

Q3FY24

SBI Life Insurance Company Ltd



SBI Life Insurance Co. Ltd.
Sustained its healthy performance; ULIP continues to see higher share of mix

CMP INR 1,418	Target INR 1,705	Potential Upside 20.2%	Market Cap (INR Mn) 14,16,805	Recommendation BUY	Sector Life Insurance
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Result Highlights Q3FY24:

- Gross Written Premium (GWP) grew by 16.2% YoY / 11.3% QoQ to INR 224,586 Mn in Q3FY24, mainly driven by strong renewal premium growth. GWP was 7.3% higher than our estimates on account of a higher NBP. For 9MFY24, GWP grew by 18.8% YoY.
- Annualized Premium equivalent (APE) increased by 12.9% YoY/ 17.2% QoQ to INR 61,300 Mn. APE was 5.6% higher than our estimates, led by higher growth in the first premium segment. For 9MFY24, APE stood at INR 143,900 Mn, an increase of 17.4% YoY.
- Value of New Business (VNB) grew by 11.3% YoY/ 12.8% QoQ to INR 16,800 Mn in Q3FY24, with margins at 27.4%—the absolute VNB aligned with our estimates. The VNB margins were 139 bps lower than our estimates led by higher-than-expected mix of ULIP and few other macro factors.
- AUM grew by 23.8% YoY/ 7.6% QoQ to INR 3,714.1 Bn as of December 31, 2023.
- The 13th-month persistency stood at 85.3% on December 31, 2023, vs 85.4% on September 30, 2022, while the 61st-month persistency was 58.1% vs 53.6% a year ago.
- As of December 31, 2023, the solvency ratio stood at 2.09x (a contraction of 300 bps QoQ) against the regulatory requirement of 1.50x.

MARKET DATA

Shares outs (Mn)	1,001
Equity Cap (INR Mn)	1,44,300
Mkt Cap (INR Mn)	14,16,805
52 Wk H/L (INR)	1,495/ 1,054
Volume Avg (3m K)	1,286
Face Value (INR)	10
Bloomberg Code	SBILIFE IN

KEY FINANCIALS

Particulars (INR Mn)	FY22	FY23	FY24E	FY25E	FY26E
GWP	587,596	673,156	790,110	925,032	1,079,665
PAT	15,060	17,206	18,346	21,506	24,871
EPS (INR)	15.1	17.2	18.3	21.5	24.8
NBP-APE	143,000	168,100	195,948	228,926	265,363
VNB	37,020	50,700	54,865	65,244	77,486
VNB Margin (%)	25.9%	30.1%	28.0%	28.5%	29.2%
EVPS (INR)	396.3	460.4	547.6	651.0	775.0

Source: Company, KRChoksey Research

SHARE PRICE PERFORMANCE


ULIP drives premium growth; APE expected to see ~18.0% growth for the full year FY24E: SBILIFE reported GWP growth of 16.2% YoY (+11.3% QoQ) to INR 224,586 Mn in Q3FY24 led by strong growth in the renewal segment. In 9MFY24, GWP stood at INR 561,895 Mn, a growth of 18.8% that remained broad-based. New Business Premium (NBP) increased by 15.6% YoY but declined by 3.1% QoQ. The first-year premium segment grew by 12.3% YoY/22.5% QoQ, while single premium reported a growth of 20.6% YoY (-25.1% QoQ). The renewal segment grew by 16.6% YoY (+25.7% QoQ). Protection NBP has increased by 16.5% from INR 25.5 Bn in 9MFY23 to INR 29.7 Bn in 9MFY24 due to growth in group protection business by 25.0% YoY to INR 23.1 Bn in 9MFY24. ULIP NBP reported a growth of 21.5% YoY to INR 101.7 Bn in 9MFY24, while for Q3FY24, the growth stood at 18.0% YoY at INR 41.9 Bn. The APE for Q3FY24 stood at INR 61,300 Mn, a growth of 12.9% YoY/17.1% QoQ, led by continued traction in the ULIP and group protection segments. For the 9MFY24, the APE growth stood at 17.4% YoY, with the ULIP APE growing by 27.2% YoY, led by the positive traction in the equity market, while the group protection APE grew by 58.2% YoY. The share of ULIP stood at 61.0% in the overall APE mix for 9MFY24, while it stood at 68.4% for the quarter. The non-Par segment APE saw a decline of 9.6% for 9MFY24; however, the growth saw a gradual improvement of 5.2% to INR 10.1 Bn in Q3FY24. The non-Par mix for the quarter stood at 16.5%, while for 9MFY24, it was 17.0%. The Company has been putting efforts into improving its Non-Par portfolio, aided by its upcoming product pipeline. The new launches are expected to offer competitive pricing and support to sustain business margins. SBILIFE expects a decent end to FY24E, with an 18.0% growth in overall APE for FY24E. On the distribution mix, the bancassurance segment reported a growth of 14.5% YoY to INR 43.4 Bn with a 70.8% share of the overall APE. Agency channel APE stood at INR 13.2 Bn for Q3FY24, an increase of 3.1% YoY with a 21.5% share. As of December 31, 2023, the total number of agents stood at 243,590, a growth of 26.0% YoY. During 9MFY24, the Company added a net of 24,860 agents. The Company continues to add new agents and has been working on some structural changes, which will start reaping results in the upcoming quarters. Thus, SBILIFE remains strong in terms of Banca and agency performance.

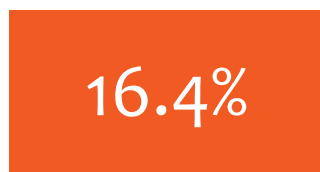
Higher ULIP continues to impact VNB margins; Expected to deliver a 28.0% margins in Q4: The VNB margins were 27.4%, lower by 40 bps YoY and 108 bps QoQ. The contraction in VNB margins was mainly due to an increase in the share of the ULIP business compared to the previous year. In Q3FY24, the Company launched two TROP (Term plans with return of premium) products, which are expected to be margin-accretive. Thus, SBILIFE expects margins to be ~28.0% in Q4FY24E.

MARKET INFO

SENSEX	71,942
NIFTY	21,738

SHARE HOLDING PATTERN (%)

Particulars	Dec-23	Sep-23	Jun-23
Promoters	55.4	55.4	55.5
FIIIs	25.9	26.2	26.2
DIIIs	14.6	14.3	14.2
Others	4.1	4.1	4.2
Total	100	100	100



APE CAGR between FY23 and FY26E



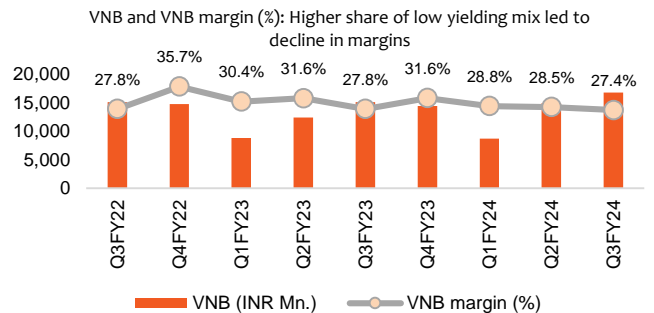
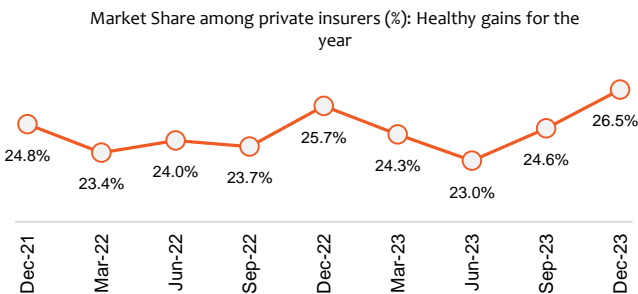
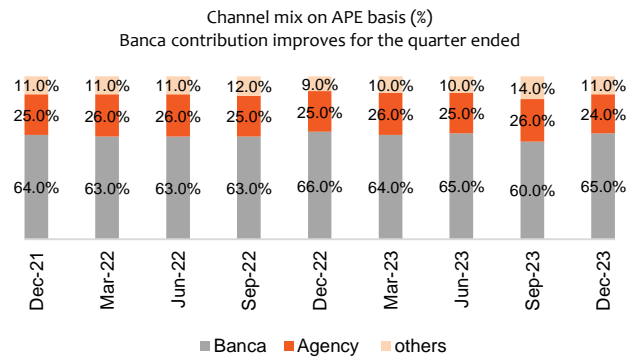
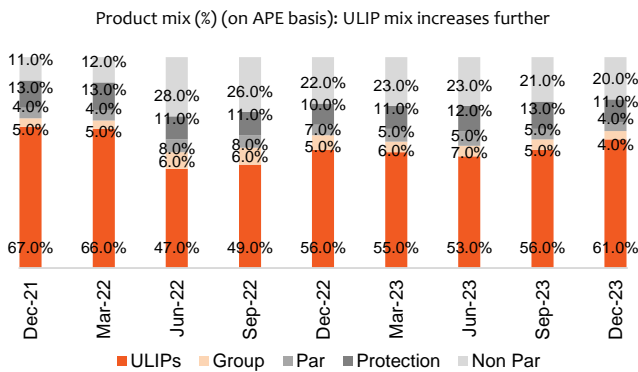
VNB CAGR between FY23 and FY26E

SBI Life Insurance Co. Ltd.

Key Concall highlights:

- During 9MFY24, SBILIFE has strengthened its market position and invested in capacity building for the employees and distributors to handle the customers' emerging needs and support long-term growth.
- Growth in its annuity products is mainly attributed to the single premium contribution, which accounts for 31.0% of the individual NBP. The Company gained in private market share by 184 bps to 29.1% and in industry market share by 173 bps to 17.8%.
- On individual-rated new business premiums, the Company stands at INR 127.9 Bn, with a growth of 15.0% over the previous period. It maintains its leadership position with a private market share of 26.5% with a gain of 80 bps. At the industry level, the Company gained 115 bps with a market share of 17.9%. The group's new business premium stood at INR 82.4 Bn with a share of 32.0% in the new business premium and growth of 31.0% over the previous period.
- The Company is aligned with the regulator's vision and will continue to focus on various reforms enabling deeper penetration of the life insurance industry.
- Under annuity, the Company offers immediate and deferred annuity options. Individual annuity business has grown 35.0% over the last period, mainly due to the new business contribution of innovative annuity plans of INR 38.7 Bn. Total annuity and pension new business underwritten by the Company is INR 67.9 Bn, registering growth of 12.0% over the same period.
- With more than 59,000 CIFs, the State Bank of India, and RRBs, the bancassurance business contributed a share of 67.0% and grew by 13.0% in individual new business premiums.
- The death claim settlement ratio now stands at 98.8%. The Company has registered an improvement of 148 bps in claim settlement ratios over the last period.
- The Company continues efficient use of technology for simplification of processes, with 99.0% of the individual proposals being submitted digitally. The Company processes 47.0% of individual proposals through automated underwriting.
- The Company's aspiration has been to expand its distribution reach, branch network, product sheet, investment in digital technology, bringing larger customers into the ambit of insurance coverage, and improving the customer experience.
- The Company doesn't see any significant impact of the surrender value draft filed by regulators with SBILIFE because it all depends on what kind of product mix and what kind of product feature the Company has built into its system.
- The Company has repriced non-par products twice, depending on interest rate prospects.
- The Company has launched two new premium products, Saral Sodan Supreme and SBI Life Smart Sodan Supreme, which offer a higher sum assured at affordable pricing.
- SBILIFE's existing product has been allowed to sell at INR 0.5 Mn and above, and the new product is competitively priced with adequate margins.
- SBILIFE is launching new products that can be easily sold online and through SBI's digital channel.
- The Company will price its products in such a manner that it can maintain a balance between customer returns and business margins.
- Its objective when pricing products is to ensure long-term sustainable rates and fair returns to customers while ensuring equity between surrendering and continuing policyholders.
- SBILIFE has reemphasized its sigma approach for segment pricing.

Valuation and view: SBILIFE continued to report a healthy performance in Q3FY24 with strong APE growth, led by higher traction in ULIPs and group protection segments. The Company has continuously seen an uptick in market share among the private players. The Company continues to focus on launching new product lines with the expectation of gradually improving the non-ULIP segment's share. In Q3FY24, the Company witnessed continued robust momentum in the ULIP categories, led by positive traction in the capital market. On the distribution side, the Company has seen improvements in the productivity of its parent SBI. SBILIFE remains focused on the agency segment, which will improve its operating efficiencies going forward. SBILIFE expects its VNB margin for Q4FY24E to be around 28.0%, with a premium growth of 18.0% YoY in FY24E. The current valuation continued to be relatively attractive compared to its peers. We expect the GWP to grow at 17.1% CAGR over FY23-26E with a VNB growth of 15.2% CAGR. PAT is anticipated to expand at 13.1% CAGR over FY23-26E, maintaining its cost leadership. We have introduced FY26E estimates and rolled over our valuation accordingly. We will monitor the regulatory updates in terms of the surrender value draft, which may have an impact on the life insurance companies. **We continue to apply a 2.2x P/EV on FY26E EVPS of INR 775.1 and a VNB multiple of 12.0x to arrive at a weighted average TP of INR 1,705 per share (earlier INR 1,630) for SBI Life (50:50 weights on the P-EV and appraisal value methodology); implying a potential upside of 20.2% from the CMP. Accordingly, we maintain our rating as "BUY" on the shares of SBILIFE.**



Source: Company, KRChoksey Research

SBI Life Insurance Co. Ltd.
KEY FINANCIALS
Exhibit 1: Revenue Account/Policy Holder's Account

Particulars (INR Mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue Account / Policyholders' Account					
Gross premiums	587,596	673,156	790,110	925,032	1,079,665
Reinsurance ceded	3,273	7,346	7,901	9,250	10,797
Net premiums	584,323	665,810	782,209	915,782	1,068,869
Net income from investments	235,680	132,601	232,502	271,041	310,583
Total income	830,272	815,985	1,014,711	1,186,822	1,379,452
Commission expenses	20,841	29,360	34,765	40,701	47,505
Operating expenses	30,487	35,360	45,826	53,652	62,621
Service tax on linked charges	7,725	8,194	10,082	11,803	11,803
Operating profit	771,220	743,071	924,038	1,080,666	1,257,523
Benefits paid (net)	313,398	302,875	414,571	480,785	561,156
Interim Bonuses Paid	0	0	0	0	0
Change in reserves	437,619	410,031	473,500	557,500	650,000
Provisions	1,365	1,603	2,518	2,967	3,246
Surplus/(Deficit)	18,838	28,562	33,449	39,414	43,121

Source: Company, KRChoksey Research

Exhibit 2: Premium Schedule

Particulars (INR Mn)	FY22	FY23	FY24E	FY25E	FY26E
First year premiums	129,415	151,971	179,325	209,811	243,380
Single premiums	125,158	143,915	166,222	191,155	219,829
New business premium (NBP)	254,574	295,886	345,548	400,966	463,209
NBP growth (%)	23%	16%	17%	16%	16%
Renewal premiums	333,023	377,270	444,562	524,066	616,456
Renewal premiums growth (%)	12%	13%	18%	18%	18%
Total premiums	587,596	673,156	790,110	925,032	1,079,665
Total premium growth (%)	17%	15%	17%	17%	17%
NBP - APE	143,000	168,100	195,948	228,926	265,363
NBP - APE growth (%)	25.8%	17.6%	16.6%	16.8%	15.9%

Source: Company, KRChoksey Research

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

Particulars (INR Mn)	FY22	FY23	FY24E	FY25E	FY26E
Transfer from Technical account	17,324	27,072	30,449	33,414	36,121
Income from investments & other income	9,884	7,953	8,552	10,475	12,570
Total income	27,208	35,024	39,002	43,889	48,691
Total expenses	11,601	17,440	20,281	21,944	24,346
PBT	15,608	17,584	18,721	21,944	24,346
Provision for tax	548	379	374	439	487
PAT	15,060	17,206	18,346	21,506	23,859

Source: Company, KRChoksey Research

SBI Life Insurance Co. Ltd.
Exhibit 4: Balance Sheet

Particulars (INR Mn)	FY22	FY23	FY24E	FY25E	FY26E
Sources of funds					
Share capital	10,004	10,009	10,012	10,012	10,012
Reserves and surplus	104,181	119,237	134,648	152,712	172,753
Fair value change account - net	2,039	929	2,000	2,000	2,000
Shareholders' fund	116,223	130,175	146,660	164,725	184,766
Liabilities (Policyholder's Funds)					
Fair value change account - net	32,069	20,389	23,567	27,363	31,771
Policy liabilities	1,097,590	1,301,319	1,457,477	1,683,386	1,944,311
Provision for linked liabilities	1,174,871	1,407,214	1,688,656	1,992,615	2,291,507
Credit/[debit] fair value change account	169,659	128,712	148,772	172,738	200,564
Discontinued due to non-payment of premium	81,723	96,630	111,690	129,682	150,573
Sub-Total	2,555,913	2,954,263	3,430,163	4,005,784	4,618,725
Funds for future Appropriations	9,936	11,427	11,427	11,427	11,427
Total Sources of Funds	2,682,072	3,095,866	3,588,250	4,181,936	4,814,918
Application of Funds					
Investments					
- Shareholders'	100,758	112,087	132,263	158,715	190,458
- Policyholders'	1,121,307	1,298,702	1,532,469	1,808,313	2,133,810
Asset held to cover linked liabilities	1,426,253	1,632,555	1,877,439	2,159,055	2,428,936
Loans	3,627	3,889	5,000	5,500	5,500
Fixed assets - net block	5,268	5,215	5,465	5,715	5,965
Net current assets	24,860	43,417	35,615	44,638	50,249
Total Applications of Funds	2,682,072	3,095,866	3,588,250	4,181,936	4,814,918

Source: Company, KRChoksey Research

EV Calculation (INR Mn)	FY22	FY23	FY24E	FY25E	FY26E
Opening EV	333,900	396,300	460,400	547,662	651,778
Unwind	27,300	34,100	36,832	43,813	52,142
VNB (or NBAP)	37,020	50,700	54,865	65,244	77,486
Operating variance	4,600	5,800	3,000	3,500	3,500
EV Operating Profit (EVOP)	68,920	90,600	94,697	112,557	133,128
Non-operating variance	-4,500	-24,200	-4,500	-5,000	-5,000
EV Profit	64,420	66,400	90,197	107,557	128,128
Net capital injection	-2,020	-2,300	-2,935	-3,441	-3,817
Closing EV	396,300	460,400	547,662	651,778	776,089

Source: Company, KRChoksey Research

Key Financials (INR Mn)	FY22	FY23	FY24E	FY25E	FY26E
Total premium	587,596	673,156	790,110	925,032	1,079,665
Net premium earned	584,323	665,810	782,209	915,782	1,068,869
NBP-APE	143,000	168,100	195,948	228,926	265,363
Combined ratio (%)	8.7%	9.6%	8.0%	8.0%	8.0%
Surplus/(Deficit)	18,838	28,562	33,449	39,414	43,121
VNB margin (%)	25.9%	30.1%	28.0%	28.5%	29.2%
PAT	15,060	17,206	18,346	21,506	23,859
EPS (INR)	15.1	17.2	18.3	21.5	23.8
EVPS (INR)	396.3	460.4	547.6	651.0	775.1
RoEV (%)	20.6%	22.9%	20.6%	20.6%	20.4%
RoE (%)	13.7%	14.0%	13.3%	13.8%	13.7%

Source: Company, KRChoksey Research

SBI Life Insurance Co. Ltd.

SBI Life Insurance			
Date	CMP (INR)	TP (INR)	Recommendation
29-Jan-24	1,418	1,705	BUY
02-Nov-23	1,344	1,630	BUY
31-Jul-23	1,280	1,630	BUY
28-Apr-23	1,140	1,630	BUY
24-Jan-22	1,273	1,750	BUY
25-Oct-22	1,255	1,550	BUY

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

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