741	892	12m	Buy	Jignesh Shial
06-May-20	731	892	12m	Buy	Jignesh Shial

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – BFSI-Insurance



Analyst: Jignesh Shial

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Sector

NBFCs/AFCs

Analyst bio

Jignesh Shial is a CA and has total 13 years of research experience. His team currently covers 11 NBFCs/AFCs.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
BFSI-Insurance	1.57	1.57	0%	0	100.00
HDFC Life	0.58	0.58	0%	0	36.84
ICICI Pru Life	0.27	0.27	0%	0	17.44
Max Financial	0.27	0.27	0%	0	17.00
SBI Life	0.45	0.45	0%	0	28.72
Cash	0.00	0.00	NA	0	0.00

Source: Emkay Research

* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

Sector portfolio NAV

	Base					Latest
	1-Apr-19	24-Jul-20	22-Jan-21	23-Apr-21	22-Jun-21	23-Jul-21
EAP - BFSI-Insurance	100.0	139.2	152.6	160.0	174.8	176.1
BSE200 Neutral Weighted Portfolio (ETF)	100.0	139.8	153.5	160.5	175.8	177.0

*Performance measurement base date 1st April 2019

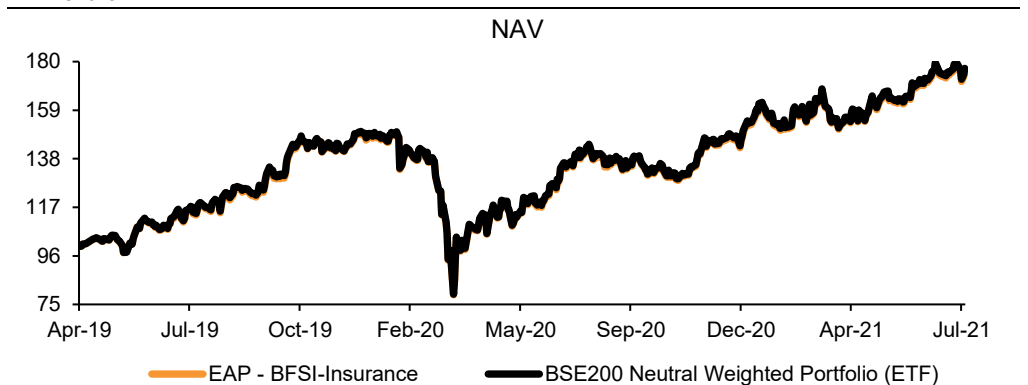
Source: Emkay Research

Price Performance (%)

	1m	3m	6m	12m
EAP - BFSI-Insurance	0.7%	10.0%	15.4%	26.4%
BSE200 Neutral Weighted Portfolio (ETF)	0.7%	10.3%	15.4%	26.6%

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 27 Jul 2021 00:54:23 (SGT)

Dissemination Date: 27 Jul 2021 00:55:23 (SGT)

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