

SBI Life Insurance Ltd.

Positive Outlook; Growth trajectory expected to continue

CMP	Target	Potential Upside	Market Cap (INR Mn)	Recommendation	Sector
INR 1,140	INR 1,630	42.9%	INR 11,41,020	BUY	Life Insurance

Result Highlights of Q4 FY23:

- Gross Written Premium (GWP) grew by 14.3% YoY/ 3.5% QoQ to INR 2,00,136 Mn in Q4FY23, mainly driven by 10.1% YoY/9.4% QoQ growth in renewal premium.
- Value of New Business (VNB) declined by 2.3% YoY/ 4.6% QoQ to INR 14.4 Bn in Q4FY23 with margins at 31.6%.
- Profit after Tax (PAT) stood at INR 7,769 Mn in Q4FY23, a growth of 15.6% YoY/ 157.7% QoQ.
- The solvency ratio as of March 31, 2023, stood at 2.15x as against the regulatory requirement of 1.50x.
- AUM grew by 14.9% YoY/ 2.5% QoQ to INR 3,073 Bn as of March 31, 2023. Embedded value stood at INR 460.4 Bn for FY23.

MARKET DATA

Shares outs (Mn)	1,001
Equity Cap (INR Mn)	1,30,175
Mkt Cap (INR Mn)	11,41,020
52 Wk H/L (INR)	1,340/1,033
Volume Avg (3m K)	1,423
Face Value (INR)	10
Bloomberg Code	SBILIFE IN

KEY FINANCIALS

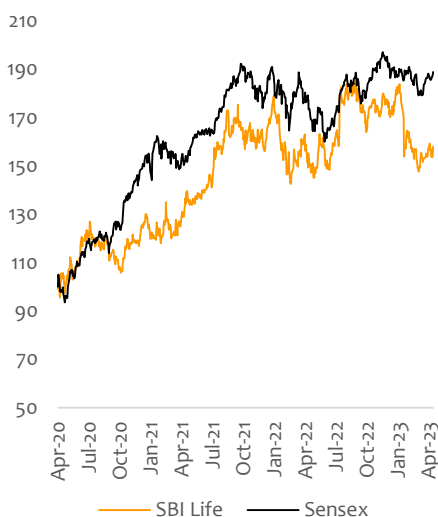
Particulars (INR Mn)	FY21	FY22	FY23	FY24E	FY25E
GWP	5,02,542	5,87,596	6,73,156	8,02,040	9,63,170
PAT	14,559	15,060	17,206	20,510	22,180
EPS (INR/Share)	14.6	15.1	17.2	20.5	22.2
NBP-APE	1,13,667	1,41,931	1,68,100	1,99,347	2,39,216
VNB	23,300	27,000	50,700	60,801	72,961
VNB Margin (%)	20.4%	25.9%	30.1%	30.5%	30.5%
EVPS (INR/Share)	333.9	386.3	460.4	545.9	651.8

Source: Company, KRChoksey Research

Premium growth led by healthy growth in the renewal segment; Non-Par and Annuity continue to report strong growth: SBILIFE reported GWP growth of 14.3% YoY and 3.5% QoQ at INR 2,00,136 Mn in Q4FY23. The growth was primarily led by the renewal segment, which grew by 10.1% YoY/ 9.4% QoQ. The New Business Premium (NBP) for the quarter reported a sequential decline of 4.1% QoQ, whereas it grew by 21.2% YoY. For FY23, the GWP reported a strong growth of 14.6% YoY, which remained broad-based across the segments. The protection NBP increased by 7.9% YoY in Q4FY23 to INR 10.9 Bn, while the Annuity NBP grew by 94.0% YoY to INR 16.1 Bn. For FY23, the Protection/Annuity segment reported growth of 19.3%/ 43.2% YoY, respectively. The APE for Q4FY23 stood at INR 45,500 Mn, a growth of 10.1% YoY, while for FY23, the growth was 17.6% led by strong growth in the Non-par and Annuity segments. The ULIP APE reported a slight decline from 56.0% as of December 31, 2022, to 55.0% as of March 31, 2023, owing to market volatility and higher demand in the Non-Par segment. ULIP is expected to pick up in the coming quarters, led by healthy equity market performance. The Non-Par guaranteed product has registered robust growth of 116.0% YoY mainly due to the increased contribution of Smart Platina during the year. SBILIFE is confident of maintaining a healthy growth trajectory with 20.0%+ growth in APE for FY24E. On the distribution mix, corporate partnerships like Indian Bank, UCO Bank, South Indian Bank, Punjab and Sind Bank, and Yes Bank registered a growth of 26.0% YoY in Individual New Business premium. These partnerships have contributed ~3.0% of the Individual New Business Premium. To further expand the banca partnership, SBILIFE signed a corporate agency agreement with Karur Vysya Bank which will strengthen its reach and customer base. The agency channel's Individual APE stood at INR 42.3 Bn, with a growth of 15.0% YoY in FY23. As of March 31, 2023, the total number of Agents was 2,08,774, a growth of 43.0% over FY22.

VNB Margins expansion led by improvement in Non-Par segment mix: The VNB margins were 31.6%, higher by 384 bps QoQ in Q4FY23, while declined by 404 bps YoY. The sequential improvement was led by strong growth in the Annuity and Non-Par segments. For FY23, the company ended the year with VNB margins of 30.2%, an expansion of 426 bps. We expect these margins to be sustainable with healthy demand for high-margin products. SBILIFE reported improvement in the persistency ratio across all the cohorts. This improvement has led to strong YoY growth in the renewal segment in Q4FY23 as well as for the full year FY23. The 13th month/61st month persistency ratio improved by 34 bps/ 612 bps, respectively.

SHARE PRICE PERFORMANCE

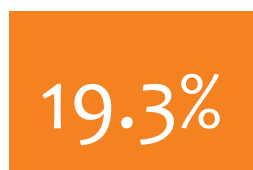


MARKET INFO

SENSEX	60,793
NIFTY	18,065

SHARE HOLDING PATTERN (%)

Particulars (%)	Mar-23	Dec-22	Sep-22
Promoters	55.5	55.5	55.5
FIIIs	25.1	25.1	24.3
DIIIs	15.1	15.0	15.6
Others	4.3	4.5	4.6
Total	100	100	100



APE CAGR between FY23 and FY25E



VNB CAGR between FY23 and FY25E

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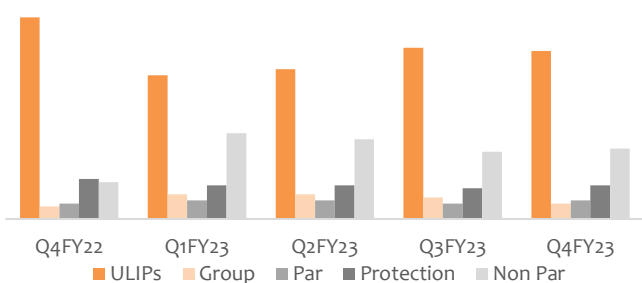
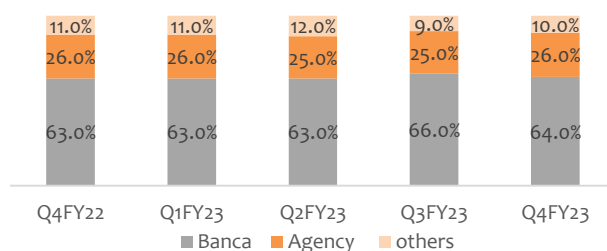
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Key Concall Highlights

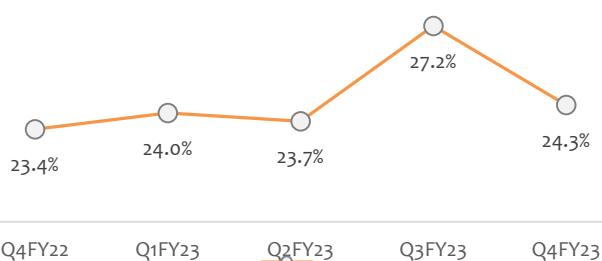
- Single Premium contribution stood at 30.0% of Individual New Business Premium, which is mainly attributed to growth in its Individual Annuity product.
- In FY23, a total of 219.8 Mn new policies were issued by the company, representing a growth of 14.0% over the previous year. Since 2010, the company has maintained its leadership position in number of policies issued and consistently delivered YoY growth for the last 10 years. This reflects the clear goal of the company to increase penetration and achieve holistic growth.
- As of March 31, 2023, SBILIFE's guaranteed non-par savings products contributed around 18.0% of Individual New Business and on Individual APE basis, this came to 24.0%.
- Non-par guaranteed products new business has registered YoY growth of 116.0%, mainly due to the new business contribution of Smart Platina Plus of INR 27.35 Bn in FY23.
- In Q4FY23, the company signed Corporate Agency Agreement with Karur Vysya Bank. It is confident that these partnerships will further enable the company to expand the insurance market across the country.
- SBILIFE continues its efficient usage of technology for simplification of the process, with 99.0% of individual proposals being submitted digitally, 45.0% of individual proposals being processed through our automated underwriting.
- SBILIFE will continue to explore new partners, leverage existing partnerships, and launch new products for growth.
- A change in the product mix, primarily in the non-par segment, was what fueled the growth in VNB and VNB margins.
- The company has guided for growth of 20–25% in FY24E on the back of a healthy demand scenario and regulatory changes that will create better products and distribution channels.
- The unwinding rate is the portfolio-weighted yield, which is a function of the composition of one's portfolio and yield curve. As the product mix has moved towards longer duration products like the Non-Par products and the competition has increased, yields are seeing an uptick. As a result, the unwinding rate is also moving upward.

Valuation and view: SBILIFE's Q4FY23 performance revealed a decent set of numbers, with a sequential expansion of the VNB margins driven by the change in product mix. The Non-Par savings and annuity segment reported robust growth during the quarter, which is in line with the industry trend. The protection segment has been seeing QoQ improvement, mainly driven by strong growth in credit life. The ULIP segment saw subdued growth with a decline in share, but the company is confident of a healthy growth trajectory for this segment, led by equity market traction. Thus, the management is confident of delivering 20–25% business growth in FY24E on the back of healthy demand and improving penetration owing to regulatory changes. The diversified distribution channels are expected to contribute significantly to the overall growth of the company. The company has been maintaining its cost leadership amongst the private players over the past few years, despite an increase in operating costs led by increased spending on new initiatives. The current valuation is relatively attractive compared to its peers. We expect the GWP to grow at a 19.6% CAGR over FY23–25E, with a VNB growth of 20.0% CAGR. PAT is expected to grow at a 13.5% CAGR over FY23–25E, maintaining its cost leadership. We see ROEV at 20.9%/ 21.0% in FY24E/ FY25E. Persistency ratio will continue to see healthy improvement in the coming quarter. We remain watchful of the growth trend on account of budgetary and regulatory changes. Since our last update, the share price has corrected by 10.7%. The stock is currently trading at 2.1x/1.7x P/Ev for FY24E/FY25E. **We continue to apply a 2.5x P/EV on FY25E EVPS of INR 651.8 and a VNB multiple of 13.4x to arrive at a weighted average TP of INR 1,630 per share (earlier INR 1,750) for SBI Life (50:50 weights on the P-EV and appraisal value methodology); implying a potential upside of 42.9% from the CMP. Accordingly, we maintain our rating as "BUY" on the shares of SBILIFE.**

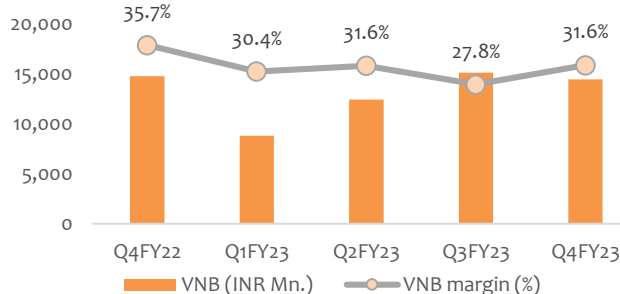
Product mix (%) as of March 31, 2023


 Channel mix on APE basis (%)
Agency mix improves


Market Share among private insurers (%)



VNB and VNB margin (%): Improves QoQ



Source: Company, KRChoksey Research

ANALYST

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SBI Life Insurance Ltd.

KEY FINANCIALS

Exhibit 1: Revenue Account/Policy Holder's Account

Particulars (INR Mn)	FY21	FY22	FY23	FY24E	FY25E
Revenue Account / Policyholders' Account					
Gross premiums	5,02,542	5,87,596	6,73,156	8,02,040	9,63,170
Reinsurance ceded	4,859	3,273	7,346	6,817	7,705
Net premiums	4,97,683	5,84,323	6,65,810	7,95,222	9,55,464
Net income from investments	3,14,560	2,35,680	1,32,601	2,32,502	2,72,092
Total income	8,20,849	8,30,272	8,15,985	10,27,724	12,27,556
Commission expenses	17,425	20,841	29,360	30,478	36,600
Operating expenses	24,485	30,487	35,360	45,716	54,901
Service tax on linked charges	6,434	7,725	8,194	10,234	12,290
Operating profit	7,72,505	7,71,220	7,43,071	9,41,297	11,23,765
Benefits paid (net)	2,15,827	3,13,398	3,02,875	2,94,232	3,53,522
Interim Bonuses Paid	0	0	0	0	0
Change in reserves	5,39,342	4,37,619	4,10,031	6,07,500	7,28,500
Provisions	-737	1,365	1,603	9,891	10,436
Surplus/(Deficit)	18,074	18,838	28,562	29,673	31,307

Source: Company, KRChoksey Research

Exhibit 2: Premium Schedule

Particulars (INR Mn)	FY21	FY22	FY23	FY24E	FY25E
First year premiums	1,03,381	1,29,415	1,51,971	1,82,365	2,18,838
Single premiums	1,02,861	1,25,158	1,43,915	1,69,820	2,03,784
New business premium (NBP)	2,06,242	2,54,574	2,95,886	3,52,185	4,22,622
NBP growth (%)	24%	23%	16%	19%	20%
Renewal premiums	2,96,299	3,33,023	3,77,270	4,49,855	5,40,548
Renewal premiums growth (%)	23%	12%	13%	19%	20%
Total premiums	5,02,542	5,87,596	6,73,156	8,02,040	9,63,170
Total premium growth (%)	24%	17%	15%	19%	20%
NBP - APE	1,13,667	1,41,931	1,68,100	1,99,347	2,39,216
NBP - APE growth (%)	6%	25%	18%	19%	20%

Source: Company, KRChoksey Research

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

Particulars (INR Mn)	FY21	FY22	FY23	FY24E	FY25E
Profit & Loss Account / Shareholders' Account					
Transfer from Technical account	16,788	17,324	27,072	27,173	28,807
Income from investments & other income	6,948	9,884	7,953	8,435	9,700
Total income	23,736	27,208	35,024	35,608	38,507
Total expenses	8,311	11,601	17,440	14,243	15,403
PBT	15,425	15,608	17,584	21,365	23,104
Provision for tax	866	548	379	855	924
PAT	14,559	15,060	17,206	20,510	22,180

Source: Company, KRChoksey Research

SBI Life Insurance Ltd.

Exhibit 4: Balance Sheet

Particulars (INR Mn)	FY21	FY22	FY23	FY24E	FY25E
Sources of funds					
Share capital	10,001	10,004	10,009	10,009	10,009
Reserves and surplus	90,926	1,04,181	1,19,237	1,36,465	1,55,096
Fair value change account - net	3,077	2,039	929	2,000	2,000
Shareholders' fund	1,04,004	1,16,223	1,30,175	1,48,474	1,67,105
Liabilities (Policyholder's Funds)					
Fair value change account - net	27,268	32,069	20,389	23,567	27,363
Policy liabilities	9,24,075	10,97,590	13,01,319	14,57,477	16,83,386
Provision for linked liabilities	9,65,495	11,74,871	14,07,214	16,88,656	20,01,058
Credit/[debit] fair value change account	1,26,541	1,69,659	1,28,712	1,48,772	1,72,738
Discontinued due to non-payment of premium	70,115	81,723	96,630	1,11,690	1,29,682
Sub-Total	21,13,494	25,55,913	29,54,263	34,30,163	40,14,227
Funds for future Appropriations	8,423	9,936	11,427	11,427	11,427
Total Sources of Funds	22,25,921	26,82,072	30,95,866	35,90,064	41,92,760
Application of Funds					
Investments					
- Shareholders'	86,047	1,00,758	1,12,087	1,28,900	1,48,235
- Policyholders'	9,39,364	11,21,307	12,98,702	15,32,469	18,38,963
Asset held to cover linked liabilities	11,62,150	14,26,253	16,32,555	18,77,439	21,59,055
Loans	3,581	3,627	3,889	5,000	5,500
Fixed assets - net block	5,654	5,268	5,215	5,465	5,715
Net current assets	29,124	24,860	43,417	40,791	35,292
Total Applications of Funds	22,25,921	26,82,072	30,95,866	35,90,064	41,92,760

Source: Company, KRChoksey Research

EV Calculation (INR Mn)	FY21	FY22	FY23	FY24E	FY25E
Opening EV	2,62,850	3,33,900	3,96,300	4,60,400	5,45,949
Unwind	20,630	27,300	34,100	34,530	40,946
VNB (or NBAP)	23,300	27,000	50,700	60,801	72,961
Operating variance	6,250	4,600	5,800	1,000	1,000
EV Operating Profit (EVOP)	50,180	58,900	90,600	96,331	1,14,907
Non-operating variance	23,200	-4,500	-24,200	-7,500	-5,000
EV Profit	73,380	54,400	66,400	88,831	1,09,907
Net capital injection	-2,330	-2,000	-2,300	-3,282	-3,549
Closing EV	3,33,900	3,86,300	4,60,400	5,45,949	6,52,307

Source: Company, KRChoksey Research

Key Financials (INR Mn)	FY21	FY22	FY23	FY24E	FY25E
Total premium	5,02,542	5,87,596	6,73,156	8,02,040	9,63,170
Net premium earned	4,97,683	5,84,323	6,65,810	7,95,222	9,55,464
NBP-APE	1,13,667	1,41,931	1,68,100	1,99,347	2,39,216
Combined ratio (%)	8.3%	8.7%	9.6%	8.0%	8.0%
Surplus/(Deficit)	18,074	18,838	28,562	29,673	31,307
VNB margin (%)	20.4%	25.9%	30.1%	30.5%	30.5%
PAT	14,559	15,060	17,206	20,510	22,180
EPS (INR)	14.6	15.1	17.2	20.5	22.2
EVPS (INR)	333.9	386.3	460.4	545.9	651.8
RoEV (%)	19.1%	17.6%	22.9%	20.9%	21.0%
RoE (%)	15.2%	13.7%	14.0%	14.7%	14.1%

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
29-Apr-23	1,140	1,630	BUY	Buy	More than 15%
24-Jan-22	1,273	1,750	BUY		
25-Oct-22	1,255	1,550	BUY	Accumulate	5% – 15%
29-Jul-22	1,294	1,550	BUY	Hold	0 – 5%
30-Apr-22	1,106	1,435	BUY	Reduce	-5% – 0
24-Jan-22	1,225	1,435	BUY		
28-Oct-21	1,174	1,435	BUY	Sell	Less than – 5%
28-July-21	1,129	1,240	ACCUMULATE		

ANALYST CERTIFICATION:

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