

SBI Life Insurance

Impressive end to FY23; FY24 looks challenging

SBILIFE's adj. VNB came in 4% above estimates at INR15bn (+35% YoY), as VNB margin expanded 630bps QoQ to 32.9% on the back of a higher share of NPAR savings in the mix (Q4FY23: 23%). While the management remains upbeat about achieving a 20-25%YoY APE growth in FY24E, we continue to watch out for sensitivity to insurance sales from the removal of (a) tax incentives in the new tax regime and (b) tax exemption in NPAR savings with ticket size >INR0.5mn. The company's three long-term growth levers are in place: (a) SBI's massive distribution network (26k+ branches); (b) a healthy mix of protection and NPAR; and (c) the lowest opex ratio among peers (FY23: 9.6%). We expect SBILIFE to deliver FY23-25E APE/VNB CAGRs of 12/12% and retain BUY with a lower TP of INR1,580 (2.4x Mar-25E; rolling forward multiple adjustment and factoring in high uncertainty to FY24E estimates).

- Higher NPAR mix leads to beat on margin:** SBILIFE clocked total APE at INR45.7bn (+11% YoY, in line with estimate). The high-margin NPAR savings picked up sequentially (+3.2%); however, the mix of business continues to be sporadic. Despite capital markets stabilising, ULIPs de-grew 9% YoY. Retail protection continues to exhibit signs of recovery, growing 15% QoQ (-3% YoY) after a weak H1. With the share of NPAR savings in the mix rebounding to 23% (+511bps QoQ), adj. VNB margin clocked in at 32.9% (+630bps QoQ, +140bps vs. estimate), driving adj. VNB to INR15bn (+35% YoY, a 4% beat). Persistency deteriorated across cohorts in the range of 29-241bps except for the 37th /61st month which saw substantial improvement at 344/652bps.
- NPAR mix to hover around 20-25% levels:** Given SBILIFE has a relatively lower mix of NPAR savings business over INR500k ticket size, the company continues to be bullish on the growth outlook for the NPAR savings business.
- APE growth in FY24E remains a steep ask:** With the increased exemption slab limits in the new tax regime kicking in from 1 April 2023 onwards, we await the sensitivity of insurance sales to the removal of income tax incentives. While the management remains confident of clocking in 20-25% APE growth in FY24E, our estimates factor in a below-guidance 10% growth.

Financial summary

| (INR bn) | Q4FY23 | Q4FY22 | YoY (%) | Q3FY23 | QoQ (%) | FY22 | FY23 | FY24E | FY25E |
|--------------|--------|--------|---------|--------|---------|-------|-------|-------|-------|
| NBP | 80.8 | 66.6 | 21.3 | 68.2 | 18.5 | 254.6 | 300.6 | 335.1 | 388.8 |
| APE | 45.7 | 41.3 | 10.7 | 54.4 | -16.0 | 143.0 | 165.4 | 182.4 | 208.6 |
| Adj. VNB | 15.0 | 11.1 | 35.5 | 14.5 | 3.9 | 37.0 | 50.7 | 55.9 | 64.2 |
| Adj. VNB (%) | 32.9 | 26.9 | 603bps | 26.6 | 630bps | 25.9 | 30.7 | 30.7 | 30.8 |
| EV | | | | | | 412.9 | 477.2 | 570.4 | 672.5 |
| MCap/EV (x) | | | | | | 2.7 | 2.3 | 2.0 | 1.7 |
| P/VNB (x) | | | | | | 20.7 | 13.9 | 11.5 | 8.5 |
| RoEV (%) | | | | | | 18.3 | 16.1 | 20.3 | 19.8 |

Source: Company, HSIE Research

Change in estimates

| (INR bn) | FY24E | | | FY25E | | |
|----------|---------|-------|------------------|---------|-------|------------------|
| | Revised | Old | Change (% / bps) | Revised | Old | Change (% / bps) |
| APE | 182.4 | 198.4 | -8.1 | 208.6 | 228.7 | -8.8 |
| VNB | 55.9 | 57.9 | -3.5 | 64.2 | 67.7 | -5.3 |
| VNB (%) | 30.7 | 29.2 | 145 | 30.8 | 29.6 | 115 |
| EV | 570.4 | 576.6 | -1.1 | 672.5 | 683.0 | -1.5 |

Source: Company, HSIE Research

BUY

| | |
|-------------------------|-----------|
| CMP (as on 26 Apr 2023) | INR 1,117 |
| Target Price | INR 1,580 |
| NIFTY | 17,814 |

| KEY CHANGES | OLD | NEW |
|--------------|-----------|-----------|
| Rating | BUY | BUY |
| Price Target | INR 1,850 | INR 1,580 |
| | FY24E | FY25E |
| VNB % | -3.5% | -5.3% |

KEY STOCK DATA

| | |
|------------------------------|-----------------|
| Bloomberg code | SBILIFE IN |
| No. of Shares (mn) | 1,000 |
| MCap (INR bn) / (\$ mn) | 1,119/13,694 |
| 6m avg traded value (INR mn) | 1,422 |
| 52 Week high / low | INR 1,340/1,033 |

STOCK PERFORMANCE (%)

| | 3M | 6M | 12M |
|--------------|--------|--------|-------|
| Absolute (%) | (11.1) | (10.9) | 2.1 |
| Relative (%) | (11.2) | (12.2) | (3.0) |

SHAREHOLDING PATTERN (%)

| | Dec-22 | Mar-23 |
|-----------------|--------|--------|
| Promoters | 55.5 | 55.5 |
| FIs & Local MFs | 14.9 | 15.1 |
| FPIs | 25.1 | 25.1 |
| Public & Others | 4.5 | 4.3 |
| Pledged Shares | Nil | Nil |

Source : BSE

Krishnan ASV

venkata.krishnan@hdfcsec.com
+91-22-6171-7314

Sahej Mittal

sahej.mittal@hdfcsec.com
+91-22-6171-7325

Disclosure:

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Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

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Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 www.hdfcsec.com