

SBI Life Insurance Ltd.



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High base effect impacts growth; Outlook remains positive

CMP	Target	Potential Upside	Market Cap (INR Mn)	Recommendation	Sector
INR 1,280	INR 1,630	27.3%	INR 12,81,586	BUY	Life Insurance

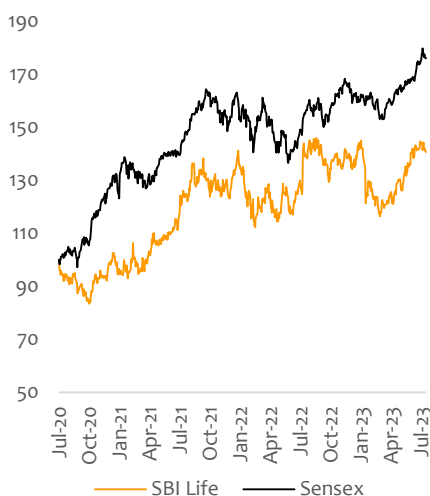
Result Highlights of Q1 FY24:

- Gross Written Premium (GWP) grew by 19.4% YoY to INR 1,35,551 Mn in Q1FY24, mainly driven by 27.6% YoY growth in renewal premium. The sequential fall in GWP was 32.3% QoQ.
- Value of New Business (VNB) declined by 1.1% YoY/ 39.6% QoQ to INR 8,700 Mn in Q1FY24 with margins at 28.8%.
- Profit after Tax (PAT) stood at INR 3,810 Mn in Q1FY24, a growth of 19.4% YoY (vs -51.0% QoQ).
- The solvency ratio as of June 30, 2023, stood at 2.15x (a de-growth of 600 bps QoQ).
- AUM grew by 25.1% YoY/ 6.8% QoQ to INR 3,282.8 Bn as of June 30, 2023.

MARKET DATA

Shares outs (Mn)	1,001
Equity Cap (INR Mn)	1,35,300
Mkt Cap (INR Mn)	12,81,586
52 Wk H/L (INR)	1,340/1,054
Volume Avg (3m K)	1,115
Face Value (INR)	10
Bloomberg Code	SBILIFE IN

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	66,528
NIFTY	19,754

KEY FINANCIALS

Particulars (INR Mn)	FY21	FY22	FY23	FY24E	FY25E
GWP	5,02,542	5,87,596	6,73,156	7,74,246	9,12,456
PAT	14,559	15,060	17,206	18,903	21,409
EPS (INR/Share)	14.6	15.1	17.2	18.9	21.4
NBP-APE	1,13,667	1,41,931	1,68,100	1,91,317	2,16,022
VNB	23,300	27,000	50,700	56,056	64,375
VNB Margin (%)	20.4%	25.9%	30.1%	29.3%	29.8%
EVPS (INR/Share)	333.9	386.3	460.4	548.7	652.1

Source: Company, KRChoksey Research

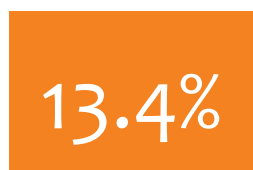
Healthy growth in ULIP; Protection segment continued to see healthy growth trends:

SBILIFE reported GWP growth of 19.4% YoY (-32.3% QoQ) at INR 1,35,551 Mn in Q1FY24. The renewal segment primarily led the growth, which grew by 27.6% YoY (-38.4% QoQ). The New Business Premium (NBP) for the quarter reported a growth of 11.0% YoY aided by growth in single premium business by 18.2% YoY. Protection New Business Premium has increased by 12.0% from INR 7.0 Bn in Q1FY23 to INR 7.8 Bn in Q1FY24 due to growth in individual protection business by 5.0% to INR 2.1 Bn and growth in group protection business by 15.0% to INR 5.7 Bn in Q1FY24. The APE for Q1FY24 stood at INR 30,300 Mn, a growth of 4.5% YoY, but declined by 33.4% QoQ due to a high base effect. The ULIP APE reported an increase of 16.9% YoY during the quarter, healthy traction led by positive market performance. The Non-Par segment APE declined by 29.3% YoY with a 19.0% contribution during the quarter. Going ahead, the company is confident of sustaining the contribution of the Non-Par segment at 20-24%. As of June-23, the company's guaranteed non-par savings product contributed 14.0% of individual new business premiums and, on an individual APE basis, 22%. SBILIFE is confident of maintaining a healthy growth trajectory with 20.0%+ growth in overall APE for FY24E. On the distribution mix, the agency segment registered new business premium growth of 23.0% and contributed 19.0% in new business premium. Agency channel individual APE stood at INR 7.2 Bn. As of June 30, 2023, the total number of agents stood at 2,22,822, a growth of 38.0% over the previous period. During the quarter, the company added a net of 14,048 agents. The company has been actively adding new agents and has made some structural changes; however, it expects to see the results of these in the next three quarters of FY24E.

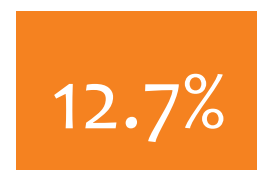
Lower mix of Non-par segment led to decline in VNB margins; Guidance maintained: The VNB margins were 28.8%, lower by 160 bps YoY/ 285 bps QoQ resulting in a 1.1% YoY growth in absolute VNB. The decline in margins was owing to the fall in the Non-Par mix from the high base of last year. Going ahead, the management expects the margins to be in the range of 28-30%, with Non-Par segment traction expectations to be intact. SBILIFE reported a decline in the 13th Month persistency ratio across, but 61st Month continued to improve. The company is confident of seeing healthy improvement in the ratios from Q2FY24E with improvement in renewal collections.

SHARE HOLDING PATTERN (%)

Particulars (%)	Jun-23	Mar-23	Dec-22
Promoters	55.5	55.5	55.5
FIIIs	26.2	25.1	25.1
DIIIs	14.2	15.1	15.0
Others	4.2	4.3	4.5
Total	100	100	100



APE CAGR between FY23 and FY25E



VNB CAGR between FY23 and FY25E

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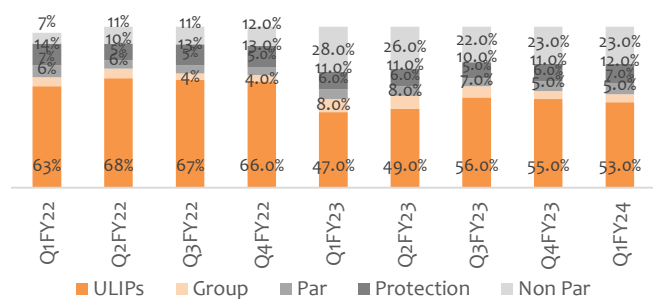
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Key Concall Highlights

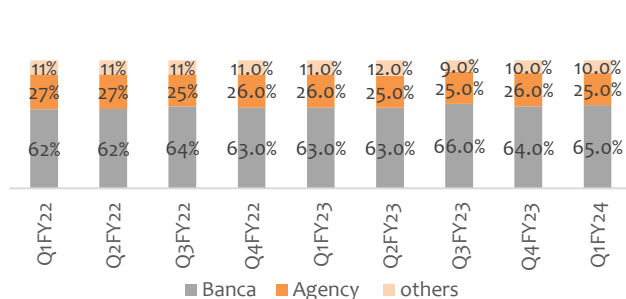
- The comprehensive product suite aligned with customers' needs, coupled with its continued focus on improving the quality of business, maintaining a best-in-class cost ratio, and persistency levels, has led to a decent performance on an exceptionally high base of last year's June quarter.
- In Q1FY24, SBILIFE has taken a few tactical calls, like strengthening market position in annuity business and investing in capacity building for employees and distributors, with respect to handling the emerging needs of the customers and to support long-term growth.
- Since 2010, the company has maintained its leadership position in a number of policies issued and consistently delivered YoY growth for the last 10 years. This reflects the clear growth goal of the company to increase the penetration and achieve holistic growth.
- Individual ULIP new business premium was at INR 19.3 Bn, which now constitutes 48% of individual new business premium. Growth in ULIP is attributed to positive movement in equity markets.
- The company continues efficient usage of technology for simplification of process, with 99% of individual proposals being submitted digitally, 52% of individual proposals are processed through automated underwriting.
- The agency channel has been a flag bearer and has outpaced the private industry in many parameters. Its aim is to maintain the undisputed leadership position among private players through capacity building, both in terms of quantity, that is number of agents, as well as quality, that is financial advisory, considering the needs of the customer.
- SBILIFE has been growing the number of agents and it has made some structural changes. So, the results will be visible over the next three quarters for FY24E.
- The company is confident of delivering a 20.0% plus premium growth in FY24E, while has maintained its guidance of 28-30% VNB margins for FY24E.
- The Board of Directors has appointed Mr. Amit Jhingran as the MD and CEO designate of the company for a period of two years, subject to the approval of IRDA and shareholders' approval.

Valuation and view: SBILIFE's Q1FY24 performance reported subdued growth with lower APE and a decline in VNB, which was led by the high base effect of last year. The Non-Par mix for the quarter reported a decline that impacted the VNB margins, while the low-yielding product mix reported higher traction, especially ULIP. Positive trends in the capital market drove the growth of ULIP; thus, the segment continued to dominate the overall mix. On the protection front, SBILIFE continued to see sequential improvement in the retail protection segment. However, the management has maintained its guidance of delivering 20–25% business growth in FY24E on the back of healthy demand and improving penetration owing to regulatory changes with VNB margins to be range bound at 28-30% for FY24E. The current valuation continued to be relatively attractive compared to its peers. We expect the GWP to grow at 16.4% CAGR over FY23-25E with a VNB growth of 12.7% CAGR. PAT is expected to grow at 11.5% CAGR over FY23-25E, maintaining its cost leadership. Persistency ratio will continue to see healthy improvement in coming quarter. We remain watchful on the growth trend on account of budgetary, regulatory changes and underlying shift in the product mix. **We continue to apply a 2.5x P/EV on FY25E EVPS of INR 652.1 and a VNB multiple of 15.2x to arrive at a weighted average TP of INR 1,630 per share (unchanged) for SBI Life (50:50 weights on the P-EV and appraisal value methodology); implying a potential upside of 27.3% from the CMP. Accordingly, we maintain our rating as "BUY" on the shares of SBILIFE.**

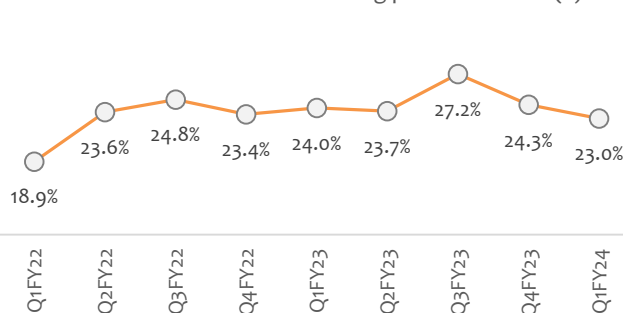
Product mix (%):



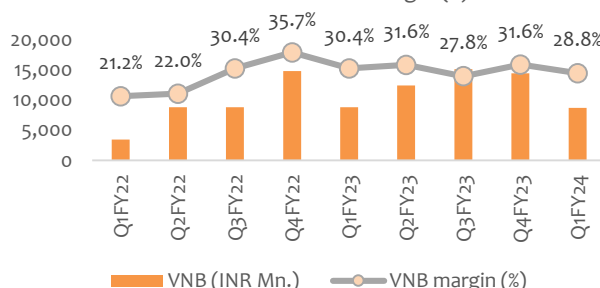
Channel mix on APE basis (%):



Market Share among private insurers (%):



VNB and VNB margin (%):



Source: Company, KRChoksey Research

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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	7,74,246	9,12,456
Reinsurance ceded	4,859	3,273	7,346	6,581	7,300
Net premiums	4,97,683	5,84,323	6,65,810	7,67,665	9,05,156
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	10,00,167	11,77,248
Commission expenses	17,425	20,841	29,360	30,970	36,498
Operating expenses	24,485	30,487	35,360	44,906	52,922
Service tax on linked charges	6,434	7,725	8,194	9,879	11,643
Operating profit	7,72,505	7,71,220	7,43,071	9,14,412	10,76,185
Benefits paid (net)	2,15,827	3,13,398	3,02,875	2,91,713	3,43,959
Interim Bonuses Paid	0	0	0	0	0
Change in reserves	5,39,342	4,37,619	4,10,031	5,97,500	7,05,000
Provisions	-737	1,365	1,603	1,764	1,906
Surplus/(Deficit)	18,074	18,838	28,562	23,435	25,319

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	1,74,766	1,97,486
Single premiums	1,02,861	1,25,158	1,43,915	1,65,503	1,85,363
New business premium (NBP)	2,06,242	2,54,574	2,95,886	3,40,269	3,82,849
NBP growth (%)	24%	23%	16%	15%	13%
Renewal premiums	2,96,299	3,33,023	3,77,270	4,33,977	5,29,607
Renewal premiums growth (%)	23%	12%	13%	15%	22%
Total premiums	5,02,542	5,87,596	6,73,156	7,74,246	9,12,456
Total premium growth (%)	24%	17%	15%	15%	18%
NBP - APE	1,13,667	1,41,931	1,68,100	1,91,317	2,16,022
NBP - APE growth (%)	6%	25%	18%	14%	13%

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	20,935	22,819
Income from investments & other income	6,948	9,884	7,953	8,676	9,977
Total income	23,736	27,208	35,024	29,611	32,796
Total expenses	8,311	11,601	17,440	9,920	10,495
PBT	15,425	15,608	17,584	19,691	22,301
Provision for tax	866	548	379	788	892
PAT	14,559	15,060	17,206	18,903	21,409

Source: Company, KRChoksey Research

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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	1,35,115	1,53,099
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	1,47,124	1,65,108
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	35,88,714	41,90,763
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	39,442	33,295
Total Applications of Funds	22,25,921	26,82,072	30,95,866	35,88,714	41,90,763

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	5,48,763
Unwind	20,630	27,300	34,100	36,832	43,901
VNB (or NBAP)	23,300	27,000	50,700	56,056	64,375
Operating variance	6,250	4,600	5,800	3,000	3,500
EV Operating Profit (EVOP)	50,180	58,900	90,600	95,888	1,11,776
Non-operating variance	23,200	-4,500	-24,200	-4,500	-4,500
EV Profit	73,380	54,400	66,400	91,388	1,07,276
Net capital injection	-2,330	-2,000	-2,300	-3,025	-3,426
Closing EV	3,33,900	3,86,300	4,60,400	5,48,763	6,52,613

Source: Company, KRChoksey Research

Key Financials (INR Mn)	FY21	FY22	FY23	FY24E	FY25E
Total premium	5,02,542	5,87,596	6,73,156	7,74,246	9,12,456
Net premium earned	4,97,683	5,84,323	6,65,810	7,67,665	9,05,156
NBP-APE	1,13,667	1,41,931	1,68,100	1,91,317	2,16,022
Combined ratio (%)	8.3%	8.7%	9.6%	8.0%	8.0%
Surplus/(Deficit)	18,074	18,838	28,562	23,435	25,319
VNB margin (%)	20.4%	25.9%	30.1%	29.3%	29.8%
PAT	14,559	15,060	17,206	18,903	21,409
EPS (INR)	14.6	15.1	17.2	18.9	21.4
EVPS (INR)	333.9	386.3	460.4	548.7	652.1
RoEV (%)	19.1%	17.6%	22.9%	20.8%	20.4%
RoE (%)	15.2%	13.7%	14.0%	13.6%	13.7%

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
01-Aug-23	1,280	1,630	BUY	Buy	More than 15%
28-Apr-23	1,140	1,630	BUY		
24-Jan-22	1,273	1,750	BUY	Accumulate	5% – 15%
25-Oct-22	1,255	1,550	BUY		
29-Jul-22	1,294	1,550	BUY	Hold	0 – 5%
30-Apr-22	1,106	1,435	BUY		
24-Jan-22	1,225	1,435	BUY	Reduce	-5% – 0
28-Oct-21	1,174	1,435	BUY		
				Sell	Less than – 5%

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