

SBI Life Insurance Ltd.



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Premium growth with margin expansion driven by Non-Par segment

CMP INR 1,106	Target INR 1,435	Potential Upside 29.8%	Market Cap (INR Mn) INR 11,04,959	Recommendation BUY	Sector Life Insurance
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Result Highlights of Q4 FY22 & FY22:

- New Business Premium (NBP) grew by 7.7% YoY to INR 66,660 Mn in Q4FY22. New Business Premium (NBP) for the full year FY22 grew 23.4% YoY to INR 254.6 Bn in FY22. Gross Written Premium (GWP) grew by 12% YoY to INR 1,75,085 Mn in Q4FY22. For the full year FY22, GWP grew 16.9% YoY mainly due to 25% growth in First Year Premium (FYP) and 12.4% growth in Renewal Premium (RP).
- Profit after Tax (PAT) stands at INR 15.06 Bn for FY22. For Q4FY22, PAT stood at INR 6,722 Mn- an increase of 26.3% YoY.
- AUM grew by 21% YoY to INR 2,674.1 as on 31st March 2022, with debt-equity mix of 71:29. The company's net worth increased by 12% YoY.

MARKET DATA

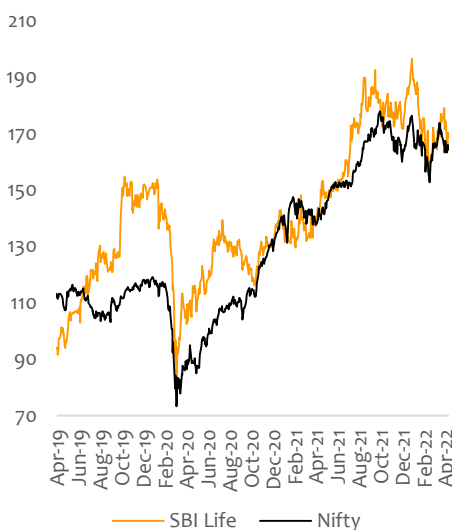
Shares outs (Mn)	1,000
Equity Cap (INR Mn)	1,05,181
Mkt Cap (INR Mn)	11,04,959
52 Wk H/L (INR)	1,293/914
Volume Avg (3m K)	1,427
Face Value (INR)	10
Bloomberg Code	SBILIFE IN

KEY FINANCIALS

Particulars (INR Mn)	FY20	FY21	FY22	FY23E	FY24E
GWP	4,06,347	5,02,542	5,87,596	7,04,819	8,48,033
PAT	14,222	14,559	15,060	16,133	19,761
EPS (INR/Share)	14.2	14.6	15.1	16.1	19.8
NBP-APE	1,07,400	1,13,667	1,41,931	1,70,943	2,05,914
VNB	20,100	23,300	27,000	44,445	54,567
VNB Margin (%)	18.7%	20.4%	25.9%	26.0%	26.5%
EVPS (INR/Share)	262.8	333.9	386.3	465.6	560.2

Source: Company, KRChoksey Research

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	57,061
NIFTY	17,103

APE saw healthy growth with strong growth in renewal premium: SBILIFE reported GWP growth of 11.9%, where the NBP grew 7.7% YoY, and its renewal business grew 14.6% YoY. For the full year FY22, GWP grew 16.9% YoY, led by NBP growth of 23.4% YoY. The protection NBP has increased by 24% YoY in FY22 at INR 24.6 Bn, owing to 26% YoY growth in the individual protection business and 23% YoY growth in the group protection business. The APE for Q4FY22 stood at INR 41,300 Mn, an increase of 4% YoY. The growth in APE was driven by healthy growth in the non-par & protection segment. The protection and non-par contribution is seeing improvement as per the management's expectations, boosting its VNB margins. NBP channel mix for FY22 stood at bancassurance channel 53%, agency channel 18%, and other channels 29%. The NBP of the agency has reported strong growth of 30% YoY in FY22 with normalization of economic activities. We believe the diversified & robust distribution network will boost the business performance in the long run. We expect the business growth trajectory to remain strong for SBILIFE and have factored CAGR of 19.1% in premium over FY21-24E.

Sharp expansion in VNB margins led by the improving product mix: The VNB margins improved to 25.9% higher by 267 bps YoY FY22. This was driven by an increased focus on the protection and non-par segment and the improving product mix. SBILIFE sees further expansion of margins with an increasing share of Non-Par Protection & Annuity segments. We expect the margins to remain stable & improve gradually with an improving share of the Non-Par and Annuity segment despite the higher contribution of ULIPs. The margin improvement is expected to reflect in the VNB growth at CAGR of 32.8% over FY21-24E.

Persistency ratio showed an improving trend; cost ratio was slightly higher: The cost ratio stood at 8.8% in FY22 against 8.3% in FY21. The commission ratio reported an increase in Q4FY22 and ended FY22 at 3.7% vs 3.5% in FY21. The operating expense ratio was 5.1% in FY22 against 4.8% in FY21. The company still maintained its cost leadership by reporting the lowest cost among its private peers. SBILIFE has also been investing in its digital initiatives to leverage its operating efficiencies. The persistency ratio improved across all the cohorts for SBILIFE. The 13th -Month persistency ratio stood at 88.4% in FY22 against 87.9% in FY21, while the 61st -Month stood at 62.0% vs 61.6% in FY21. The solvency ratio for Q4FY22 stood at 205% vs 209% in Q3FY22, which is still better than the regulatory requirement.

SHARE HOLDING PATTERN (%)

Particulars (%)	Mar-22	Dec-21	Sep-21
Promoters	55.5	55.7	55.7
FIIIs	24.2	24.5	24.5
DIIIs	12.5	12.0	12.1
Others	7.9	7.8	7.8
Total	100	100	100

21.9%

APE CAGR between FY21 and FY24E

32.8%

VNB CAGR between FY21 and FY24E

ANALYST

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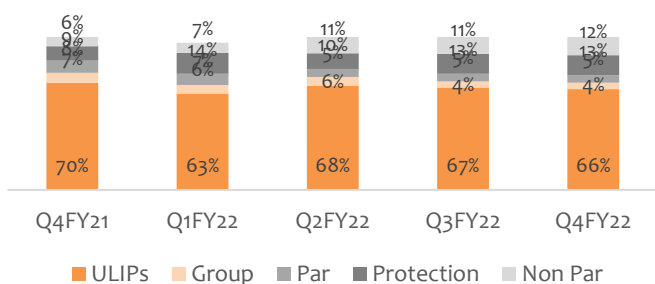
Key Concall Highlights

- During FY22, SBILIFE launched Smart Platina Plus, which provides security, flexibility and reliability through a guaranteed long-term income. The company has received a positive response for the product and received record inflows in a short period.
- The company is focused on digital initiatives to enhance the customer service experience.
- The VNB margins are expected to see further expansion led by Non-Par Guaranteed, Annuity and Protection segments. Despite increasing yields, the management is confidently sustaining the high margin expansion.
- The margins for ULIPs stood at 15%, which has been higher due to improvement in persistency.
- The company opted for product repricing only for the guaranteed product segment.
- The Credit Life premium stood at INR 5,400 Mn in Q4FY22 with a growth of 17% YoY, while for FY22, it stood at INR 17,000 Mn, contributing ~50% to the overall premium.
- Overall, SBILIFE expects to grow in similar lines reported in FY22.
- The company expects non-par segment contribution to increase in the product mix while it does not intend to reduce the product portfolio in the ULIP segment.
- The FRA supports the company is offering better rates on the Non-Par guaranteed products and maintaining the lower interest rates.
- SBILIFE has aligned its VNB & EV for FY22 as per the industry practice.

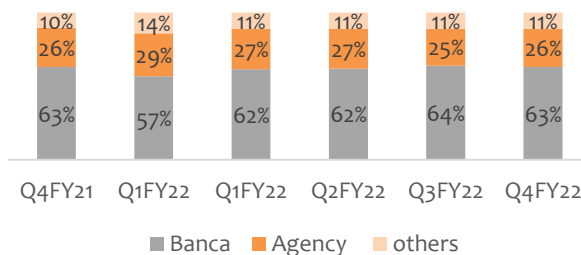
Valuation and view

SBILIFE ended FY22 on a strong note with healthy business growth and substantial expansion in margins. The VNB margins reported a strong expansion at 25.9% in FY22 due to increased focus on high-margin product mix and high sales volumes. SBILIFE has continued to hold its cost leadership amongst its peers in FY22. We expect SBILIFE to show further improvement in its overall financial parameters, which bodes well for consistency and sustainability in the long-term growth journey of the company. We believe the risk-reward trade-off is positive for SBILIFE. We see the company remain well-positioned to capitalize on long-term industry opportunities, and thus, the valuation is relatively attractive compared to its peers. We expect the GWP to grow at 19.1% CAGR over FY21-24E with VNB growth of 32.8% CAGR. PAT is expected to grow at 10.7% CAGR over FY21-24E, leveraging its operating efficiencies and increased digital initiatives. Since our last update, the shares of SBI Life have corrected by ~10% due to the global market volatility led by the geopolitical tension. The fundamentals remain strong for SBILIFE. **Thus, we continue to apply a 2.6x P/EV on FY24E EVPS of INR 560.2 and a VNB multiple of 16x to arrive at a weighted average TP of INR 1,435 per share (unchanged) for SBI Life (50:50 weights on the P-EV and appraisal value methodology); implying a potential upside of 29.8% from the CMP. Accordingly, we maintain our rating as "BUY" on the shares of SBILIFE.**

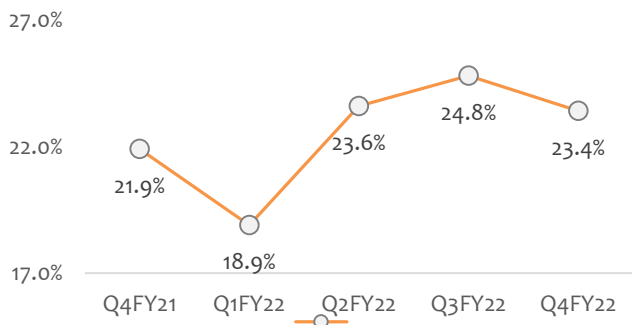
Product mix (%): Q4FY22 saw slight improvement in Non-Par segment



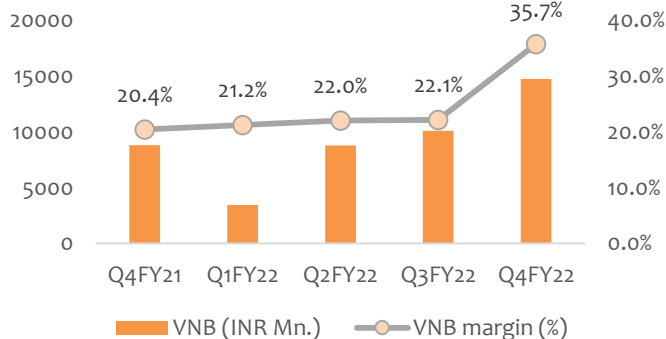
Channel mix on APE basis (%) Agency regained share



Market Share among private insurers (%): Healthy gains YoY



VNB and VNB margin (%): Sharp improvement in VNB margins in Q4FY22



Source: Company, KRChoksey Research

SBI Life Insurance Ltd.

KEY FINANCIALS

Exhibit 1: Revenue Account/Policy Holder's Account

Particulars (INR Mn)	FY20	FY21	FY22	FY23E	FY24E
Revenue Account / Policyholders' Account					
Gross premiums	4,06,347	5,02,542	5,87,596	7,04,819	8,48,033
Reinsurance ceded	3,107	4,859	3,273	5,639	6,784
Net premiums	4,03,240	4,97,683	5,84,323	6,99,180	8,41,249
Net income from investments	29,968	3,14,560	2,35,680	2,00,353	2,27,335
Total income	4,38,428	8,20,849	8,30,272	8,99,533	10,68,584
Commission expenses	16,249	17,425	20,841	24,669	32,225
Operating expenses	24,131	24,485	30,487	36,651	44,098
Service tax on linked charges	5,538	6,434	7,725	12,264	14,756
Operating profit	3,92,510	7,72,505	7,71,220	8,25,950	9,77,505
Benefits paid (net)	1,62,509	2,15,827	3,13,398	2,79,672	3,36,500
Interim Bonuses Paid	0	0	0	1,332	1,603
Change in reserves	2,06,049	5,39,342	4,37,619	5,16,500	6,05,000
Provisions	5,005	-737	1,365	7,111	8,601
Surplus/(Deficit)	18,947	18,074	18,838	21,334	25,802

Source: Company, KRChoksey Research

Exhibit 2: Premium Schedule

Particulars (INR Mn)	FY20	FY21	FY22	FY23E	FY24E
First year premiums	98,288	1,03,381	1,29,415	1,55,298	1,86,358
Single premiums	67,637	1,02,861	1,25,158	1,56,448	1,95,560
New business premium (NBP)	1,65,925	2,06,242	2,54,574	3,11,746	3,81,918
NBP growth (%)	20%	24%	23%	22%	23%
Renewal premiums	2,40,422	2,96,299	3,33,023	3,93,073	4,66,115
Renewal premiums growth (%)	25%	23%	12%	18%	19%
Total premiums	4,06,347	5,02,542	5,87,596	7,04,819	8,48,033
Total premium growth (%)	23%	24%	17%	20%	20%
NBP - APE	1,07,400	1,13,667	1,41,931	1,70,943	2,05,914
NBP - APE growth (%)	11%	6%	25%	20%	20%

Source: Company, KRChoksey Research

Exhibit 3: Profit & Loss Account/Shareholder's Account

Particulars (INR Mn)	FY20	FY21	FY22	FY23E	FY24E
Profit & Loss Account / Shareholders' Account					
Transfer from Technical account	14,627	16,788	17,324	17,334	21,802
Income from investments & other income	4,835	6,948	9,884	10,386	12,151
Total income	19,461	23,736	27,208	27,720	33,953
Total expenses	5,326	8,311	11,601	11,088	13,581
PBT	14,135	15,425	15,608	16,632	20,372
Provision for tax	-86	866	548	499	611
PAT	14,222	14,559	15,060	16,133	19,761

Source: Company, KRChoksey Research

ANALYST

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Exhibit 4: Balance Sheet

Particulars (INR Mn)	FY20	FY21	FY22	FY23E	FY24E
Sources of funds					
Share capital	10,000	10,001	10,004	10,004	10,004
Reserves and surplus	78,839	90,926	1,04,181	1,17,732	1,34,332
Fair value change account - net	-1,408	3,077	2,039	2,000	2,000
Shareholders' fund	87,431	1,04,004	1,16,223	1,29,736	1,46,335
Liabilities (Policyholder's Funds)					
Fair value change account - net	-15,872	27,268	32,069	44,270	61,113
Policy liabilities	7,61,230	9,24,075	10,97,590	12,78,693	14,83,284
Provision for linked liabilities	7,63,007	9,65,495	11,74,871	12,92,358	14,21,594
Credit/[debit] fair value change account	-28,605	1,26,541	1,69,659	2,05,174	2,34,347
Discontinued due to non-payment of premium	51,251	70,115	81,723	98,830	1,12,882
Sub-Total	15,31,011	21,13,494	25,55,913	29,19,325	33,13,219
Funds for future Appropriations	7,137	8,423	9,936	9,936	9,936
Total Sources of Funds	16,25,579	22,25,921	26,82,072	30,58,997	34,69,491
Application of Funds					
Investments					
- Shareholders'	68,280	86,047	1,00,758	1,17,887	1,37,928
- Policyholders'	7,34,199	9,39,364	11,21,307	12,78,290	14,44,467
Asset held to cover linked liabilities	7,85,653	11,62,150	14,26,253	16,25,929	18,37,299
Loans	3,645	3,581	3,627	3,627	3,627
Fixed assets - net block	5,812	5,654	5,268	5,268	5,268
Net current assets	27,990	29,124	24,860	27,998	40,902
Total Applications of Funds	16,25,579	22,25,921	26,82,072	30,58,997	34,69,491

Source: Company, KRChoksey Research

EV Calculation (INR Mn)	FY20	FY21	FY22	FY23E	FY24E
Opening EV	2,24,050	2,62,850	3,33,900	3,86,300	4,65,648
Unwind	19,000	20,630	27,300	31,584	37,252
VNB (or NBAP)	20,100	23,300	27,000	44,445	54,567
Operating variance	6,700	6,250	4,600	4,400	4,400
EV Operating Profit (EVOP)	45,800	50,180	58,900	80,430	96,219
Non-operating variance	-7,000	23,200	-4,500	1,500	1,500
EV Profit	38,800	73,380	54,400	81,930	97,719
Net capital injection	0	-2,330	-2,000	-2,581	-3,162
Closing EV	2,62,850	3,33,900	3,86,300	4,65,648	5,60,206

Source: Company, KRChoksey Research

Key Financials (INR Mn)	FY20	FY21	FY22	FY23E	FY24E
Total premium	4,06,347	5,02,542	5,87,596	7,04,819	8,48,033
Net premium earned	4,03,240	4,97,683	5,84,323	6,99,180	8,41,249
NBP-APE	1,07,400	1,13,667	1,41,931	1,70,943	2,05,914
Combined ratio (%)	9.9%	8.3%	8.7%	8.0%	8.0%
Surplus/(Deficit)	18,947	18,074	18,838	21,334	25,802
VNB margin (%)	18.7%	20.4%	25.9%	26.0%	26.5%
PAT	14,222	14,559	15,060	16,133	19,761
EPS (INR)	14.2	14.6	15.1	16.1	19.8
EVPS (INR)	262.8	333.9	386.3	465.6	560.2
RoEV (%)	20.4%	19.1%	17.6%	20.8%	20.7%
RoE (%)	17.4%	15.2%	13.7%	13.1%	14.3%

Source: Company, KRChoksey Research

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SBI Life Insurance				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP (INR)	Recommendation	Our Rating	Upside
30-Apr-22	1,106	1,435	BUY	Buy	More than 15%
24-Jan-22	1,225	1,435	BUY		
28-Oct-21	1,174	1,435	BUY	Accumulate	5% – 15%
28-July-21	1,129	1,240	ACCUMULATE	Hold	0 – 5%
07-May-21	969	1,200	BUY	Reduce	-5% – 0
17-Mar-21	914	1000	ACCUMULATE	Sell	Less than – 5%
15-Dec-20	850	996	BUY		
24-Sep-20	833	996	BUY		

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