

# SBI Life Insurance

## Soft start; distribution heft to pull out all stops

SBILIFE's adjusted VNB clocked in flat YoY at INR8.7bn, as VNB margins softened 160/411bps YoY/QoQ to 28.8% on the back of a lower share of NPAR savings in the APE mix at 19% (Q1FY23: 28%). While the management remains confident of driving a 20% YoY APE growth in FY24E, our forecasts build in a 10% YoY growth in APE print as we continue to monitor 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. Our high-conviction BUY continues to be anchored on the three powerful and sustainable moats: a) exclusive access to SBI's massive distribution network (26k+ branches); b) a predominant and growing mix of protection and NPAR; and c) the lowest opex ratio among peers (Q1FY24: 10.8%). We expect SBILIFE to deliver an FY23-25E APE/VNB CAGR of 12% and retain BUY with a TP of INR1,580 (2.4x Mar-25E).

- Lower NPAR mix drives margin miss:** SBILIFE clocked total APE at INR30.2bn (+4% YoY) as the high-margin NPAR savings clocked a 30% YoY de-growth; however, the mix of business continued to be sporadic as ULIPs grew 16% YoY after two quarters of de-growth. Retail protection continues to exhibit signs of recovery, growing 5% YoY. With the share of NPAR savings in the mix dropping further during the quarter to 19% (-900bps YoY), adjusted VNB margin clocked in at 28.8% (-160bps YoY), driving adj. VNB to INR8.7bn, nearly flat on a YoY basis. Persistency improved across cohorts in the range of 70-700bps except for the 13<sup>th</sup> month which saw a marginal drop of 86bps.
- 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 a 20-25% APE growth in FY24E, our estimates factor in a below-guidance 10% growth. Our high-conviction BUY continues to be anchored on the three powerful and sustainable moats: a) exclusive access to SBI's massive distribution network (26k+ branches); b) a predominant and growing mix of protection and NPAR (27% of mix); and c) the lowest opex ratio among peers (Q1FY24: 10.8%).

### Financial summary

(INR bn)	Q4FY23	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	FY23	FY24E	FY25E
NBP	62.0	56.0	10.7	80.8	-23.3	295.9	329.8	382.5
APE	30.2	29.0	4.1	45.7	-33.9	168.3	183.4	209.8
Adj. VNB	8.7	8.8	-1.3	14.4	-39.5	50.7	55.3	63.4
Adj. VNBM (%)	28.8	30.4	-160bps	31.4	-264bps	30.1	30.1	30.2
EV						477.2	571.4	678.7
MCap/EV (x)						2.7	2.3	1.9
P/VNB (x)						17.5	14.9	11.5
RoEV(%)						16.1	20.2	19.6

Source: Company, HSIE Research

## BUY

CMP (as on 25 Jul 2023)	INR 1,301
Target Price	INR 1,580
NIFTY	19,681

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,850	INR 1,580
VNB %	FY24E +0%	FY25E +0%

### KEY STOCK DATA

Bloomberg code	SBILIFE IN
No. of Shares (mn)	1,001
MCap (INR bn) / (\$ mn)	1,302/15,925
6m avg traded value (INR mn)	1,489
52 Week high / low	INR 1,340/1,039

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	17.7	3.5	13.6
Relative (%)	7.3	(6.7)	(5.4)

### 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

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**Disclosure:**

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