

SBI Life logged a robust performance for FY24, with APE at Rs197bn meeting our estimate. VNB margin at 28.1% was 0.6ppt ahead of our estimate leading to VNB at Rs55.5bn beating our estimate by 3%. In an environment where peers have seen margin contraction on account of product-mix changes, acquisition cost pressure and pricing competition, SBI Life's cost advantage and prudent pricing has resulted in limited margin contraction for the year despite it being a ULIP-heavy player. Management continues to offer products based on customer demand, and expects the company to grow above the industry, while margins are expected to improve with focus on Non-Par savings and protection. To reflect the Q4FY24 developments, we tweak our FY25-26 estimates which results in a ~1% increase in our APE forecast and a 1ppt mark-up in our margin estimate, leading to a ~2-4% lift to our VNB. We introduce FY27 estimates. We reiterate our BUY rating on the stock, with unchanged Mar-25E TP of Rs1,800/share (implying FY26E P/EV of 2.2x).

SBI Life: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
GWP	673,156	814,306	930,495	1,061,275	1,208,847
APE	168,100	197,200	222,374	251,764	285,047
VNB	50,700	55,500	63,320	71,742	81,457
VNB margin (%)	30.1	28.1	28.5	28.5	28.6
APE growth (%)	17.6	17.3	12.8	13.2	13.2
VNB growth (%)	37.0	9.5	14.1	13.3	13.5
Adj. EPS (Rs)	17.2	18.9	22.8	26.4	30.1
EV	460,369	582,579	688,865	811,829	953,978
EVOP	90,440	100,580	110,786	126,964	144,149
Op. RoEV (%)	22.8	21.8	19.0	18.4	17.8
EVPS (INR)	460.1	581.9	688.1	810.9	952.9
P/EV (x)	3.1	2.4	2.1	1.7	1.5
P/EVOP (x)	19.9	17.9	16.3	14.2	12.5

Source: Company, Emkay Research

Robust margin delivery

SBI Life clocked in a robust 17.3% APE growth to Rs197.2bn, largely in line with our estimates and driven by strong 28% growth in the ULIP segment. VNB margin at 28.1% came in better than our estimate of 27.6%, led by 28.3% VNB margin for Q4FY24. With best-in-class margins amid increasing competitiveness, SBI Life's VNB grew 9.5% YoY to Rs55.5bn, at 2.7% above our estimates. SBI Life reported PAT growing 10.1% YoY to Rs18.9bn vs. our estimate of Rs19.8bn. Embedded Value at Rs582.6bn stood 5.3% better than our estimate, while growing 26.5%. EVOP of Rs100.5bn resulted in Operating RoEV at 21.8% for FY24. Persistency improved across cohorts, whereas the surrender ratio saw some elevation on account of higher discontinuation in certain cohorts of ULIPs with no surrender charges.

Focus on non-par and protection segment

SBI Life has delivered best-in-class margins and consistent APE growth despite the increasing competitiveness and regulatory shocks. While the product mix continues to be driven by customer demand, Management focus on non-par savings and protection products, coupled with improvement in product level margins, is expected to improve the overall VNB margins for the company going forward. The company is expected to track better than industry growth in FY25, driven by a strong pipeline of product launches. The retail protection segment is expected to grow faster than the group protection segment with the launch of two new ROP products. Given the company's brand, distribution strength, and low-cost advantage, it is on the right track to deliver better than industry APE growth and improvement in VNB margins.

Best positioned amid a volatile regulatory environment; reiterate BUY

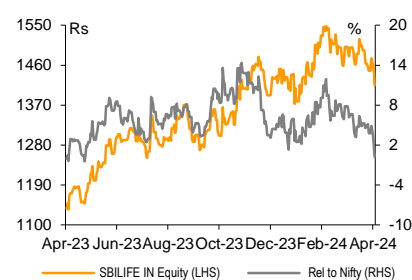
To bake in the Q4FY24 developments, we have tweaked our FY25-26 estimates, resulting in ~1% increase in APE estimates and ~1ppt increase in VNB margins, thus leading to 2-4% increase in VNB estimates. We introduce FY27 estimates. We reiterate our BUY rating on the stock, with unchanged Mar-25E target price of Rs1,800/share (implying FY26E P/EV of 2.2x). SBI Life's exceptional execution, brand, extensive distribution network and cost advantage, and its ability to offer products that align with customer and channel demand, position the company well to adapt to any shifts in regulations or changes in customer preferences.

Target Price – 12M	Mar-25
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	27.2
CMP (26-Apr-24) (Rs)	1,415.3

Stock Data	Ticker
52-week High (Rs)	1,572
52-week Low (Rs)	1,104
Shares outstanding (mn)	1,001.5
Market-cap (Rs bn)	1,417
Market-cap (USD mn)	17,005
Net-debt, FY25E (Rs mn)	0
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	1,957.0
ADTV-3M (USD mn)	23.5
Free float (%)	-
Nifty-50	22,420
INR/USD	83.3
Shareholding, Mar-24	
Promoters (%)	55.4
FPIs/MFs (%)	25.2/15.4

Price Performance			
(%)	1M	3M	12M
Absolute	(4.8)	2.5	26.6
Rel. to Nifty	(6.6)	(2.4)	0.6

1-Year share price trend (Rs)



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Exhibit 1: Q4/FY24 Financial Performance

(Rs bn)	FY24	FY23	%YoY	FY24E	% Var	Q4FY24	Q4FY23	%YoY	Q4FY24E	% Var
Annualized Premium Equivalent (APE)	197.2	168.1	17.3	196.0	0.6	53.3	45.5	17	52.1	2.31
--o/w Savings	170.1	145.5	16.9	-		45.9	38.6	19		
--o/w Protection	21.0	17.8	18.0	-		5.8	5.5	5		
Protection APE (% of total APE)	10.6	10.6	0.1ppts	-		10.88	12.09	(1)		
Value of New Business	55.5	50.7	9.5	54.0	2.7	15.1	14.4	4.9	13.6	10.81
New Business Margin (%)	28.1	30.2	-2.0ppts	27.6	0.6ppts	28.3	31.6	-3.3ppts	26.2	2.17ppts
Embedded Value	582.6	460.4	26.5	553.1	5.3	-	-	-		
EV Operating Profit	100.5	90.5	N.M.	-		-	-	-		
Operating RoEV (%)	21.8	22.8	-1.0ppts	-		-	-	-		
Individual New Business WRP	172.3	152.2	13.2			44.4	40.8	9		
Total New Business Premium	382.4	295.9	29.2			122.4	80.8	52		
Renewal premium	431.9	377.3	14.5			130.0	119.4	9		
Gross written premium	814.3	673.2	21.0			252.4	200.1	26		
PAT	18.9	17.2	10.1	19.8	-4.2	8.1	7.8	4	8.9	(9.23)

Source: Company, Emkay Research

Exhibit 2: Appraisal methodology-based valuation for SBI Life

Parameter (Rs bn)	Value
FY24E-39E APE CAGR	9.1%
FY24E-39E VNB CAGR	8.9%
Terminal growth rate	4.0%
Cost of Equity	13.0%
FY25 EV	689
Present value of future new business	1,109
Appraisal value - Mar-24	1,802
Share count (mn)	1,001
Appraisal value per share - Mar-25E (Rs)	1,801
Target Price - Mar-25E (Rs)	1,800

Source: Company, Emkay Research

Exhibit 3: Implied valuation multiples for SBI Life

Appraisal value multiple on FY26 estimates	Rs1,800
P/EV	2.2x
RoEV (%)	18.4
P/EVOP	14.4x
Implied FY26E VNB multiple	15.5x
Current price multiple on FY26 estimates	Rs1,415
P/EV	1.7x
RoEV (%)	18.4
P/EVOP	11.3x
Implied FY26E VNB multiple	11.5x

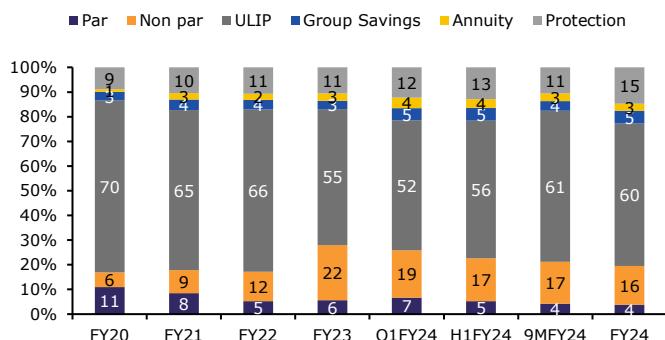
Source: Company, Emkay Research

Exhibit 4: Changes in Estimates

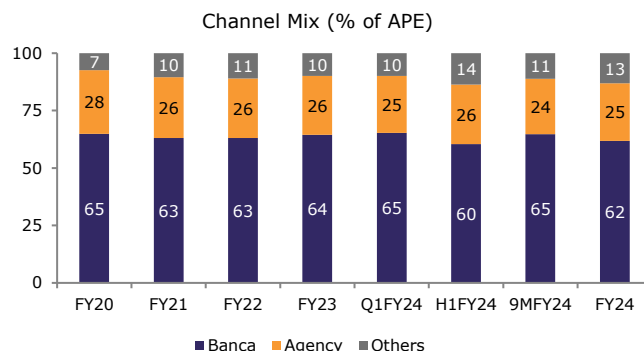
Rs bn	FY25E			FY26E			FY27E		
	Old	Revised	% Change	Old	Revised	% Change	Old	Revised	% Change
APE	221.0	222.4	0.6	250.1	251.8	0.7	NA	285.0	NM
VNB	60.8	63.3	4.1	70.1	71.7	2.4	NA	81.5	NM
VNB Margin (%)	27.5	28.5	0.9ppts	28.0	28.5	0.5ppts	NA	28.6	NM
EVOP	107.9	110.8	2.6	124.2	127.0	2.3	NA	144.1	NM
EV	659.0	688.9	4.5	781.2	811.8	3.9	NA	954.0	NM
PAT	22.4	22.8	2.1	25.5	26.4	3.4	NA	30.1	NM

Source: Company, Emkay Research

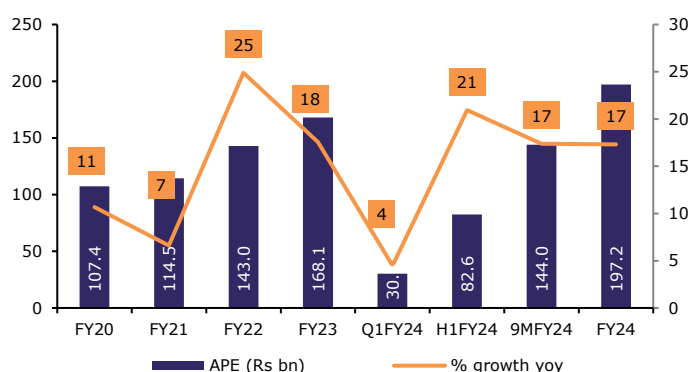
Story in Charts

Exhibit 5: ULIP dominates the APE product mix at 60%


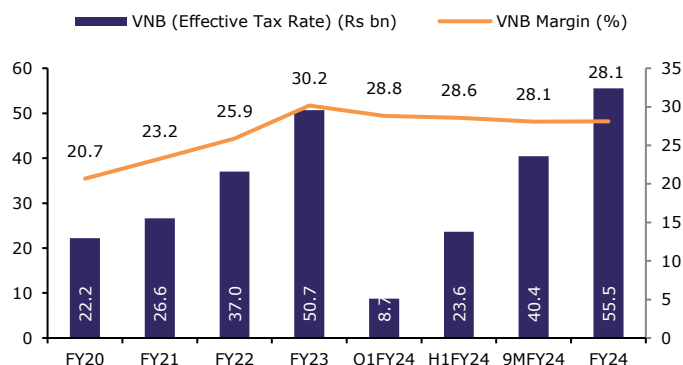
Source: Company, Emkay Research

Exhibit 6: Other channel share grows sequentially to 13% during FY24


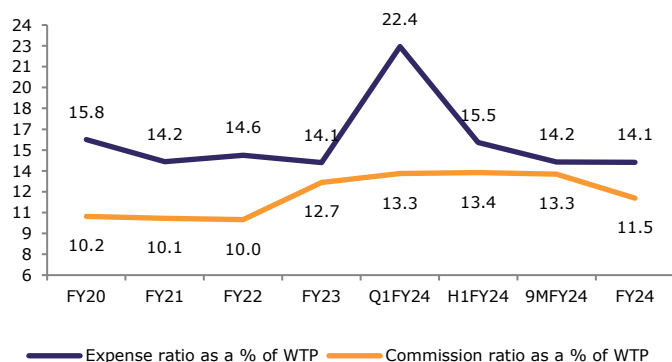
Source: Company, Emkay Research

Exhibit 7: SBI Life's APE grows 17.3% during FY24


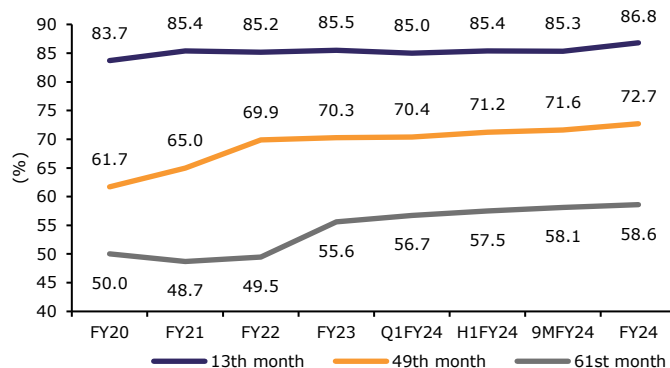
Source: Company, Emkay Research

Exhibit 8: SBI Life delivers robust VNB margin at 28.1%


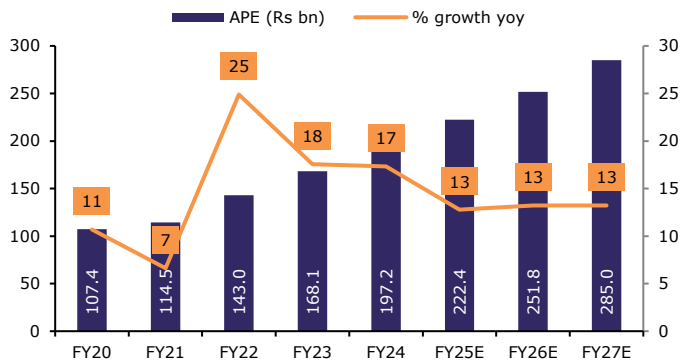
Source: Company, Emkay Research

Exhibit 9: Expense ratio moderates sequentially to 14.1% during FY24


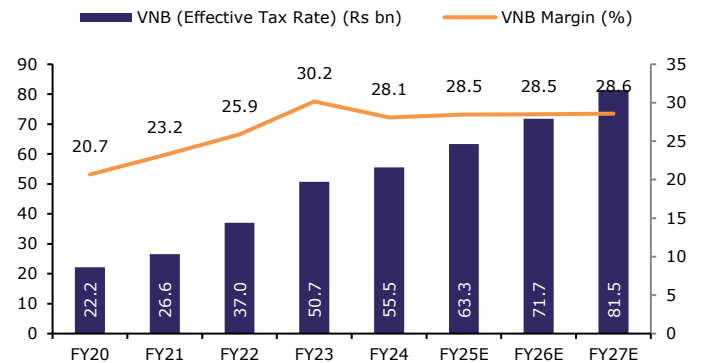
Source: Company, Emkay Research

Exhibit 10: Persistency improves across cohorts during FY24


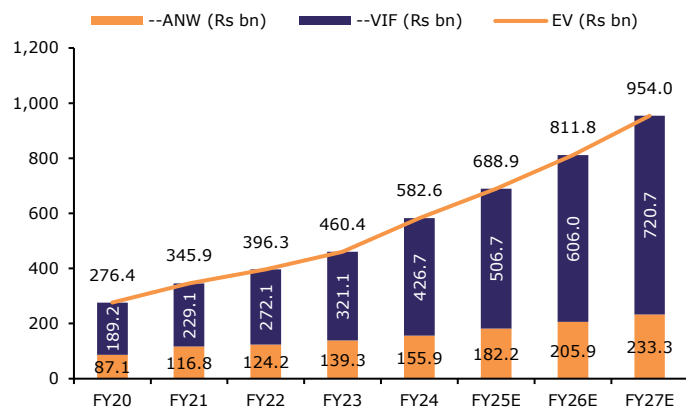
Source: Company, Emkay Research

Exhibit 11: APE expected to grow 13% during FY25E

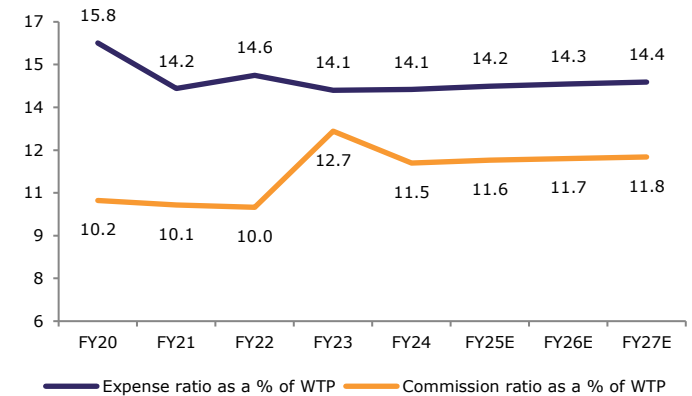
Source: Company, Emkay Research

Exhibit 12: VNB margin likely to remain at around 28.5%

Source: Company, Emkay Research

Exhibit 13: SBI Life expected to deliver EV of Rs954bn by FY27E

Source: Company, Emkay Research

Exhibit 14: Operating expenses likely to remain range bound

Source: Company, Emkay Research

Earnings Conference Call Highlights

- Continued to grow the business at a sustainable rate and maintained a balanced product mix, cost ratios and persistency.
- The company has taken the schemes that are profitable in the group segment.
- Expect annuity to be a long-term growth opportunity in the Indian market. Annuity has been a profitable business for the company, and the management keeps repricing the product based on the profitability. Further higher share of annuities will help the company expand its VNB margin.
- Management will now focus on the non-par savings and protection business, which is expected to drive a shift in the product mix, resultantly leading to positive impact on VNB margins.
- SBI Life's presence, through SBI branches and agents, is not only strong in Tier 2/3 cities but also in rural areas. Further, Management said the company will not chase commission and its strategy on customer preference and customer experience will drive growth in such markets.
- Will continue to focus on the Individual Protection business. Protection remains the focus area and the company will also introduce new products to drive growth. During Q4FY24, the company launched 2 new Return of Premium Term plans. Further, the management said that the retail protection segment is expected to grow faster than group protection.
- During the start of the year, the company had made some provisions based on discussions with distribution partners; however in Q4FY24, the balance in the provision has been reversed, resulting in negative Rs2.85bn of Rewards.
- Group savings is a lumpy business and is based on a corporate's requirements. Management said that the company would maintain the Group Savings business at 18-20% of the new business.
- Management does not expect any stress seeping in product-level margins, and the company will keep repricing its products to maintain margins.
- This year, the ticket size has grown over the policy growth. With focus on non-par protection and non-par savings, Management expects good growth in the number of policies going forward.
- There is no significant difference between growth in tier-1 markets and tier 2/3 markets.
- The company has been better off vs. the industry and the private sector, and will continue to grow above the market rate.
- The single premium contribution at 31% of the individual new business was largely driven by growth in the individual annuity business.
- Total number of agents stood at 246,078, growing 18% YoY, with an addition of 37,304 new agents.
- Positive mortality operating variance in Embedded Value was on account of the prudent reserving approach by the management. Management said that the mortality experience was better than the assumptions across product categories.

SBI Life: Standalone Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Gross premium	673,156	814,306	930,495	1,061,275	1,208,847
Net premium	665,810	805,871	921,190	1,050,663	1,196,758
Investment income	132,601	503,666	314,183	362,027	416,294
Other income	17,573	16,777	11,893	8,476	6,084
Total revenue	815,985	1,326,314	1,247,266	1,421,166	1,619,136
Commission expense	30,625	32,553	37,211	42,441	48,343
Operating expense	34,095	39,819	45,517	51,914	59,133
Benefits paid (net)	302,875	431,074	549,429	633,815	729,616
Change in reserves	410,031	784,313	578,321	656,546	744,098
Total expenses	787,422	1,298,399	1,222,862	1,398,840	1,597,277
Surplus/Deficit	28,562	27,915	24,404	22,325	21,859
Trf from policyholders' acct	27,072	25,977	23,404	21,324	20,858
Shareholders' results	(9,487)	(6,555)	255	6,015	10,381
PBT	17,584	19,421	23,659	27,339	31,239
Tax expense	379	483	828	957	1,093
Reported PAT	17,206	18,938	22,831	26,382	30,145
PAT growth (%)	14.2	10.1	20.6	15.6	14.3
Adjusted PAT	17,206	18,938	22,831	26,382	30,145
Diluted EPS (Rs)	17.2	18.9	22.8	26.4	30.1
Diluted EPS growth (%)	14.2	10.0	20.6	15.6	14.3
DPS (Rs)	2.5	2.7	2.7	2.7	2.7
Dividend payout (%)	14.5	14.3	11.8	10.2	9.0
Effective tax rate (%)	2	2	4	4	4
Shares outstanding (mn)	1,001	1,001	1,001	1,001	1,001

Source: Company, Emkay Research

Miscellaneous Metrics					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
APE	168,100	197,200	222,374	251,764	285,047
VNB	50,700	55,500	63,320	71,742	81,457
VNB margin (%)	30.1	28.1	28.5	28.5	28.6
APE growth (%)	17.6	17.3	12.8	13.2	13.2
VNB growth (%)	37.0	9.5	14.1	13.3	13.5
Operating ratios (%)					
NB commission/APE	12.0	10.5	NA	NA	NA
Commissions/TWRP	5.6	5.2	5.2	5.2	5.2
Total exp ratio/TWRP	6.3	6.3	6.4	6.4	6.4
Conservation ratio	81.6	81.6	81.6	81.6	81.6
Solvency ratio	215.0	196.0	NA	NA	NA
RoE	13.7	14.0	13.6	14.4	14.7
Historical metrics					
APE mix (%)	FY23	FY24	FY25E	FY26E	FY27E
A. Retail protection	5.8	4.8	NA	NA	NA
B. Group protection	3.6	4.7	NA	NA	NA
C. Savings - individual	0.0	0.0	NA	NA	NA
Par	5.7	4.0	NA	NA	NA
Non-Par	22.3	16.4	NA	NA	NA
ULIP	55.3	60.5	NA	NA	NA
D. Group Savings	3.3	5.4	NA	NA	NA
Persistency ratios (%)					
13th Month	85.5	86.8	NA	NA	NA
49th Month	70.3	72.7	NA	NA	NA

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	10,009	10,015	10,015	10,015	10,015
Reserves & surplus	119,237	135,900	155,005	178,683	206,125
Net worth	130,175	149,086	168,189	191,867	219,309
Borrowings	0	0	0	0	0
Policy liabilities	1,301,319	1,558,085	1,807,710	2,091,248	2,412,923
Prov for linked liab.	1,535,926	1,667,408	1,983,073	2,343,829	2,755,402
FFA	11,427	13,366	16,039	19,246	23,096
Current liabilities & prov	50,996	55,158	63,383	72,368	82,288
Total liabilities & equity	3,095,866	3,927,830	4,527,928	5,211,360	5,986,749
Shareholders' investment	112,087	130,364	147,068	167,773	191,768
Policyholders' investment	1,298,702	1,565,436	1,805,870	2,078,826	2,388,181
Assets to cover linked liab.	1,632,555	2,160,103	2,491,871	2,868,515	3,295,385
Current assets	94,413	117,628	135,599	156,066	179,287
Total assets	3,095,866	3,927,830	4,527,928	5,211,360	5,986,749
BV/share (INR)	130.1	148.9	167.9	191.6	219.0
EV/share (INR)	460.1	581.9	688.1	810.9	952.9
EVOP/share (INR)	90.4	100.5	110.7	126.8	144.0
Embedded value	460,369	582,579	688,865	811,829	953,978
ANW	139,253	155,922	182,189	205,867	233,309
VIF	321,116	426,657	506,676	605,962	720,669
VIF share in EV (%)	69.8	73.2	73.6	74.6	75.5
Total AUM	3,086,761	3,918,372	4,517,025	5,198,812	5,972,334
Investment yield (%)	4.9	14.9	7.9	7.9	7.9
Yield on PH funds (%)	4.8	15.1	7.8	7.8	7.8
Yield on SH funds (%)	7.5	8.5	8.6	9.1	9.1

Source: Company, Emkay Research

Valuation & key ratios					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	82.3	74.8	62.1	53.7	47.0
P/B (x)	10.9	9.5	8.4	7.4	6.5
P/EV (x)	3.1	2.4	2.1	1.7	1.5
P/EVOP (x)	19.9	17.9	16.3	14.2	12.5
Implied P/VNB (x)	20.1	17.2	13.2	10.2	7.9
Dividend yield (%)	0.2	0.2	0.2	0.2	0.2
EV account and RoEV					
Opening EV	396,269	460,369	582,579	688,865	811,829
Premium unwind	34,100	38,100	46,466	53,222	60,692
VNB	50,700	55,500	63,320	71,742	81,457
Operating variance	5,640	6,980	1,000	2,000	2,000
EVOP	90,440	100,580	110,786	126,964	144,149
Investment variance	(24,240)	23,930	(2,500)	(2,000)	0
Capital movement	(2,100)	(2,300)	(2,000)	(2,000)	(2,000)
Other changes	0	0	0	0	0
Closing EV	460,369	582,579	688,865	811,829	953,978
Change in EV	64,100	122,210	106,286	122,964	142,149
RoEV (%)	16.7	27.0	18.6	18.1	17.8
Operating RoEV (%)	22.8	21.8	19.0	18.4	17.8
EVOP growth (%)	59.5	11.2	10.1	14.6	13.5
EV growth (%)	16.2	26.5	18.2	17.9	17.5
Core operating RoEV (%)	22.8	21.8	19.0	18.4	17.8
Unwind rate (%)	8.6	8.3	8.0	7.7	7.5
VNB-to-opening EV (%)	12.8	12.1	10.9	10.4	10.0

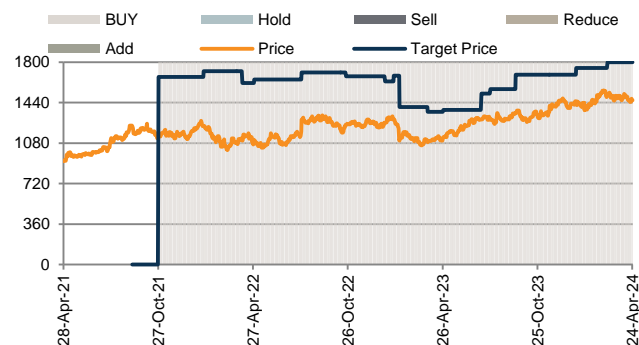
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
19-Apr-24	1,448	1,800	Buy	Avinash Singh
03-Apr-24	1,461	1,800	Buy	Avinash Singh
26-Mar-24	1,486	1,800	Buy	Avinash Singh
09-Mar-24	1,508	1,800	Buy	Avinash Singh
07-Mar-24	1,508	1,800	Buy	Avinash Singh
26-Jan-24	1,378	1,750	Buy	Avinash Singh
09-Jan-24	1,447	1,750	Buy	Avinash Singh
07-Jan-24	1,452	1,750	Buy	Avinash Singh
28-Dec-23	1,433	1,690	Buy	Avinash Singh
18-Dec-23	1,444	1,690	Buy	Avinash Singh
07-Dec-23	1,453	1,690	Buy	Avinash Singh
30-Nov-23	1,433	1,690	Buy	Avinash Singh
07-Nov-23	1,338	1,690	Buy	Avinash Singh
29-Oct-23	1,301	1,690	Buy	Avinash Singh
09-Oct-23	1,275	1,690	Buy	Avinash Singh
04-Oct-23	1,268	1,690	Buy	Avinash Singh
13-Sep-23	1,343	1,690	Buy	Avinash Singh
08-Sep-23	1,339	1,560	Buy	Avinash Singh
21-Aug-23	1,276	1,560	Buy	Avinash Singh
09-Aug-23	1,347	1,560	Buy	Avinash Singh
26-Jul-23	1,290	1,560	Buy	Avinash Singh
09-Jul-23	1,292	1,520	Buy	Avinash Singh
10-Jun-23	1,230	1,375	Buy	Avinash Singh
01-Jun-23	1,206	1,375	Buy	Avinash Singh
16-May-23	1,179	1,375	Buy	Avinash Singh
27-Apr-23	1,135	1,375	Buy	Avinash Singh
21-Apr-23	1,105	1,360	Buy	Avinash Singh
03-Apr-23	1,102	1,360	Buy	Avinash Singh
28-Mar-23	1,089	1,360	Buy	Avinash Singh
09-Mar-23	1,092	1,400	Buy	Avinash Singh
07-Feb-23	1,127	1,400	Buy	Avinash Singh
06-Feb-23	1,134	1,400	Buy	Avinash Singh
02-Feb-23	1,103	1,400	Buy	Avinash Singh
22-Jan-23	1,291	1,680	Buy	Avinash Singh
10-Jan-23	1,297	1,630	Buy	Avinash Singh
05-Jan-23	1,262	1,630	Buy	Avinash Singh
03-Jan-23	1,263	1,675	Buy	Avinash Singh
08-Dec-22	1,262	1,675	Buy	Avinash Singh
08-Nov-22	1,273	1,675	Buy	Avinash Singh
22-Oct-22	1,241	1,675	Buy	Avinash Singh
10-Oct-22	1,234	1,710	Buy	Avinash Singh
29-Sep-22	1,235	1,710	Buy	Avinash Singh
07-Sep-22	1,326	1,710	Buy	Avinash Singh
05-Sep-22	1,288	1,710	Buy	Avinash Singh
24-Aug-22	1,282	1,710	Buy	Avinash Singh
08-Aug-22	1,265	1,710	Buy	Avinash Singh
29-Jul-22	1,289	1,710	Buy	Avinash Singh
08-Jun-22	1,131	1,645	Buy	Avinash Singh
17-May-22	1,066	1,645	Buy	Avinash Singh
12-May-22	1,056	1,645	Buy	Avinash Singh
09-May-22	1,060	1,645	Buy	Avinash Singh
06-May-22	1,055	1,645	Buy	Avinash Singh
29-Apr-22	1,101	1,645	Buy	Avinash Singh
19-Apr-22	1,120	1,615	Buy	Avinash Singh
06-Apr-22	1,103	1,615	Buy	Avinash Singh
08-Feb-22	1,124	1,720	Buy	Avinash Singh
22-Jan-22	1,233	1,720	Buy	Avinash Singh
18-Jan-22	1,258	1,670	Buy	Avinash Singh
07-Dec-21	1,152	1,670	Buy	Avinash Singh
09-Nov-21	1,200	1,670	Buy	Avinash Singh
27-Oct-21	1,179	1,670	Buy	Avinash Singh
07-Sep-21	1,231	-	UR	Avinash Singh

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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