

SBI Life achieved good results for H1FY24, with 20.9% YoY APE growth and VNB margins remaining intact at 28.6% (Emkay Est.: 28%; H1FY23: 31%) led to VNB standing at Rs23.6bn (+11.3% YoY)—a minor beat on our estimate. Against the backdrop of increased share of ULIP in the product mix (+6.4ppts YoY) and reduced share of non-par savings (-8.2ppts YoY), this margin softness is on expected lines. A notable feature of SBI Life's playbook is that it continues its superb execution by leveraging on its brand, distribution and cost advantage to sell products that meet customer & channel demand. Management reiterated its guidance to grow the topline to around 20%, whereas VNB margin is expected to remain at 28-30% levels, depending on the product mix. Our FY24-26 estimates remain broadly unchanged and we reiterate our BUY opinion on the stock, with unchanged TP of Rs 1,690/share (implied FY25E P/EV of 2.6x).

SBI Life: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
GWP	5,87,596	6,73,156	7,79,994	8,89,792	10,12,870
APE	1,43,000	1,68,100	1,94,810	2,19,423	2,46,350
VNB	37,000	50,700	55,526	63,169	71,649
VNB margin (%)	25.9	30.1	28.5	28.8	29.1
APE growth (%)	24.9	17.6	15.9	12.6	12.3
VNB growth (%)	39.1	37.0	9.5	13.8	13.4
Adj. EPS (Rs)	15.1	17.2	20.4	23.3	26.6
EV	3,96,269	4,60,369	5,50,511	6,59,677	7,84,794
EVOP	56,700	90,440	97,142	1,11,166	1,27,118
Op. RoEV (%)	16.4	22.8	21.1	20.2	19.3
EVPS (INR)	396.2	460.1	550.2	659.3	784.3
P/EV (x)	3.3	2.8	2.4	2.0	1.7
P/EVOP (x)	29.8	18.7	17.4	15.2	13.3

Source: Company, Emkay Research

Delivers double-digit VNB growth; margin compression not surprising

SBI Life reported a robust 20.9% APE growth to Rs 82.6bn (Emkay: Rs81.1bn) during H1FY24, driven by resilient growth in the ULIP and Protection segments. Despite the higher share of ULIPs, the company reported 28.6% VNB margin during H1FY24—beating our expectation of 28%. The healthy growth in APE and stable VNB margin resulted in VNB growing 11.3% YoY to Rs23.6bn as against our expectation of Rs22.7bn. EV at Rs512.6bn was in line with our estimates, having grown ~11% over FY23. PAT at Rs7.6bn (+19% YoY) stood slightly lower than our estimate of Rs7.8bn during H1FY24. Persistency saw an improvement across cohorts, whereas the commission ratio saw some moderation, given higher sales of ULIP products.

Execution of profitable growth continues; Guidance reaffirmed

SBI Life has consistently executed well by leveraging on its core strengths — brand, distribution and cost. Management has always believed in keeping the life insurance proposition simple by selling the products that cater to customer and distributor demand in the prevailing difficult economic environment. ULIP products saw a robust growth during H1FY24 resulting in increased share in the APE product mix at 56% driven by the movement in the equity markets. On the Protection front, credit life continued to do well, whereas the individual protection vertical is expected to pick up pace, with launch of ROP products that are in the pipeline. While ULIPs continue to drive the product mix, Management remains focused on the non-par savings and protection business. Given its strong brand, warhorse distribution network, low-cost advantage and a simple business strategy, Management has reaffirmed ~20% APE growth and ~28-30% VNB margin guidance for FY24.

We reiterate BUY, with broadly unchanged estimates

To build-in the Q2FY24 performance, we have marginally tweaked our estimates which leads ~1% increase in FY24-26E APE; however, we keep our VNB margin unchanged. We reiterate our BUY recommendation on the stock, with our target price remaining Rs1,690/share, implying FY25E P/EV of 2.6x.

Target Price – 12M	Sep-24
Change in TP (%)	NA
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	29.7
CMP (27-Oct-23) (Rs)	1,302.9

Stock Data	Ticker
52-week High (Rs)	1,393
52-week Low (Rs)	1,039
Shares outstanding (mn)	1,001.1
Market-cap (Rs bn)	1,304
Market-cap (USD mn)	15,668
Net-debt, FY24E (Rs mn)	0
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	1,410.4
ADTV-3M (USD mn)	16.9
Free float (%)	-
Nifty-50	19,047
INR/USD	83.2
Shareholding, Sep-23	
Promoters (%)	55.4
FPIs/MFs (%)	26.2/14.3

Price Performance

(%)	1M	3M	12M
Absolute	0.1	0.5	4.0
Rel. to Nifty	3.7	3.7	(3.2)

1-Year share price trend (Rs)**Avinash Singh**

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Exhibit 1: H1/Q2FY24 Financial Performance

(Rs bn)	H1FY24	H1FY23	% YoY	H1FY24E	% Var	Q2FY24	Q2FY23	% YoY	Q2FY24E	% Var
Annualized Premium Equivalent (APE)	82.6	68.3	20.9	81.1	1.9	52.3	39.3	33.08	50.8	3.02
--o/w Savings	69.0	58.6	17.7	-	-	43.8	33.5	30.75	-	-
--o/w Protection	10.7	7.7	39.0	-	-	7.0	4.5	55.56	-	-
Protection APE (% of total APE)	13.0	11.3	1.7ppts	-	-	13.38	11.45	1.9ppts	-	-
Value of New Business	23.6	21.2	11.3	22.7	4.0	14.9	12.4	20.05	14.0	6.45
New Business Margin (%)	28.6	31.0	-2.5ppts	28.0	0.6ppts	28.4	31.5	-3.1ppts	27.5	0.9ppts
Embedded Value	512.6	424.1	20.9	512.0	0.1	-	-	-	-	-
Individual New Business WRP	70.6	60.5	16.7	-	-	43.9	34.7	26.51	-	-
Total New Business Premium	162.6	130.9	24.2	-	-	62.8	75.0	(16.28)	-	-
Renewal premium	174.7	148.8	17.4	-	-	139.0	91.2	52.34	-	-
Gross written premium	337.3	279.7	20.6	-	-	201.8	166.2	21.39	-	-
PAT	7.6	6.4	19.0	7.8	-2.4	3.8	3.8	0.92	4.0	(4.76)
AUM	3,452	2,826	22.1	3,408	1.3	-	-	-	-	-
SH Equity	139.7	122.2	14.3	-	-	-	-	-	-	-
13th month persistency (%)	85.4	85.2	0.2ppts	-	-	-	-	-	-	-
49th month persistency (%)	71.2	70.3	0.9ppts	-	-	-	-	-	-	-
61st month persistency (%)	57.5	52.5	5.1ppts	-	-	-	-	-	-	-
Solvency ratio (%)	212.0	219.0	-7ppts	-	-	-	-	-	-	-

Source: Company, Emkay Research

Exhibit 2: Appraisal methodology-based valuation for SBI Life

Parameter (Rs bn)	Value
FY24E-39E APE CAGR	9.2%
FY24E-39E VNB CAGR	9.1%
Terminal growth rate	5.0%
Cost of Equity	13.5%
FY24 EV	551
Present value of future new business	1,032
Appraisal value – Mar-24E	1,587
Share count (mn)	1,001
Appraisal value per share (Rs) – Mar-24	1,585
Target Price (Rs/share) – Sep-24E	1,690

Source: Company, Emkay Research

Exhibit 3: Implied valuation multiples for SBI Life

Appraisal value multiple on FY25 estimates	Rs1,690
P/EV	2.6x
RoEV (%)	20.2
P/EVOP	14.3x
Implied FY25E VNB multiple	18.1x
Current price multiple on FY25 estimates	Rs1,303
P/EV	2x
RoEV (%)	20.2
P/EVOP	11x
Implied FY25E VNB multiple	11.9x

Source: Company, Emkay Research

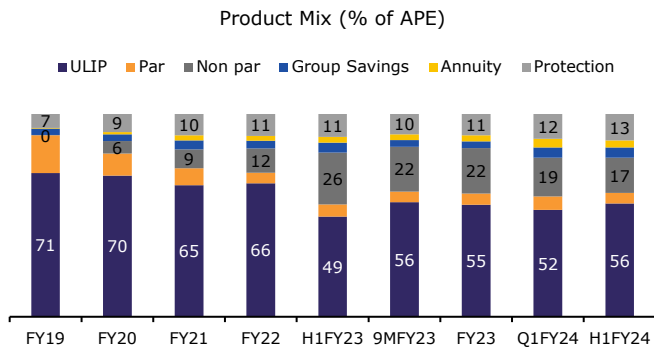
Exhibit 4: Changes in Estimates

(Rs bn)	FY24E			FY25E			FY26E		
	Old	Revised	% Change	Old	Revised	% Change	Old	Revised	% Change
APE	194.0	194.8	0.4	217.7	219.4	0.8	244.4	246.4	0.8
VNB	55.2	55.5	0.5	62.6	63.2	0.9	71.1	71.6	0.8
VNB margin (%)	28.5	28.5	0	28.8	28.8	0	29.1	29.1	0
EVOP	96.9	97.1	0.3	110.6	111.2	0.5	126.5	127.1	0.5
EV	550.2	550.5	0.1	658.8	659.7	0.1	783.3	784.8	0.2
PAT	20.4	20.4	0.1	23.3	23.3	0.1	26.6	26.7	0.2

Source: Company, Emkay Research

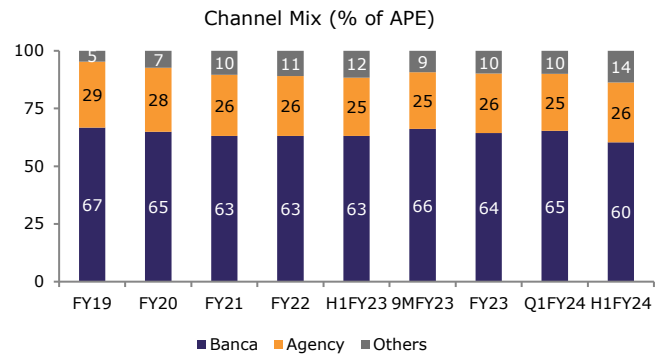
Story in Charts

Exhibit 5: ULIP continues to dominate the APE product mix at 56%



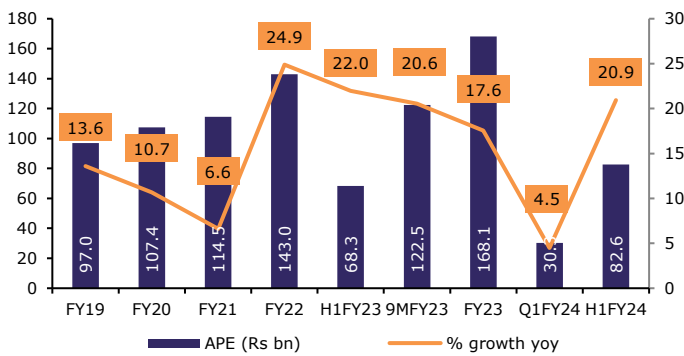
Source: Company, Emkay Research

Exhibit 6: Banca channel share moderates to 60% during H1FY24



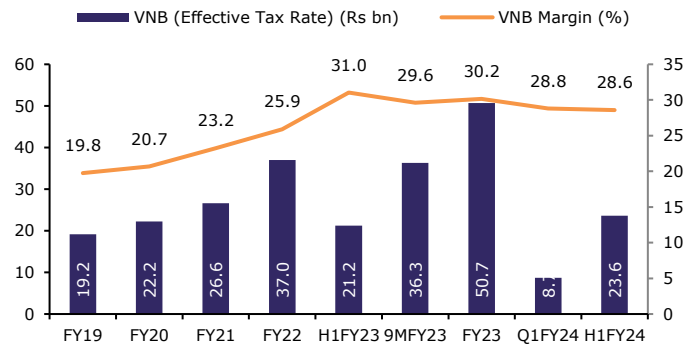
Source: Company, Emkay Research

Exhibit 7: SBI Life delivers 20.9% APE growth during H1FY24



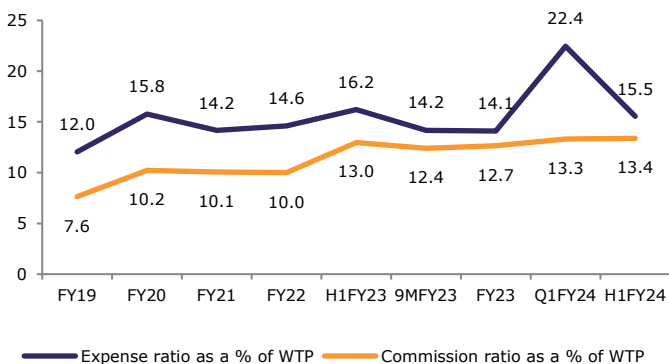
Source: Company, Emkay Research

Exhibit 8: Despite higher share of ULIP, VNB margin stood at 28.6%



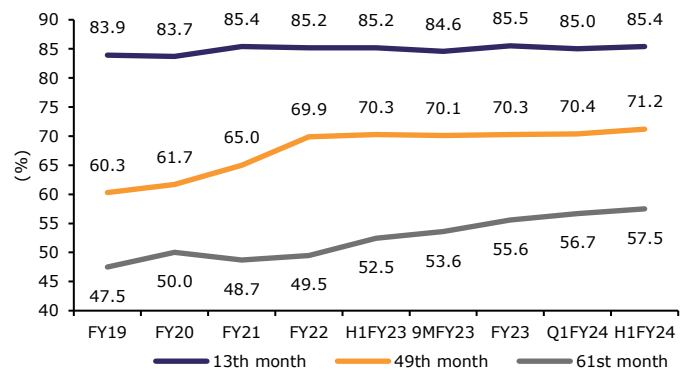
Source: Company, Emkay Research

Exhibit 9: Expense ratio moderates sequentially to 15.5% during H1FY24



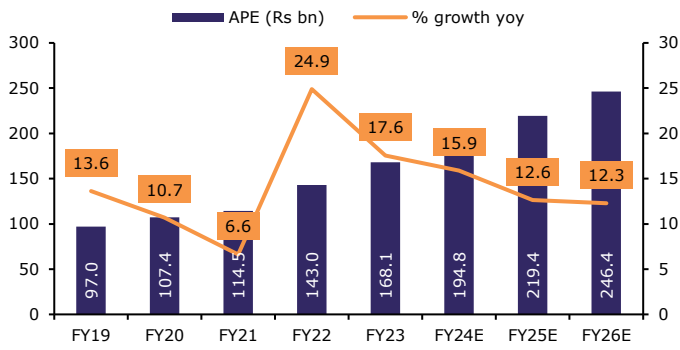
Source: Company, Emkay Research

Exhibit 10: 61st-month Persistency improves to 57.5% during H1FY24



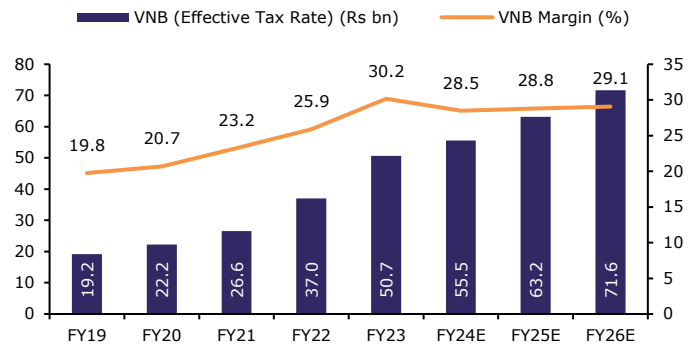
Source: Company, Emkay Research

Exhibit 11: APE expected to grow 15.9% during FY24E



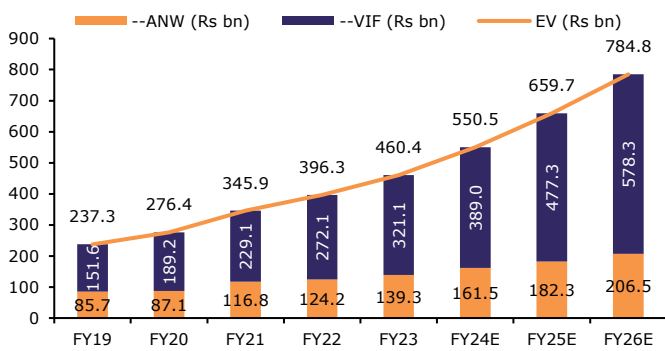
Source: Company, Emkay Research

Exhibit 12: VNB margin likely to remain in the 28-30% range



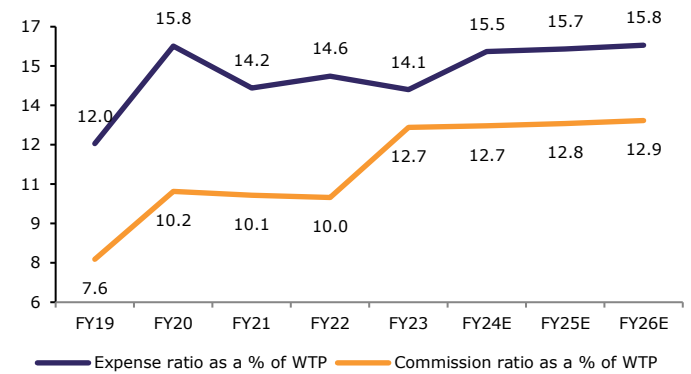
Source: Company, Emkay Research

Exhibit 13: SBI Life expected to deliver EV of Rs785bn by FY26E



Source: Company, Emkay Research

Exhibit 14: Operating expenses likely to rise in FY24E



Source: Company, Emkay Research

Earnings Conference Call Highlights

- The company maintains its strategy of strengthening its market position and staying invested in capacity building for supporting long-term growth.
- During H1FY24, 948,000 new policies in total were issued, and SBI Life maintained private market share in the number of policies, confirming its focus on increasing penetration.
- On the distribution front, SBI Life has more than 59,000 CIFs and the number of Agents stood at 236,978 during H1FY24, having grown 33% over the previous year. During H1FY24, the company added over 28,204 agents, on net, to its distribution network.
- The shift in VNB margin on a YoY basis was majorly due to the increase in share of the ULIP business. Given that the share of Non-par products has reduced, the impact on margins has not been too significant, as it was offset by product-level margin improvements.
- Management said that the company should deliver ~20% growth in APE. Growth in the number of policies is lower due to increase in the ticket size, which is driven by sale of higher ticket-size ULIP products.
- ULIP persistency in the Agency channel is better than the persistency in the Banca channel, with focus still on maintaining a balance in the distribution mix.
- SBI Life's agency persistency is one of the best in the industry; Management mentioned that the persistency has been improving across cohorts. Going forward, the agency channel will further penetrate in Tier 2-3 markets.
- While the company is working on the intended ratio of 55:45 mix of ULIPs and Non ULIPs, its focus also remains on the other non ULIP products.
- The New Business in ULIP products is balanced, in terms of Debt and Equity schemes; hence, Management does not see any major challenges in selling the ULIP products, despite the volatility in equity markets.
- Management said that there has been no change in the commission rate and that the rates remain consistent across all channels.
- Management also stated that almost all branches of SBI are authorized to sell SBI Life products, however the share of active branches stands at 55-65%.
- ROP products constituted 85% of the Individual Protection product mix.
- The company is working on launching various Non-Par Savings products, Return of Premium Protection products as well as Deferred Annuity products during the second half of the fiscal.
- Commissions, as a % of GWP, have diminished due to increase in ULIP products and a decrease in Non-Par savings products.
- Management mentioned that with the number of agents inching upward, productivity of agents has also improved. Management is focusing on branch activation and increasing the presence of SBI Life branches across regions, in order to provide assistance to the agents.
- Given the launch of new products in the Individual protection segment during H2FY24, the Retail protection segment should do well.
- Margins are expected to remain in the 28-30% range, depending on the product mix. Focus stays on increasing the number of policies in Protection.
- Other channels include the digital channel, which has gained presence to some extent. Management continues to focus on the digital channel keeping the future in mind and in order to look for new partnerships with other banks and NBFCs.
- Surrender ratio has been increasing due to market movements, as customers target booking MTM gains.
- SBI Life has been offering sustainable IRRs on Non Par savings products. The company has revised down its IRRs on Non-Par Guaranteed products by 10-15bps.

SBI Life: Standalone Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Gross premium	5,87,596	6,73,156	7,79,994	8,89,792	10,12,870
Net premium	5,84,323	6,65,810	7,72,194	8,80,894	10,02,742
Investment income	2,35,680	1,32,601	2,55,432	3,04,553	3,60,642
Other income	10,270	17,573	12,452	8,867	6,358
Total revenue	8,30,272	8,15,985	10,40,078	11,94,313	13,69,741
Commission expense	21,583	30,625	35,518	40,518	46,122
Operating expense	29,745	34,095	43,403	49,513	56,362
Benefits paid (net)	3,12,381	3,02,875	3,44,170	4,04,986	4,72,788
Change in reserves	4,37,619	4,10,031	5,82,743	6,65,571	7,59,814
Total expenses	8,11,434	7,87,422	10,17,048	11,73,380	13,49,648
Surplus/Deficit	18,838	28,562	23,030	20,934	20,094
Trf from policyholders' acct	17,324	27,072	22,030	19,934	19,093
Shareholders' results	(1,717)	(9,487)	(872)	4,248	8,537
PBT	15,607	17,584	21,158	24,182	27,630
Tax expense	548	379	741	846	967
Reported PAT	15,060	17,206	20,417	23,335	26,663
PAT growth (%)	3.4	14.2	18.7	14.3	14.3
Adjusted PAT	15,060	17,206	20,417	23,335	26,663
Diluted EPS (Rs)	15.1	17.2	20.4	23.3	26.6
Diluted EPS growth (%)	3.4	14.2	18.7	14.3	14.3
DPS (Rs)	2.0	2.5	2.5	2.5	2.5
Dividend payout (%)	13.3	14.5	12.3	10.7	9.4
Effective tax rate (%)	4	2	4	4	4
Shares outstanding (mn)	1,000	1,001	1,001	1,001	1,001

Source: Company, Emkay Research

Miscellaneous Metrics					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
APE	1,43,000	1,68,100	1,94,810	2,19,423	2,46,350
VNB	37,000	50,700	55,526	63,169	71,649
VNB margin (%)	25.9	30.1	28.5	28.8	29.1
APE growth (%)	24.9	17.6	15.9	12.6	12.3
VNB growth (%)	39.1	37.0	9.5	13.8	13.4
Operating ratios (%)					
NB commission/APE	8.6	12.0	NA	NA	NA
Commissions/TWRP	4.5	5.6	5.7	5.7	5.7
Total exp ratio/TWRP	6.3	6.3	6.9	6.9	7.0
Conservation ratio	83.3	81.6	81.6	81.6	81.6
Solvency ratio	205.0	215.0	NA	NA	NA
RoE	15.2	13.7	14.0	14.7	14.8
Historical metrics					
APE mix (%)	FY22	FY23	FY24E	FY25E	FY26E
A. Retail protection	6.4	5.8	NA	NA	NA
B. Group protection	3.1	3.6	NA	NA	NA
C. Savings - individual	0.0	0.0	NA	NA	NA
Par	5.2	5.7	NA	NA	NA
Non-Par	12.0	22.3	NA	NA	NA
ULIP	65.8	55.3	NA	NA	NA
D. Group Savings	3.8	3.3	NA	NA	NA
Persistency ratios (%)					
13th Month	85.2	85.5	NA	NA	NA
49th Month	69.9	70.3	NA	NA	NA

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	10,004	10,009	10,009	10,009	10,009
Reserves & surplus	1,04,181	1,19,237	1,36,559	1,57,392	1,81,553
Net worth	1,16,223	1,30,175	1,47,497	1,68,331	1,92,491
Borrowings	0	0	0	0	0
Policy liabilities	10,97,590	13,01,319	15,59,168	18,52,600	21,86,336
Prov for linked liab.	13,44,530	15,35,926	18,60,975	22,48,661	26,90,953
FFA	9,936	11,427	13,713	16,455	19,747
Current liabilities & prov	51,298	50,996	61,907	74,130	87,889
Total liabilities & equity	26,82,072	30,95,866	36,98,216	43,87,364	51,74,629
Shareholders' investment	1,00,758	1,12,087	1,27,003	1,44,941	1,65,744
Policyholders' investment	11,21,307	12,98,702	15,54,878	18,47,465	21,81,481
Assets to cover linked liab.	14,26,253	16,32,555	19,54,585	23,22,386	27,42,267
Current assets	76,157	94,413	1,12,782	1,33,799	1,57,808
Total assets	26,82,072	30,95,866	36,98,216	43,87,364	51,74,629
BV/share (INR)	116.2	130.1	147.4	168.2	192.3
EV/share (INR)	396.2	460.1	550.2	659.3	784.3
EVOP/share (INR)	56.7	90.4	97.1	111.1	127.0
Embedded value					
ANW	1,24,192	1,39,253	1,61,497	1,82,331	2,06,491
VIF	2,72,077	3,21,116	3,89,013	4,77,346	5,78,303
VIF share in EV (%)	68.7	69.8	70.7	72.4	73.7
Total AUM	26,73,177	30,86,761	36,87,341	43,74,461	51,59,412
Investment yield (%)	10.2	4.9	8.0	8.0	8.0
Yield on PH funds (%)	10.1	4.8	7.9	7.9	7.9
Yield on SH funds (%)	10.5	7.5	9.4	9.4	9.4

Source: Company, Emkay Research

Valuation & key ratios					
Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	86.5	75.8	63.9	55.9	48.9
P/B (x)	11.2	10.0	8.8	7.7	6.8
P/EV (x)	3.3	2.8	2.4	2.0	1.7
P/EVOP (x)	29.8	18.7	17.4	15.2	13.3
Implied P/VNB (x)	25.9	17.9	15.2	11.9	9.0
Dividend yield (%)	0.2	0.2	0.2	0.2	0.2
EV account and RoEV					
Opening EV	3,46,069	3,96,269	4,60,369	5,50,511	6,59,677
Premium unwind	27,300	34,100	39,616	45,997	53,469
VNB	37,000	50,700	55,526	63,169	71,649
Operating variance	(7,700)	5,640	2,000	2,000	2,000
EVOP	56,700	90,440	97,142	1,11,166	1,27,118
Investment variance	(4,500)	(24,240)	(5,000)	0	0
Capital movement	(2,000)	(2,100)	(2,000)	(2,000)	(2,000)
Closing EV	3,96,269	4,60,369	5,50,511	6,59,677	7,84,794
Change in EV	50,200	64,100	90,142	1,09,166	1,25,118
RoEV (%)	15.6	16.7	20.0	20.2	19.3
Operating RoEV (%)	16.4	22.8	21.1	20.2	19.3
EVOP growth (%)	12.9	59.5	7.4	14.4	14.3
EV growth (%)	14.6	16.2	19.6	19.8	19.0
Core operating RoEV (%)	16.4	22.8	21.1	20.2	19.3
Unwind rate (%)	7.9	8.6	8.6	8.4	8.1
VNB-to-opening EV (%)	10.7	12.8	12.1	11.5	10.9

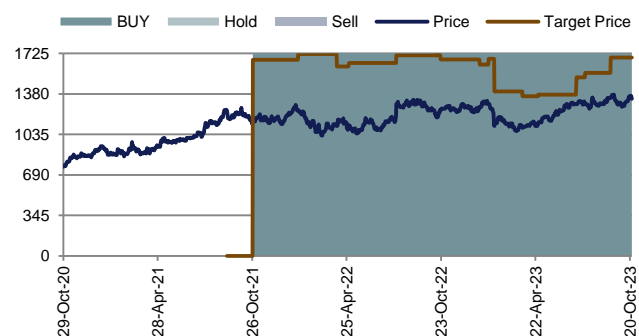
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	CMP (INR)	TP (INR)	Rating	Analyst
09-Oct-23	1,277	1,690	Buy	Avinash Singh
04-Oct-23	1,271	1,690	Buy	Avinash Singh
13-Sep-23	1,346	1,690	Buy	Avinash Singh
08-Sep-23	1,341	1,560	Buy	Avinash Singh
21-Aug-23	1,279	1,560	Buy	Avinash Singh
09-Aug-23	1,349	1,560	Buy	Avinash Singh
26-Jul-23	1,293	1,560	Buy	Avinash Singh
09-Jul-23	1,294	1,520	Buy	Avinash Singh
10-Jun-23	1,232	1,375	Buy	Avinash Singh
01-Jun-23	1,208	1,375	Buy	Avinash Singh
16-May-23	1,181	1,375	Buy	Avinash Singh
27-Apr-23	1,137	1,375	Buy	Avinash Singh
21-Apr-23	1,107	1,360	Buy	Avinash Singh
03-Apr-23	1,104	1,360	Buy	Avinash Singh
28-Mar-23	1,091	1,360	Buy	Avinash Singh
09-Mar-23	1,097	1,400	Buy	Avinash Singh
07-Feb-23	1,132	1,400	Buy	Avinash Singh
06-Feb-23	1,138	1,400	Buy	Avinash Singh
02-Feb-23	1,108	1,400	Buy	Avinash Singh
22-Jan-23	1,296	1,680	Buy	Avinash Singh
10-Jan-23	1,303	1,630	Buy	Avinash Singh
05-Jan-23	1,268	1,630	Buy	Avinash Singh
03-Jan-23	1,268	1,675	Buy	Avinash Singh
08-Dec-22	1,267	1,675	Buy	Avinash Singh
08-Nov-22	1,279	1,675	Buy	Avinash Singh
22-Oct-22	1,246	1,675	Buy	Avinash Singh
10-Oct-22	1,239	1,710	Buy	Avinash Singh
29-Sep-22	1,240	1,710	Buy	Avinash Singh
07-Sep-22	1,332	1,710	Buy	Avinash Singh
05-Sep-22	1,293	1,710	Buy	Avinash Singh
24-Aug-22	1,288	1,710	Buy	Avinash Singh
08-Aug-22	1,270	1,710	Buy	Avinash Singh
29-Jul-22	1,294	1,710	Buy	Avinash Singh
08-Jun-22	1,136	1,645	Buy	Avinash Singh
17-May-22	1,070	1,645	Buy	Avinash Singh
12-May-22	1,061	1,645	Buy	Avinash Singh
09-May-22	1,064	1,645	Buy	Avinash Singh
06-May-22	1,059	1,645	Buy	Avinash Singh
29-Apr-22	1,106	1,645	Buy	Avinash Singh
19-Apr-22	1,125	1,615	Buy	Avinash Singh
06-Apr-22	1,107	1,615	Buy	Avinash Singh
08-Feb-22	1,131	1,720	Buy	Avinash Singh
22-Jan-22	1,241	1,720	Buy	Avinash Singh
18-Jan-22	1,266	1,670	Buy	Avinash Singh
07-Dec-21	1,159	1,670	Buy	Avinash Singh
09-Nov-21	1,207	1,670	Buy	Avinash Singh
27-Oct-21	1,186	1,670	Buy	Avinash Singh
07-Sep-21	1,239	-	UR	Avinash Singh

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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