



Q4FY24

SBI Life Insurance Company Ltd



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Sequential improvement in margins; New launches to drive growth in FY25E

CMP INR 1,443*	Target INR 1,705	Potential Upside 18.2%	Market Cap (INR Mn) 14,45,115	Recommendation BUY	Sector Life Insurance
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Result Highlights Q4FY24:

- The Gross Written Premium (GWP) for Q4FY24 stood at INR 252,411 Mn, a growth of 26.1%/ 12.4% QoQ, primarily led by surge in the New Business Premium (NBP). GWP was 5.5% higher than our estimates because a single premium segment performed better than expected.
- The Annualized Equivalent Premium (APE) was INR 53,300 Mn in Q4FY24, a jump of 17.1% YoY but declined by 13.1% QoQ on account of a sharp decline in the first-year premium segment. APE was 1.1% higher than our estimates.
- The Value of the New Business (VNB) declined by 10.1% QoQ but grew by 4.9% YoY to INR 15,100 Mn. VNB was 4.5% higher than our estimates due to higher-than-estimated margins.
- We have tweaked our FY26E VNB margins slightly from 29.2% to 28.5%. We maintain our target price at INR 1,705 per share for SBILIFE assigning a multiple of 2.2x for its FY26E embedded value.**

MARKET DATA

Shares outs (Mn)	1,001
Net Worth (INR Mn)	149,086
Mkt Cap (INR Mn)	14,45,115
52 Wk H/L (INR)	1,569/ 1,134
Volume Avg (3m K)	1,326
Face Value (INR)	10
Bloomberg Code	SBILIFE IN

KEY FINANCIALS

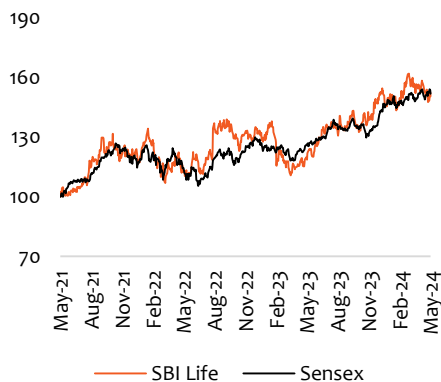
Particulars (INR Mn)	FY22	FY23	FY24	FY25E	FY26E
GWP	587,596	673,156	814,306	946,781	1,095,875
PAT	15,060	17,206	18,938	20,412	23,600
EPS (INR)	15.1	17.2	18.9	20.4	23.6
NBP-APE	143,000	168,100	195,520	228,343	264,639
VNB	37,020	50,700	55,500	65,078	75,422
VNB Margin (%)	25.9%	30.1%	28.1%	28.5%	28.5%
EVPS (INR)	396.3	460.4	582.5	670.7	776.2

Source: Company, KRChoksey Research

Focus on the product mix for FY25E with improvement in protection and non-par share led by the new launches:

- New Business Premium (NBP) increased by 51.1% YoY/ 25.7% QoQ. The growth was led by strong growth in the single premium segment at 93.4% YoY/ 89.8% QoQ. The renewal segment grew by 8.9% YoY (+2.2% QoQ). The healthy growth in the renewal segment improved 49th-month and 61st-month persistency ratios in FY24 by 241 bps and 295 bps, respectively.
- Individual ULIP NBP was at INR 137.8 Bn, constituting 58.0% of individual NBP. The growth in ULIP was attributed to positive movement in equity markets and changes in customer preferences.
- Annuity business stood at INR 60.2 Bn and contributed 16.0% of NBP. SBILIFE expects annuity to be a long-term growth story in India.
- For FY24, the APE growth stood at 17.3% YoY, with the ULIP APE growing by 28.4% YoY, while Non-Par APE grew by 8.3% YoY.
- The share of ULIP stood at 60.0% in the overall APE mix for FY24.
- The Company launched two products during the quarter in the protection segment and expects to continue this in FY25E, which will help to improve growth and margins.
- On the distribution mix, the bancassurance segment reported a growth of 13.6% YoY to INR 49.3 Bn with a 62.0% share of the overall APE. Agency channel APE stood at INR 49.3 Bn for FY24, an increase of 12.8% YoY with a 25.0% share. As of March 31, 2024, the total number of agents stood at 2,46,078, a growth of 18.0% over last year. During FY24, the Company added a net of 37,304 agents. The share of agency business in individual-rated premiums has increased from 27.0% in FY23 to 28.0% in FY24.

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	73,878
NIFTY	22,476

SHARE HOLDING PATTERN (%)

Particulars	Mar-24	Dec-23	Sep-23
Promoters	55.4	55.4	55.4
FIIIs	25.2	25.9	26.2
DIIIs	15.4	14.6	14.3
Others	4.0	4.1	4.1
Total	100	100	100

*Based on previous closing

16.3%

APE CAGR between FY24 and FY26E

16.6%

VNB CAGR between FY24 and FY26E

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Improvement in protection and non-par mix will drive expansion in VNB margins:

- VNB margin stood at 28.1% for FY24, a decline from 30.2% in FY23. For the quarter, the fall in VNB margins was 332 bps YoY. The decline in the margins was primarily due to an increase in the share of the ULIP business compared to the previous year.
- However, the VNB margin will not see further impact despite the higher share of ULIPs due to the Company's efforts to improve protection and sub-par growth.
- In Q4FY24, SBILIFE reported modest growth of 4.9% YoY in absolute VNB terms, while growth was 9.5% YoY for the full year. The growth remained modest due to the decline in VNB margins.

Key Concall highlights:

- SBILIFE has sold the highest number of policies in the industry. This aligns with the regulator's objective of insurance for all and its goal of broadening the customer reach through its customer-centric product offering.
- The performance of the Company demonstrates its distribution strength and expansive outreach to the customers cost-efficiently.
- During FY24, SBILIFE continued to focus on growing its business at a sustainable rate, offering varied products in its basket to align with customer demand, creating a balanced distribution mix, and maintaining our best-in-class cost ratio and persistency levels.
- The improvement in its Net Promoter Score (NPS) reflects the growing trust and satisfaction among customers, highlighting its dedication to their financial well-being. SBILIFE recorded an NPS score of 72 in the current year, up from 59 in the previous year.
- On Individual Rated New Business (IRNB) premium, SBILIFE stood at INR 172.3 Bn with a growth of 13.0% YoY in FY24 and maintained its leadership position with private market share of 23.3% with a gain of 107 bps and at industry level, it gained by 118 bps at 15.8%.
- During FY24, SBILIFE issued a total of 2.26 Mn new policies. This reflects the Company's intent to increase penetration and achieve holistic growth.
- The total new business sum assured registered a growth of 25.0% over the corresponding period last year, compared to a growth of 19.0% at the private industry level and 22.0% at the total industry level.
- The death claim settlement ratio stood at 99.2% for FY24. The Company has registered an improvement of 78 bps over the last year.
- The Company continues to efficiently use technology to simplify processes, with 99.0% of individual proposals being submitted digitally and 45.0% processed through automated underwriting.
- The solvency remained strong at 196% for FY24.
- Embedded value stood at INR 582.6 Bn, a growth of 27.0% over the previous year.

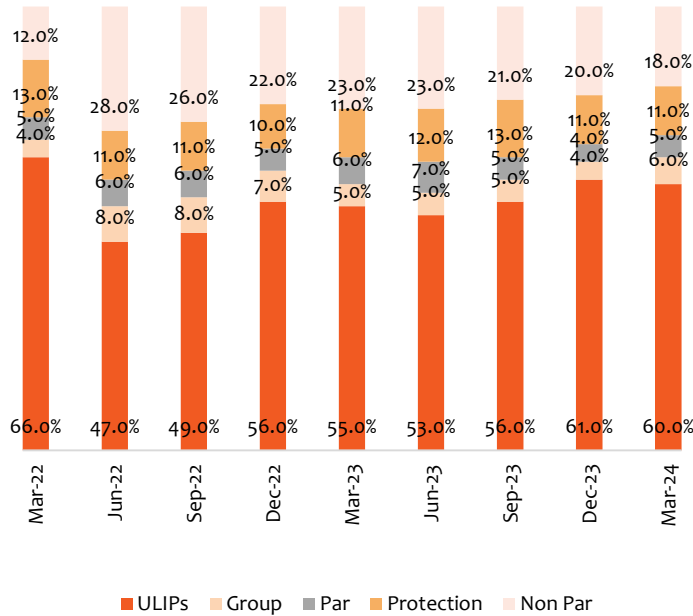
Valuation and view:

SBILIFE continued to report a healthy performance in Q4FY24 with consistent APE growth and sequential improvement in VNB margins. SBILIFE 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 Q4FY24, the Company reported continued traction in the ULIP segment, led by positive momentum in the capital market. SBILIFE remains focused on striking an optimum balance among various distribution channels, and it expects to grow by leveraging these multiple drivers and further strengthening its distribution network. SBILIFE expects its VNB margin to see improvement on the back of the product mix. Regarding the commission expense, the Company has not been participating in competitive prices and doesn't expect any change in the current structure. Thus, it remains focused on maintaining its low-cost advantage. The current valuation continued to be relatively attractive compared to its peers.

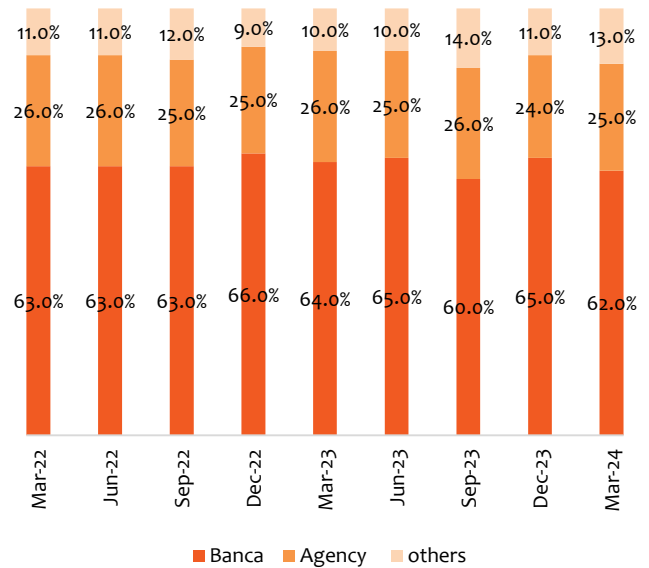
We expect the GWP to grow at 16.0% CAGR over FY24-26E with a VNB growth of 16.6% CAGR. PAT is anticipated to expand at 11.6% CAGR over FY24-26E, maintaining its cost leadership. **We continue to apply a 2.2x P/EV on FY26E EVPS of INR 776.2 and a VNB multiple of 12.4x to arrive at a weighted average TP of INR 1,705 per share (unchanged) for SBI Life (50:50 weights on the P-EV and appraisal value methodology); implying a potential upside of 18.2% from the CMP. Accordingly, we maintain our "BUY" rating on the shares of SBILIFE.**

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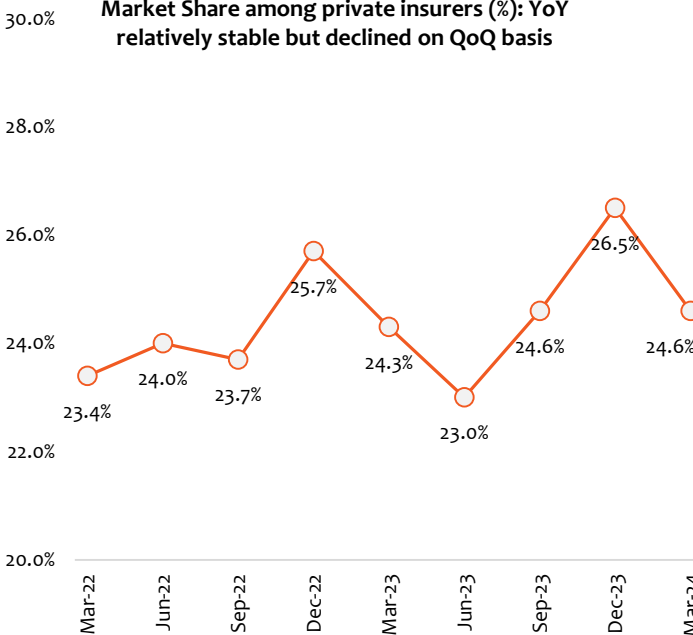
Product mix (%) (on APE basis): ULIP continues to dominate



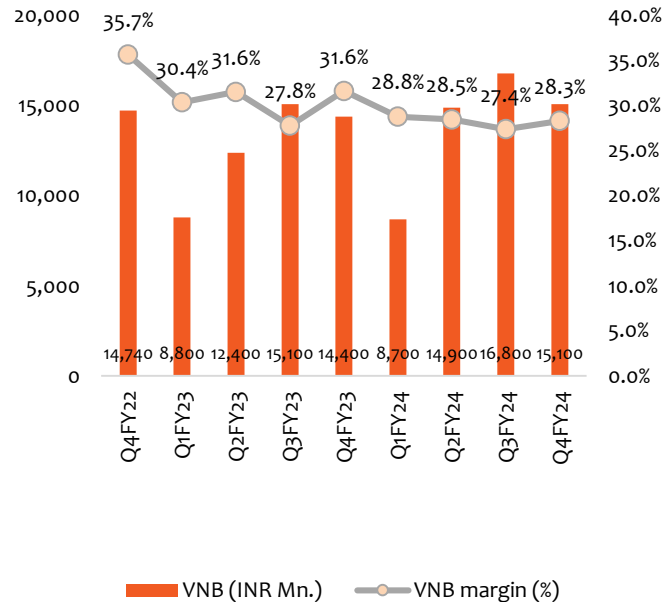
Channel mix on APE basis (%)
Stable mix



Market Share among private insurers (%): YoY relatively stable but declined on QoQ basis



VNB and VNB margin (%): Steady improvement in VNB margin



Source: Company, KRChoksey Research

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KEY FINANCIALS

Exhibit 1: Revenue Account/Policy Holder's Account

Particulars (INR Mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue Account / Policyholders' Account					
Gross premiums	587,596	673,156	814,306	946,781	1,095,875
Reinsurance ceded	3,273	7,346	8,435	9,468	10,959
Net premiums	584,323	665,810	805,871	937,313	1,084,916
Net income from investments	235,680	132,601	503,666	259,555	301,178
Total income	830,272	815,985	1,326,314	1,196,868	1,386,094
Commission expenses	20,841	29,360	31,051	40,238	46,575
Operating expenses	30,487	35,360	41,321	54,913	63,561
Service tax on linked charges	7,725	8,194	9,476	12,081	12,081
Operating profit	771,220	743,071	1,244,466	1,089,635	1,263,878
Benefits paid (net)	313,398	302,875	431,074	506,149	585,855
Change in reserves	437,619	410,031	784,313	550,000	640,000
Provisions	1,365	1,603	1,164	2,344	2,662
Surplus/(Deficit)	18,838	28,562	27,915	31,142	35,361

Source: Company, KRChoksey Research

Exhibit 2: Premium Schedule

Particulars (INR Mn)	FY22	FY23	FY24	FY25E	FY26E
First year premiums	129,415	151,971	174,757	204,466	237,181
Single premiums	125,158	143,915	207,626	238,770	274,585
New business premium (NBP)	254,574	295,886	382,383	443,236	511,766
NBP growth (%)	23%	16%	29%	16%	15%
Renewal premiums	333,023	377,270	431,923	503,545	584,109
Renewal premiums growth (%)	12%	13%	14%	17%	16%
Total premiums	587,596	673,156	814,306	946,781	1,095,875
Total premium growth (%)	17%	15%	21%	16%	16%
NBP - APE	143,000	168,100	195,520	228,343	264,639
NBP - APE growth (%)	25.8%	17.6%	16.3%	16.8%	15.9%

Source: Company, KRChoksey Research

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

Particulars (INR Mn)	FY22	FY23	FY24	FY25E	FY26E
Transfer from Technical account	17,324	27,072	25,977	28,642	32,861
Income from investments & other income	9,884	7,953	10,341	10,657	12,576
Total income	27,208	35,024	36,317	39,300	45,437
Total expenses	11,601	17,440	16,896	18,471	21,355
PBT	15,608	17,584	19,421	20,829	24,082
Provision for tax	548	379	483	417	482
PAT	15,060	17,206	18,938	20,412	23,600

Source: Company, KRChoksey Research

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Exhibit 4: Balance Sheet

Particulars (INR Mn)	FY22	FY23	FY24	FY25E	FY26E
Sources of funds					
Share capital	10,004	10,009	10,015	10,015	10,015
Reserves and surplus	104,181	119,237	135,900	139,983	144,703
Fair value change account - net	2,039	929	3,169	2,000	2,000
Shareholders' fund	116,223	130,175	149,086	151,997	156,717
Liabilities (Policyholder's Funds)					
Fair value change account - net	32,069	20,389	47,191	60,148	76,661
Policy liabilities	1,097,590	1,301,319	1,558,085	1,807,379	2,096,559
Provision for linked liabilities	1,174,871	1,407,214	1,667,408	1,967,541	2,262,672
Credit/[debit] fair value change account	169,659	128,712	378,338	482,214	614,609
Discontinued due to non-payment of premium	81,723	96,630	114,357	145,754	185,772
Sub-Total	2,555,913	2,954,263	3,765,379	4,463,035	5,236,275
Funds for future Appropriations	9,936	11,427	13,366	13,366	13,366
Total Sources of Funds	2,682,072	3,095,866	3,927,830	4,628,398	5,406,357
Application of Funds					
Investments					
- Shareholders'	100,758	112,087	130,364	153,829	181,518
- Policyholders'	1,121,307	1,298,702	1,565,436	1,909,832	2,329,995
Asset held to cover linked liabilities	1,426,253	1,632,555	2,160,103	2,484,118	2,794,633
Loans	3,627	3,889	3,888	5,500	5,500
Fixed assets - net block	5,268	5,215	5,570	5,820	6,070
Net current assets	24,860	43,417	62,470	69,299	88,641
Total Applications of Funds	2,682,072	3,095,866	3,927,830	4,628,398	5,406,357

Source: Company, KRChoksey Research

EV Calculation (INR Mn)	FY22	FY23	FY24	FY25E	FY26E
Opening EV	333,900	396,300	460,400	582,500	670,678
Unwind	27,300	34,100	38,100	46,600	53,654
VNB (or NBAP)	37,020	50,700	55,500	65,078	75,422
Operating variance	4,600	5,800	6,900	5,000	5,000
EV Operating Profit (EVOP)	68,920	90,600	100,500	116,678	134,076
Non-operating variance	-4,500	-24,200	23,900	-25,000	-25,000
EV Profit	64,420	66,400	124,400	91,678	109,076
Net capital injection	-2,020	-2,300	-2,300	-3,500	-3,500
Closing EV	396,300	460,400	582,500	670,678	776,254

Source: Company, KRChoksey Research

Key Financials (INR Mn)	FY22	FY23	FY24	FY25E	FY26E
Total premium	587,596	673,156	814,306	946,781	1,095,875
Net premium earned	584,323	665,810	805,871	937,313	1,084,916
NBP-APE	143,000	168,100	195,520	228,343	264,639
Combined ratio (%)	8.7%	9.6%	7.2%	8.0%	8.0%
Surplus/(Deficit)	18,838	28,562	27,915	31,142	35,361
VNB margin (%)	25.9%	30.1%	28.1%	28.5%	28.5%
PAT	15,060	17,206	18,938	20,412	23,600
EPS (INR)	15.1	17.2	18.9	20.4	23.6
EVPS (INR)	396.3	460.4	582.5	670.7	776.2
RoEV (%)	20.6%	22.9%	21.8%	20.0%	20.0%
RoE (%)	13.7%	14.0%	13.6%	13.6%	15.3%

Source: Company, KRChoksey Research

SBI Life Insurance Company Ltd

SBI Life Insurance			
Date	CMP (INR)	TP (INR)	Recommendation
06-May-24	1,443	1,705	BUY
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

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%

ANALYST CERTIFICATION:

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