

Stable performance despite higher base; Maintain Buy

QIFY24 Result Update | Sector: Insurance | July 26, 2023

BUY

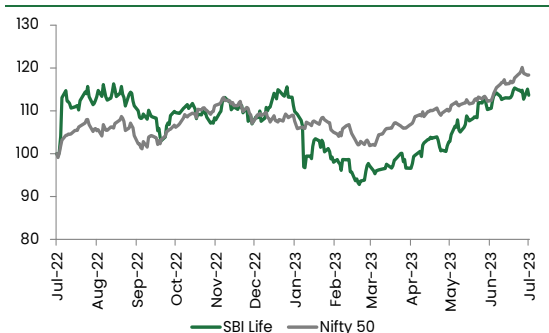
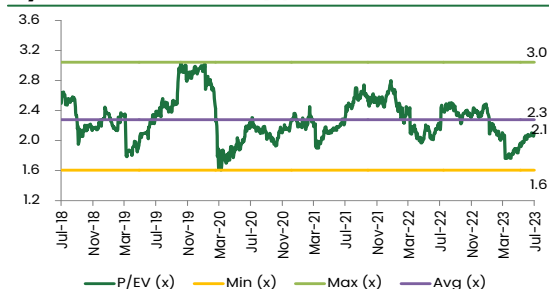
CMP (Rs)	1,301
Target Price (Rs)	1,644
Potential Upside	26.4%
Sensex	66,356
Nifty	19,681

Key Stock data

BSE Code	540719
NSE Code	SBILIFE
Bloomberg	SBILIFE:IN
Shares o/s, Cr (FV 10)	100.1
Market Cap (Rs Cr)	129,815
3M Avg Volume	1,094,166
52 week H/L	1,340/1,039

Shareholding Pattern

(%)	Dec-22	Mar-23	Jun-23
Promotor	55.5	55.5	55.5
FII	25.1	25.1	26.2
DII	14.9	15.1	14.2
Public	4.5	4.3	4.2

1 year relative price performance

1 year forward P/EV (x)

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Healthy premium growth: SBI Life's QIFY24 gross premium income (GWP) increased by 19% YoY to Rs 135.6bn driven by renewal premium (RP) growth of 28% YoY and new business premium (NBP) growth of 11% YoY despite strong previous year growth. Annualized premium equivalent (APE) growth was moderate at 4% YoY as individual rated premium (IRP) remained muted with growth of 3% YoY.

Growth in ULIP segment: The ULIP segment displayed healthy growth in QIFY24 after the decline in the previous quarters. On APE basis, the segment increased by 17% YoY while on NBP basis it grew by 10% YoY. The management attributed ULIP growth to the strong return in the capital markets and its higher product returns. On the other hand, the non-par segment declined by 29% YoY on APE basis and 28% YoY on NBP basis. The management believes that non-par segment performance may remain muted in this FY and expects ULIPs demand to sustain.

Protection and annuity continue growth momentum: Protection plans continue to see healthy growth as the demand remains remained vigorous. The growth in protection plan was driven by both individual and growth plans. On APE basis, protection plan increased by 16% YoY while on NBP basis it was up by 13% YoY. Along with protection plans, the annuity plans saw superlative growth of 86% YoY on APE basis and 102% YoY on NBP basis.

Margins remained subdued: New business margin for the quarter declined by 160bps YoY to 28.8% which is attributed to the increasing demand of ULIPs. Traditionally, non-par segments have higher margin while products such as ULIPs and protection plan have lesser margins. On account of increasing demand for ULIPs and declining non-par segments the margins remained muted. The management expects margin to improve going ahead and expects margin of ~30% in FY24. Value of new business (VoNB) declined by 1% YoY as margins remained muted.

Strong partners in Banca channel: The bancassurance channel continued to be the main driver for policy sales for the insurance company. On APE basis, it contributed 65% of the total premium and out of which SBI contributes ~60% of the premium income. The company continues to have strong partners in SBI and other banks to reach out to the customers. However, the agency network premium declined by 3% YoY on APE basis and 5% on individual APE basis. The decline in agency network is due to the structural changes made by the company and expects to see its results in next few quarters.

Valuation: We remain positive on the private insurance company on the back of its stable top-line growth, increasing demand for products such as ULIPs, protection and annuity and growing profitability. We expect the company to continue its penetration in newer geographies and also increase its market share. We estimate APE/NBP/VNB to grow at a CAGR of 19%/21%/23% over FY23-25E. We maintain **Buy** rating and revise our **target price** upwards to **Rs 1,644** valuing the company at 2.6x of its FY25E embedded value.

Financial Summary - consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Net premiums	58,432	66,581	77,042	90,253
Total Income	83,027	81,598	104,211	119,328
Total Benefits	75,102	71,488	92,032	105,707
Surplus/(Deficit) for the period	1,884	2,856	2,948	3,212
APE	14,300	16,810	20,115	23,665
VNB	3,704	5,070	6,299	7,656
New business premium)	25,460	29,590	35,747	42,975
Embedded value (EV)	39,630	46,060	53,194	62,831
EV per share	395.9	460.1	531.4	627.7
P/EV	3.3	2.8	2.4	2.1

Source : RBL Research

Con-call highlights: 1) Going forward, the management expects 20% in premium income growth during FY24. 2) The management has made some structural changes in the agency channel which will show results in the next few quarters. 3) Last year, the non-par products saw an increase due to the pent-up demand. 4) The management continues to increase its focus on increasing business rather than expanding margins. 5) The management expects product mix to remain stable going forward. 6) Group protection business expected to remain lumpy.

Net premium income increased by 18.7% YoY in Q1FY24

Technical account - consolidated

Particulars, Rs cr	Q1FY24	Q1FY23	Y-o-Y %	Q4FY23	Q-o-Q %
First Year Premium	2,637.4	2,570.4	2.6	4,089.6	(35.5)
Renewal Premium	7,348.0	5,757.7	27.6	11,937.0	(38.4)
Single Premium	3,569.7	3,021.0	18.2	3,986.9	(10.5)
Net premium income	13,104.5	11,036.0	18.7	19,896.9	(34.1)
Income from investments (Net)	14,578.9	(6,405.7)	-	1,186.1	-
Net Commission	521.2	507.6	2.7	871.4	(40.2)
Expenses of Management	1,460.9	1,273.3	14.7	1,873.2	(22.0)
Provision	(2.5)	(2.1)	18.3	7.9	-
Goods and Service Tax (GST) on charges	187.4	163.3	14.8	226.7	(17.3)
Provision for taxes	42.9	33.4	28.3	28.0	53.4
Benefits Paid (Net)	7,103.4	5,171.7	37.4	9,123.2	(22.1)
Change in actuarial liability	18,519.7	(2,271.1)	-	9,604.3	92.8
Surplus/(Deficit)	380.1	272.6	39.5	1,942.3	(80.4)

Source : RBL Research

Profit & loss account - consolidated

Particulars, Rs cr	Q1FY24	Q1FY23	Y-o-Y %	Q4FY23	Q-o-Q %
Transferred to Shareholders A/c	189.0	100.3	88.4	2,302.8	(91.8)
Investment Income	212.0	175.8	20.6	212.5	(0.2)
Expenses other than insurance business	7.9	8.2	(2.8)	11.8	(32.8)
Profit/ (loss) before tax	3.4	267.4	(98.7)	793.6	(99.6)
Provisions for tax	8.7	4.6	90.4	16.7	(48.0)
Profit after tax	381.0	262.9	45.0	776.9	(51.0)

Source : RBL Research

PAT increased by 45% YoY in Q1FY24

NBP growth of 11.1% YoY was driven by renewal premium growth of 27.6% YoY

New business margin as on Q1FY24 was 28.8%

ULIP segment increased by 16.9% YoY in Q1FY24

Protection and annuity plans continue to see healthy growth

Business parameters – consolidated

Particulars, Rs cr	Q1FY24	Q1FY23	Y-o-Y %	Q4FY23	Q-o-Q %
New Business Premium (NBP)	6,210.0	5,590.0	11.1	8,080.0	(23.1)
Renewal Premium (RP)	7,350.0	5,760.0	27.6	11,940.0	(38.4)
Gross Written Premium (GWP)	13,560.0	11,350.0	19.5	20,020.0	(32.3)
Annualized Premium Equivalent (APE)	3,030.0	2,900.0	4.5	4,550.0	(33.4)
Individual Rated Premium (IRP)	2,670.0	2,580.0	3.5	4,080.0	(34.6)
Value of New Business (VoNB)	870.0	880.0	(1.1)	1,440.0	(39.6)
New Business Margin (%)	28.8	30.4	-160bps	31.6	-285bps

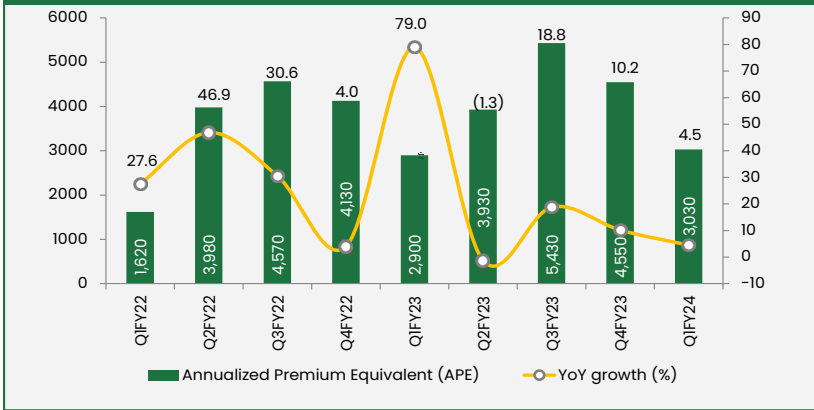
Source : RBL Research

Particulars	Q1FY24	Q1FY23	Y-o-Y %	Q4FY23	Q-o-Q %
Product mix - APE Basis (Rs cr)					
Par	200	170	17.6	300	(33.3)
Non Par	580	820	(29.3)	1,040	(44.2)
ULIP	1,590	1,360	16.9	2,370	(32.9)
Protection	370	320	15.6	550	(32.7)
Annuity	130	70	85.7	160	(18.8)
Group Savings	150	160	(6.3)	150	-
Product mix - NBP Basis (Rs cr)					
Par	200	180	11.1	300	(33.3)
Non Par	570	790	(27.8)	1,030	(44.7)
ULIP	1,930	1,760	9.7	2,770	(30.3)
Protection	780	690	13.0	1,090	(28.4)
Annuity	1,310	650	101.5	1,610	(18.6)
Group Savings	1,400	1,520	(7.9)	1,300	7.7

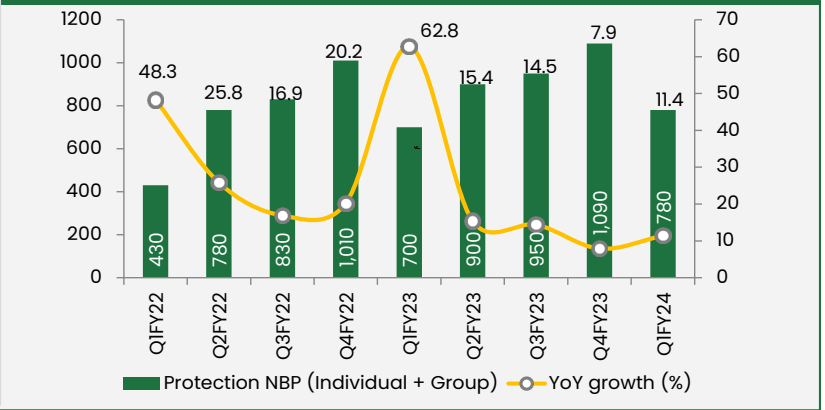
Source : RBL Research

Story in charts

APE (Rs cr) growth remained moderated due to individual rated premium

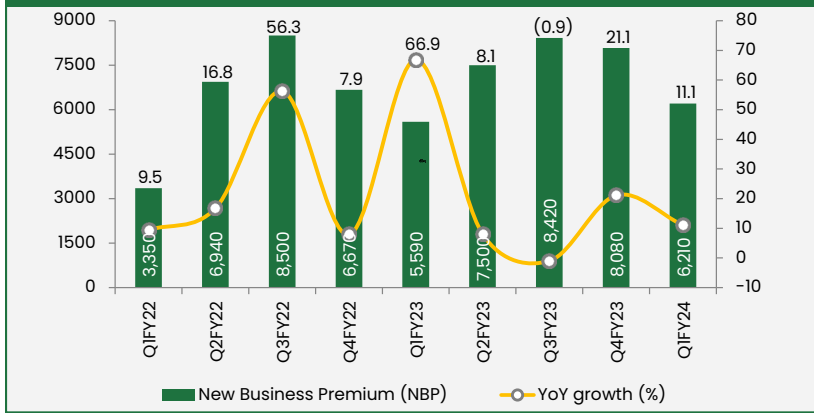


Protection NBP (Rs cr) growth remained strong at 11.4% YoY

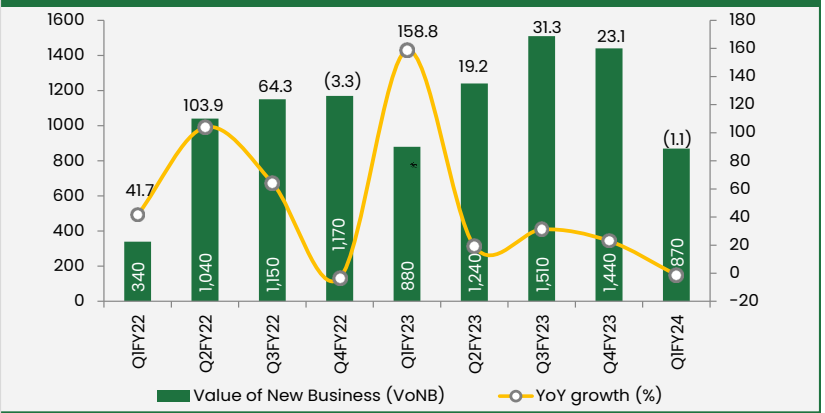


Source : RBL Research

Individual and group driving NBP (Rs cr) growth

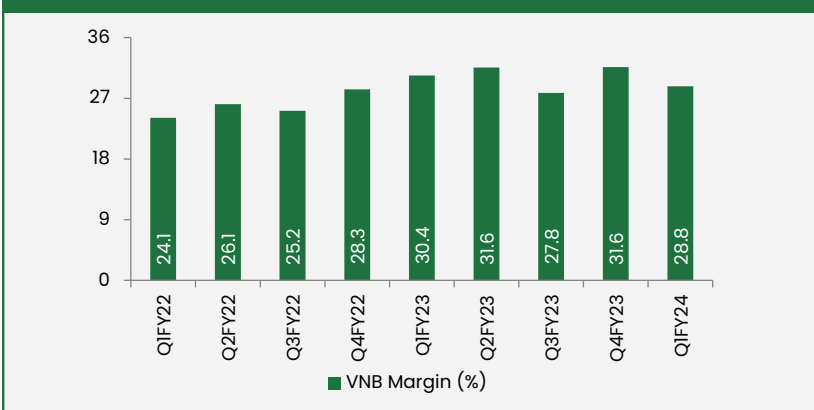


VoNB (Rs cr) remained muted due to increasing proportion of ULIPs

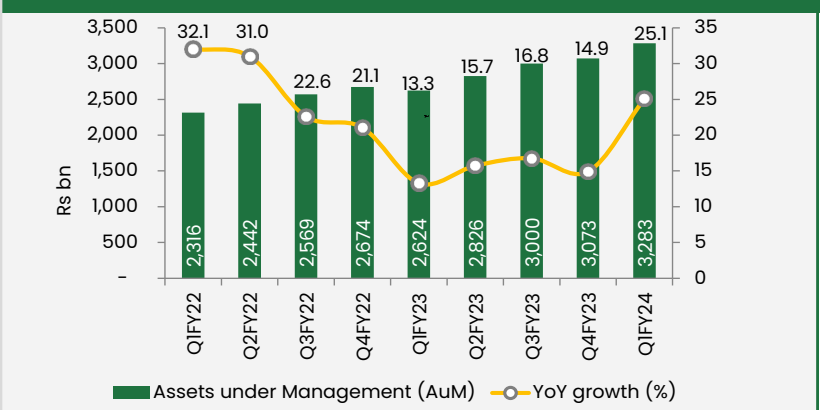


Source : RBL Research

VNB margin (%) declined by 160bps in Q1FY24

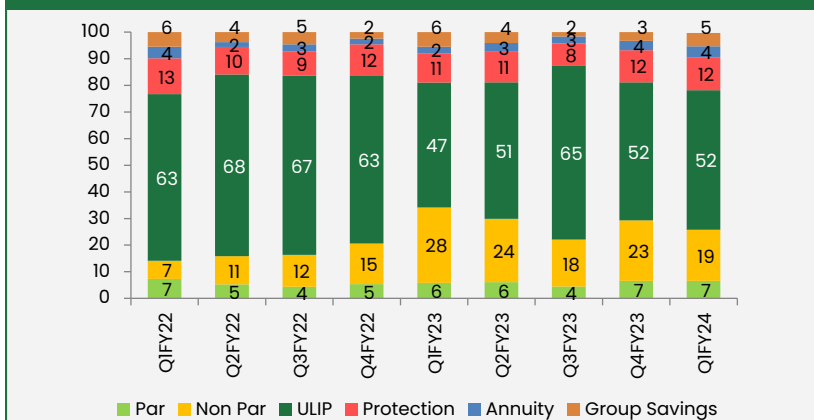


AuM (Rs bn) increased by 25% YoY in Q1FY24

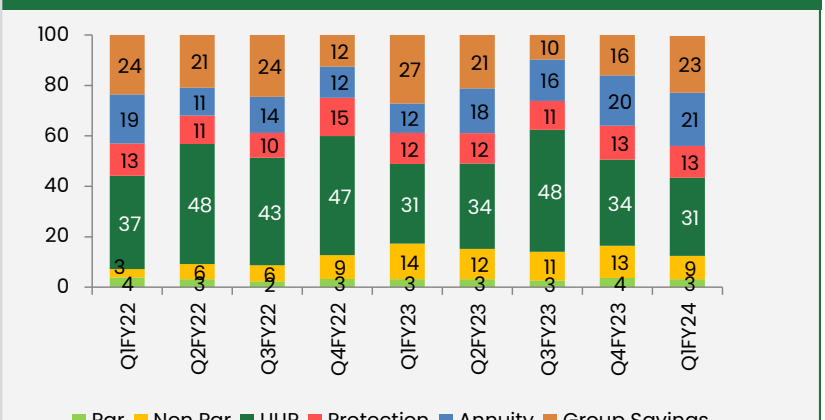


Source : RBL Research

Product mix - APE basis (%)



Product mix - NBP basis (%)



Source : RBL Research

Technical account – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Net premiums	58,432	66,581	77,042	90,253
Investment income	23,568	13,260	25,799	27,489
Contribution from the Shareholders' A/c	982	1,707	1,322	1,533
Other Income	45	50	49	53
Total Income	83,027	81,598	104,211	119,328
Commissions	2,158	3,062	3,410	4,334
Operating expenses	3,067	4,042	4,807	5,732
Total expenses	6,042	7,452	9,231	10,409
Benefits paid	31,340	30,485	37,672	37,835
Change in valuation of life reserves	43,762	41,003	54,360	67,872
Total Benefits	75,102	71,488	92,032	105,707
Surplus/(Deficit) for the period	1,884	2,856	2,948	3,212

Source : RBL Research

Shareholders account – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Transfer from policyholder's a/c	1,732	2,707	2,654	2,891
Investment income	983	795	1,223	1,343
Other income	5	1	1	1
Operating expenses	157	37	112	98
Contribution to the policyholders a/c	982	1,707	1,322	1,533
Profit before tax	1,561	1,758	2,444	2,603
Tax	55	38	53	56
Profit after tax	1,506	1,721	2,391	2,547

Source : RBL Research

Balance Sheet – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Share capital	1,000	1,001	1,001	1,001
Reserves and surplus	10,418	11,924	14,081	16,389
Fair value change account	204	93	108	125
Shareholder's equity	11,622	13,017	15,190	17,515
Borrowings	-	-	-	-
Fair value change account	3,207	2,039	3,560	5,849
Policy liabilities	109,759	130,132	183,956	264,359
Linked liabilities	142,625	163,256	230,780	331,649
Funds for future appropriations	994	1,143	1,618	2,328
Total liabilities	256,585	296,569	419,913	604,185
Total liabilities and shareholders equity	268,207	309,587	435,103	621,700
Shareholders investments	10,076	11,209	12,868	15,721
Policyholders investments	112,131	129,870	150,396	183,740
Unit linked investments	142,625	163,256	230,780	331,649
Loans	363	389	397	405
Fixed assets	527	522	514	504
Net current assets/ (liabilities)	2,486	4,342	40,149	89,681
Total assets	268,207	309,587	435,103	621,700

Source : RBL Research

EV movement – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Opening EV	33,390	39,630	46,060	53,194
VoNB	3,700	5,070	6,299	7,656
Unwinding	2,730	3,410	3,224	4,787
Operating experience variance	470	510	513	472
Change in operating assumptions	(10)	70	81	94
Economic assumption change & variance	(450)	(2,420)	(2,763)	(3,141)
Dividend paid	(200)	(210)	(221)	(232)
Closing EV	39,630	46,060	53,194	62,831

Source : RBL Research

Key ratios – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
VNB	3,704	5,070	6,299	7,656
VNB growth (%)	39.2	36.9	24.2	21.5
VNB margin (%)	25.9	30.2	31.3	32.4
APE	14,300	16,810	20,115	23,665
APE growth (%)	24.9	17.6	19.7	17.6
NBP	25,460	29,590	35,747	42,975
NBP growth (%)	23.5	16.2	20.8	20.2
Embedded Value (EV)	39,630	46,040	53,194	62,831

Source : RBL Research

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S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]

Nature of Interest (if answer to F (a) above is Yes :

Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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