

Retail Equity Research

SBI Life Insurance Co. Ltd.

Life Insurance

BSE CODE: 540719

NSE CODE: SBILIFE

Bloomberg CODE: SBILIFE:IN

SENSEX: 58,351

BUY

12 Months Investment period Rating as per Large Cap

 CMP Rs. 1,283 TARGET Rs. 1,520 RETURN 18% 

(Closing: 03-08-22)

KEY CHANGES:
TARGET 
RATING 
EARNINGS 

Strong performance, positive outlook

SBI Life Insurance Company Limited, incorporated in 2001, is a joint venture between State Bank of India and BNP Paribas. It provides individual and group insurance plans, including traditional and unit-linked plans. Its products cover life, health, annuity, pension, and variable insurance.

- Gross written premium (GWP) grew 35.5% YoY to Rs. 11,349cr, mainly driven by 66.9% YoY growth in new business premium and 14.6% YoY rise in renewal premium.
- Value of new business (VNB) improved 2.3x YoY and VNB margin widened 670bps YoY owing to change in product mix.
- Resilient business model, wide distribution reach, trained workforce, technological innovation, and digitalisation auger well for the company's performance. We remain positive on the stock and reiterate our BUY rating with a revised target price of Rs. 1,520 based on 2.7x FY24E EV.

Sustainable growth across premium accounts

GWP grew 35.5% YoY to Rs. 11,349cr in Q1FY23, largely owing to 66.9% YoY growth in new business premium to Rs. 5,590cr, while renewal premium rose 14.6% YoY to Rs. 5,759cr. The company maintained its leadership position in individual new business premium, with 86.4% YoY growth to Rs. 3,430cr. Also, protection new business premium increased 62.8% YoY to Rs. 700cr, aided by 53.8% YoY growth in individual protection business to Rs. 200cr and 66.7% YoY growth in group protection business to Rs 500cr. Annual Premium Equivalent (APE) product mix for par, non-par and ULIP stood at 6%, 47% and 47%, respectively. APE channel mix for bancassurance, agency and others was 63%, 26% and 11%, respectively.

Strong VNB growth due to change in business mix

VNB rose 2.3x YoY to Rs. 880cr and VNB margin improved 670bps YoY to 30.4% owing to change in business mix. Cost ratio witnessed a 70bps YoY reduction at 11.2%, mainly due to an increase in commission ratio (up 130bps to 4.6%), partly offset by decrease in opex ratio (down 60bps YoY to 6.6%). PAT rose 17.8% YoY to Rs. 263cr, partly aided by lower taxes (down 55.5% YoY to Rs. 5cr). Assets under management expanded 13.3% YoY to Rs. 262,350cr, with debt-equity mix of 73:27. Over 97% of the debt investment was in AAA-rated and sovereign instruments.

Key highlights

- The company launched SBI Life-Smart Annuity Plus, an individual, non-linked, non-participating, general annuity product offering immediate and deferred annuity options, as well as joint life options.
- It has a strong solvency ratio of 2.21x (vs. 2.05x in Q4FY22), well above the mandated regulatory requirement of 1.50x. The 13th/ 61st month persistency ratio stood at 83.0%/ 51.0% in Q1FY23 (vs. 85.0%/ 51.1% in Q4FY22).
- Additional reserve of Rs. 289cr kept aside for the Covid-19 pandemic was well above the policy liabilities, based on IRDAI regulations.

Outlook and valuation

Diverse distribution network with trained human capital, consistent technological improvements, and financial stability provides a robust base to ensure steady growth for the company with long-term consistent returns. The stock is currently trading at attractive valuations. Hence, we reiterate our BUY rating on the stock with a revised target price of Rs. 1,520 based on 2.7x FY24E EV.

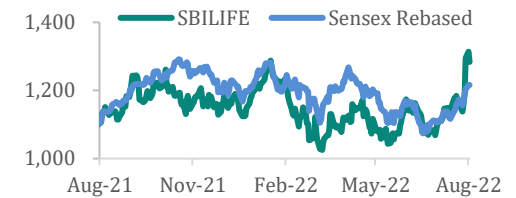
Company Data

Market Cap (cr)	Rs. 128,424
Outstanding Shares (cr)	100.0
Free Float	45.0%
Dividend Yield	0.3%
52 week high	Rs. 1,317
52 week low	Rs. 1,004
6m average volume (lacs)	0.5
Beta	0.5
Face value	Rs. 10

Shareholding %	Q3FY22	Q4FY22	Q1FY23
Promoters	55.7	55.5	55.5
FII's	24.5	24.2	23.9
MFs/Insti	12.0	12.5	12.3
Public	2.5	2.5	2.4
Others	5.4	5.4	5.9
Total	100.0	100.0	100.0
Promoters' pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	18.8%	5.2%	16.0%
Absolute Sensex	2.0%	-2.4%	9.8%
Relative Return*	16.7%	7.6%	6.2%

*over or under performance to benchmark index



Standalone (Rs cr)	FY22A	FY23E	FY24E
Net Premium	58,432	73,040	92,105
Growth (%)	17.4	25.0	26.1
New Business (%)	25.9	25.9	25.6
Net Profit	1,506	1,659	2,112
Growth (%)	3.4	10.2	27.3
EPS (Rs.)	15.0	16.6	21.1
Growth (%)	3.4	10.3	27.3
BVPS (Rs.)	114.1	131.5	147.5
EVPS (Rs.)	396.3	472.5	562.8
RoE	13.2	12.6	14.3
RoEV	20.6	19.8	19.8
P/E	74.4	77.4	60.8
P/EV	2.8	2.7	2.3
Solvency (x)	205.0	208.1	211.2

Quarterly Financials (Standalone)

Profit & Loss Account

Rs. Cr.	Q1FY23	Q1FY22	YoY Growth %	Q4FY22	QoQ Growth %
Premium earned (net)	11,036	8,313	32.8	17,434	(36.7)
Income from investments (net)	6,406	7,410	(13.6)	2,999	113.6
Other income	11	14	(25.5)	12	(13.7)
Total income	17,452	15,737	10.9	20,446	(14.6)
Incurred claims	5,172	4,792	7.9	7,373	(29.9)
Other expenses	(837)	10,797	(107.7)	12,745	(106.6)
Total expenses	4,335	15,589	(72.2)	20,118	(78.5)
Tax (policyholder's account)	33	36	(7.4)	31	7.6
Surplus (post tax)	13,084	112	11,591	296	4,317
Transfer to shareholder account	100	-41	(343.5)	1,471	(93.2)
Interest and other income	176	285	(38.1)	238	(26.1)
Other expenses	9	10	(9.8)	1,015	(99.1)
PBT	267	233	14.6	694	(61.5)
Tax (shareholder's account)	5	10	(55.5)	22	(79.1)
Reported PAT	263	223	17.8	672	(60.9)
Adj EPS (Rs.)	2.6	2.2	17.7	6.7	(60.8)

Change in Estimates

Year/ Rs. cr	Old estimates		New estimates		Change %	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Premium Earned (Net)	71,131	88,914	73,040	92,105	2.7	3.6
Profit before tax	1,689	2,030	1,719	2,188	1.8	7.8
Net Profit	1,608	1,932	1,659	2,112	3.1	9.3
EPS (Rs)	16.1	19.3	16.6	21.1	3.1	9.2

Policyholders' Profit & Loss Account

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23E	FY24E
Net Premium	40,324	49,768	58,432	73,040	92,105
% change	22.6	23.4	17.4	25.0	26.1
Income from Inv.	2,997	31,456	23,568	24,039	24,520
Transfer from shareholder account	476	825	982	1,080	1,242
Other income	46	36	45	49	57
Total Income	43,843	82,085	83,027	98,209	117,924
Commission	1,566	1,743	2,084	3,143	3,538
Operating Expenses	2,413	2,412	2,974	3,143	3,774
Other Expenses	736	508	857	1,670	2,005
Operating Profit	39,127	77,422	77,112	90,254	108,608
% change	(2.8)	97.9	(0.4)	17.0	20.3
Benefits Paid (Net)	16,251	21,583	31,340	36,828	44,221
Change in Reserves	20,605	53,934	43,762	51,069	61,320
Tax	377	98	126	401	521
<i>Tax Rate (%)</i>	16.6	5.1	6.3	17.0	17.0
Surplus/Deficit	1,895	1,807	1,884	1,956	2,545
% change	74.4	(4.6)	4.2	3.9	30.1

Shareholders' Profit & Loss Account

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23E	FY24E
Transfer from Technical A/c	1,463	1,679	1,732	1,799	2,341
Investment Inc.	483	695	988	1,087	1,195
Total Income	1,946	2,374	2,721	2,886	3,537
% change	28.2	22.0	14.6	6.1	22.5
Other Expenses	56	6	178	87	106
Contribution to Technical A/c	476	825	982	1,080	1,242
Total Expenses	533	831	1,160	1,167	1,349
PBT	1,414	1,542	1,561	1,719	2,188
% change	3.0	9.1	1.2	10.2	27.3
Tax	(9)	87	55	60	77
<i>Tax Rate (%)</i>	-0.6	5.6	3.5	3.5	3.5
Reported PAT	1,422	1,456	1,506	1,659	2,112
Adj*	0	0	0	0	0
Adj PAT	1,422	1,456	1,506	1,659	2,112
% change	7.2	2.4	3.4	10.2	27.3
No. of shares (cr)	100	100	100	100	100
Adj EPS (Rs.)	14.2	14.6	15.1	16.6	21.1
% change	7.2	2.4	3.4	10.1	27.3
DPS (Rs.)	0.0	2.5	2.0	3.3	4.2

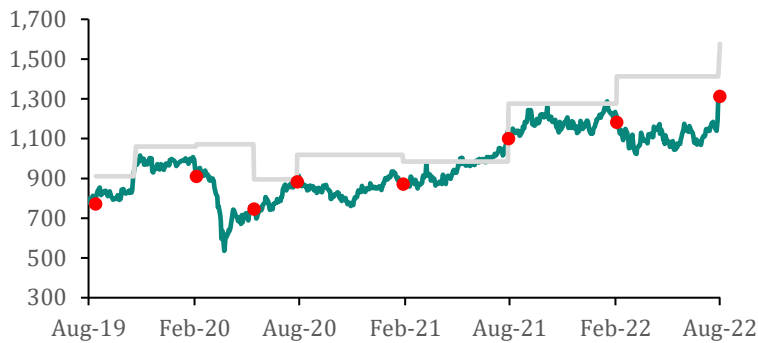
BALANCE SHEET

Y.E March (Rs. cr)	FY20A	FY21A	FY22A	FY23E	FY24E
Source of Funds					
Share Capital	1,000	1,000	1,000	1,000	1,000
Reserves & Surplus	7,884	9,093	10,418	12,155	13,760
Fair Value Change	(141)	308	204	135	89
Shareholders' Fund	8,743	10,400	11,622	13,290	14,850
Policy Liabilities	76,123	92,407	109,759	130,369	154,848
Others	76,978	118,942	145,832	179,009	220,004
Policyholder's Fund	153,101	211,349	255,591	309,378	374,853
Funds for Future appropriations	714	842	994	1151	1354
Total	162,558	222,592	268,207	323,819	391,057
Application of Fund:					
Shareholders'	6,828	8,605	10,076	11,798	13,816
Policyholders'	73,420	93,936	112,131	133,849	159,774
Assets held to cover linked liabilities	78,565	116,215	142,625	175,358	215,344
Loans	364	358	363	366	370
Fixed assets	581	565	527	491	457
Net Current assets	2,799	2,912	2,486	1,957	1,297
Total	162,558	222,592	268,207	323,819	391,057

RATIOS

Y.E March	FY20A	FY21A	FY22A	FY23E	FY24E
Per Share (Rs.)					
EPS	14.2	14.6	15.1	16.6	21.1
DPS	0.0	2.5	2.0	3.3	4.2
EV	262.9	333.9	396.3	472.5	562.8
Earnings (%)					
RoE	16.0	14.4	13.2	12.6	14.3
RoEV	20.5	19.1	20.6	19.8	19.8
Valuation (x)					
P/E (x)	45.1	60.5	74.4	77.4	60.8
P/EV (x)	2.4	2.6	2.8	2.7	2.3
Div. Yield (%)	0.0	0.3	0.2	0.3	0.3
Expenses (% of premium)					
Commission	3.9	3.5	3.5	4.3	3.8
Operating Expenses	5.9	4.8	5.1	4.3	4.1
Total Expenses	11.6	9.3	10.1	10.8	10.1
Margin (%)					
New Business	18.7	20.4	25.9	25.9	25.6
Solvency (x)					
Solvency	195.0	215.0	205.0	208.1	211.2

Recommendation Summary (Last 3 Years)



Source: Bloomberg, Geojit research

Dates	Rating	Target
13-Aug-19	BUY	911
21-Oct-19	BUY	1,060
4-Feb-20	BUY	1,071
14-May-20	BUY	895
28-Jul-20	BUY	1,018
28-Jan-21	BUY	985
30-Jul-21	BUY	1,276
3-Feb-22	BUY	1,412
4-Aug-22	BUY	1,520

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated/Neutral			

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside.

Sell: Exit from the stock.

Not rated/Neutral: The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

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