Q1FY25
SBI Life Insurance Company Ltd

Result Update

31st July 2024

SBI Life Insurance Company Ltd

New launches to drive VNB margins; Management confident of delivering 20.0% APE growth

CMP	Target	Potential Upside	Market Cap (INR Mn)	Recommendation	Sector
INR 1,721*	**INR 1,985**	**15.3%**	**17,20,158**	**BUY**	**Life Insurance**

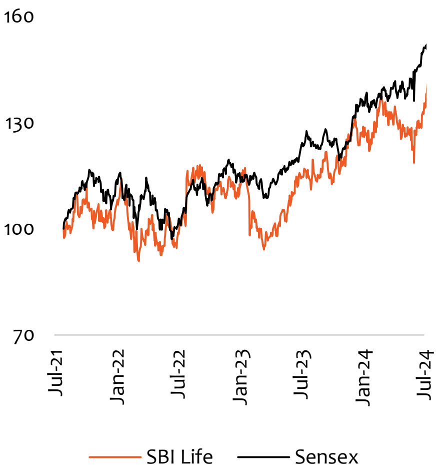
Result Highlights Q1FY25:

- The Gross Written Premium (GWP) for Q1FY25 stood at INR 155,721 Mn, a growth of 14.9% (-38.3% QoQ), primarily led by a 16.2% YoY growth in the renewal premium. GWP was in line with our estimates. The Annualized Equivalent Premium (APE) was INR 36,400 Mn in Q1FY25, a jump of 20.1% YoY (-31.7% QoQ) led by higher growth in the first-year premium segment. APE was 2.5% higher than our estimates.
- The Value of the New Business (VNB) grew by 11.5% YoY (-35.8% QoQ) to INR 9,700 Mn. VNB was 2.4% lower than our estimates. As of June 30, 2024, AUM stood at INR 4,147.7 Bn, a growth of 26.3% YoY (+6.6% QoQ).
- **We have tweaked our FY25E VNB margins slightly from 28.5% to 28.0%. We raise our target price to INR 1,985 per share (earlier INR 1,705), assigning a multiple of 2.3x (earlier 2.2x) for its FY26E embedded value. This is based on our expectation of strong APE growth and continued cost leadership. Accordingly, we maintain our "BUY" rating.**

MARKET DATA

Shares outs (Mn)	1,002
Net Worth (INR Mn)	155,700
Mkt Cap (INR Mn)	17,20,158
52 Wk H/L (INR)	1,778/ 1,252
Volume Avg (3m K)	1,509
Face Value (INR)	10
Bloomberg Code	SBILIFE IN

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	81,455
NIFTY	24,857

KEY FINANCIALS

Particulars (INR Mn)	FY22	FY23	FY24	FY25E	FY26E
GWP	587,596	673,156	814,306	948,528	1,101,406
PAT	15,060	17,206	18,938	24,322	28,077
EPS (INR)	15.1	17.2	18.9	24.3	28.1
NBP-APE	143,000	168,100	195,520	230,091	268,729
VNB	37,020	50,700	55,500	64,425	76,050
VNB Margin (%)	25.9%	30.1%	28.1%	28.0%	28.3%
EVPS (INR)	396.3	460.4	582.5	710.3	864.2

Source: Company, KRChoksey Research

Healthy premium growth led by ULIPs; Retained its 20.0% guidance for FY25E:

- New Business Premium (NBP) increased by 13.3% YoY (-42.5% QoQ). The growth was led by a healthy growth in the first-year premium segment, which increased by 19.3% YoY. The Company's private market share for the NBP segment stood at 21.8%, while the total market share stood at 7.8%. The renewal segment grew by 16.2% YoY (-34.3% QoQ).
- Individual ULIP new business premiums stood at INR 27.5 Bn, contributing 58.0% of individual new business premiums. The overall NBP for ULIP reported a 42.5% YoY growth. The strong growth in ULIP can be attributed to the positive movement in the equity market and the shift in customer preferences. Annuity NBP stood at INR 11.5 Bn and contributed 16.4% of NBP. SBILIFE expects annuity to be a long-term growth story in India.
- For Q1FY25, the APE growth stood at 20.1% YoY, with the ULIP APE growing by 38.8% YoY, while Non-Par APE grew by 18.6% YoY. The ULIP segment contributed significantly, accounting for 61.0%, while the protection segment APE mix was 8.2%.
- In terms of distribution mix, the bancassurance business accounted for 59.3% of the overall APE at INR 21.6 Bn, registering a growth of 9.1% YoY. The growth of the bancassurance channel was moderate due to seasonal sluggishness. SBI branch productivity on individual APE terms stood at INR 3.5 Mn for Q1FY25, registering a growth of 14.0%.
- Agency channel overall APE reported a growth of 45.3% YoY at INR 10.9 Bn. As of June 30, 2024, the total number of agents stood at 2,57,266, an increase of 15.0% YoY. During the quarter ended, the Company added a net of 11,188 agents.
- SBILIFE has reiterated its guidance of growing its APE in the 18.0-20.0% YoY range for FY25E with bancassurance growth of 15.0-16.0% YoY.

SHARE HOLDING PATTERN (%)

Particulars	Jun-24	Mar-24	Dec-23
Promoters	55.4	55.4	55.4
FIIs	24.7	25.2	25.9
DIIs	15.9	15.4	14.6
Others	4.0	4.0	4.1
Total	100	100	100

17.2%

APE CAGR between FY24 and FY26E

17.1%

VNB CAGR between FY24 and FY26E

*Based on previous closing

RESEARCH ANALYST
Unnati Jadhav, research5@krchoksey.com, +91-22-6696 5420

SBI Life Insurance Company Ltd

Product mix impacts VNB margins; the surrender value norm is expected to have limited impact on the margins:

- VNB margin stood at 26.8% for Q1FY25, a decline from 28.8% in Q1FY24. For the quarter, the fall in VNB margins was 200 bps YoY/ 153 bps QoQ.
- The Company experienced a 2.6% adverse effect from the shift in business mix during the quarter, which was partially mitigated by a 0.7% adjustment in operating variance.
- The change in VNB was primarily due to a higher proportion of ULIP business compared to the previous period. During a specific time frame, the Company absorbed the impact of yield movement instead of passing it on to the customers in non-par savings.
- The cost ratio for SBILIFE in Q1FY25 improved to 10.5% from 10.8%, a year ago despite higher commission expenses. The commission ratio stood at 4.4% for the quarter compared to 4.0% in Q1FY24. The Company provided higher commission during the quarter as per Expense of Management guidelines, which was absent in Q1FY24. This resulted in a spike in the ratio.
- IRDAI's measures, such as an increase in special surrender value, will have minimal impact on the VNB margins of the Company, given its well-balanced product mix.

Key Concall highlights:

- With higher insurance awareness among the consumer, the industry has a positive trend and a higher focus on financial planning and long-term savings.
- SBILIFE will continue its digital initiatives by embracing agility and innovation to meet the evolving needs of customers in the digital age and foster brand differentiation.
- SBILIFE remains confident of navigating the winds of change, ensuring a future where insurance is not just a product but a pillar of financial security and empowerment for all.
- The growth of the Indian insurance industry for Q1FY25 has rebounded and demonstrated a robust performance during the quarter. It grew by 22.9% over the previous period.
- In FY25E, SBILIFE aims to maintain and grow its market share compared to the previous year.
- On individual-rated new business premiums, the Company stood at INR 32.2 Bn, growing 21.0% over the last period and maintaining its leadership position with a private market share of 22.4% and a total market share of 15%.
- As of June 30, 2024, 0.43 Mn new policies had been issued. The Company remains committed to increasing penetration and achieving holistic growth.
- The share of the agency channel in individual-rated premiums has increased from 27.0% in the previous period to 32.0% in the current period.
- The death claim settlement ratio stands at 98.7%. The Company has registered an improvement of 107 bps over last year.
- SBILIFE's mis-selling ratio stood at just 0.04%, which is the lowest in the industry.
- The Company continues to efficiently use technology to simplify processes, with 99.0% of individual proposals being submitted digitally and 42.0% processed through automated underwriting.
- IRDAI has issued a master circular on life insurance products that encompasses a series of forward-thinking reforms aimed at enhancing the insurance sector's efficiency, transparency, and overall functioning.
- Measures like increasing the special surrender value, increasing the free look cancellation period, offering a loan against policy for all non-linked savings products, and robust processes to address customer grievances will further increase insurance penetration.
- To improve the protection business, SBILIFE has gone into a huddle with its leading Banca partner, SBI and depending on the data analytics of SBI on its database, the Company is going to offer a product very soon on the digital platform of the State Bank of India that is YONO. This will be a more straightforward product with a three-click kind of issuance based on the data analytics and pre-approved assured type of sum with very competitive rates. Being on the digital platform, the journey will be straightforward for the customer, the rates will be very competitive, and thus, an excellent response from this particular product is expected.
- The Company is also designing a product for the Ultra HNI segment, where higher sums are needed. This product should also be launched sometime during August 24.
- SBILIFE is the lowest-cost operator, and also, because of its product mix at SBILIFE, the Company will be the least affected By the new surrender value norm.

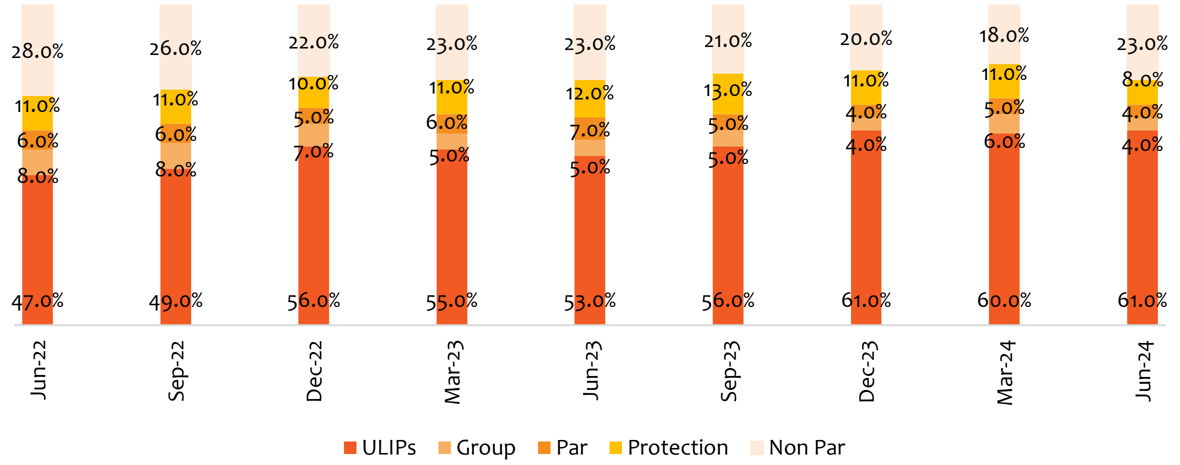
Valuation and view:

SBILIFE continued to demonstrate healthy premium growth, although it has faced challenges with lower margins. The Company's performance is in line with our expectations, and it remains focused on launching new product lines to enhance its market share amongst private players. The Company's VNB margins remained under pressure due to the rising popularity of ULIPs, which aligns with the industry trend. The management foresees no additional adjustments to the commission structure, providing the Company with a continued advantage in maintaining its low-cost position.

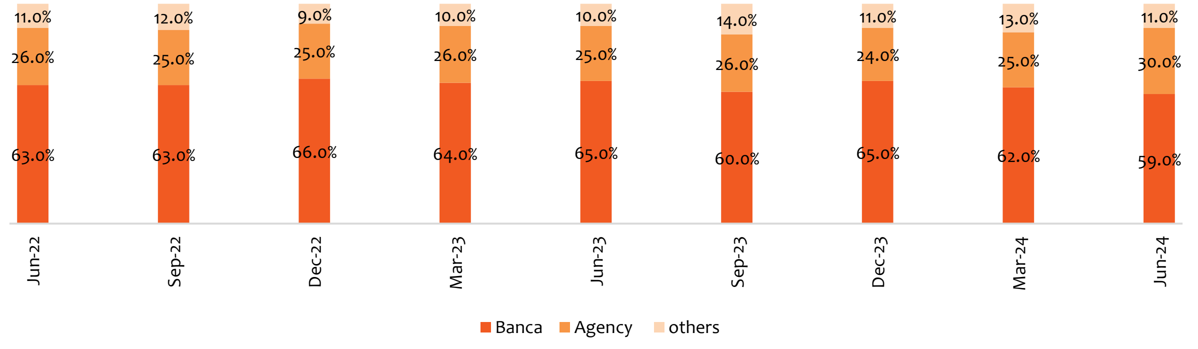
Since our last quarterly update, the stock price has seen an appreciation of 18.8%. The stock is currently trading at a P/EV multiple of 2.4x/ 2.0x for FY25E/ FY26E. We expect the GWP to grow at 16.3% CAGR over FY24-26E with a VNB growth of 17.1% CAGR. PAT is anticipated to expand at 21.8% CAGR over FY24-26E, maintaining its cost leadership. We have slightly tweaked our VNB margins to 28.0% from 28.5% in FY25E, given the continued domination of low margin segment. **We continue to apply a 2.3x P/EV on FY26E EVPS of INR 864.2 and a VNB multiple of 14.8x to arrive at a weighted average TP of INR 1,985 per share (earlier INR 1,705) for SBI Life (50:50 weights on the P-EV and appraisal value methodology); implying a potential upside of 15.3% from the CMP. Accordingly, we maintain our "BUY" rating on the shares of SBILIFE.**

SBI Life Insurance Company Ltd

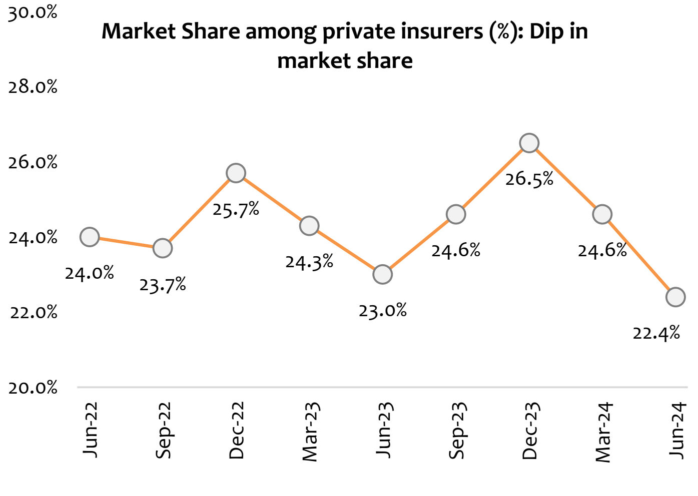
Product mix (%) (on APE basis): ULIP continues to dominate the overall mix



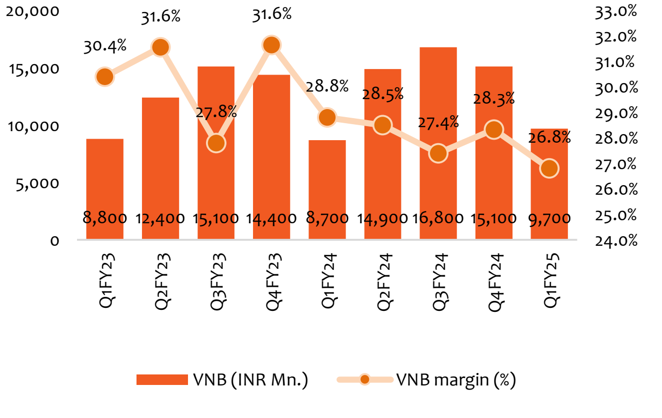
Channel mix on APE basis (%)
Banca APE sluggishness due to seasonal weakness; Agency productivity saw improvement in-line with the Company's strategy



Market Share among private insurers (%): Dip in market share



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



Source: Company, KRChoksey Research

SBI Life Insurance Company Ltd

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	948,528	1,101,406
Reinsurance ceded	3,273	7,346	8,435	9,485	11,014
Net premiums	**584,323**	**665,810**	**805,871**	**939,043**	**1,090,392**
Net income from investments	235,680	132,601	503,666	259,555	301,178
Total income	**830,272**	**815,985**	**1,326,314**	**1,198,598**	**1,391,570**
Commission expenses	20,841	29,360	31,051	40,312	46,810
Operating expenses	30,487	35,360	41,321	55,015	63,882
Service tax on linked charges	7,725	8,194	9,476	12,103	12,103
Operating profit	**771,220**	**743,071**	**1,244,466**	**1,091,168**	**1,268,775**
Benefits paid (net)	313,398	302,875	431,074	507,083	588,812
Change in reserves	437,619	410,031	784,313	549,250	641,500
Provisions	1,365	1,603	1,164	2,438	2,692
Surplus/(Deficit)	**18,838**	**28,562**	**27,915**	**32,396**	**35,771**

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	206,214	241,270
Single premiums	125,158	143,915	207,626	238,770	274,585
New business premium (NBP)	**254,574**	**295,886**	**382,383**	**444,983**	**515,855**
NBP growth (%)	23%	16%	29%	16%	16%
Renewal premiums	**333,023**	**377,270**	**431,923**	**503,545**	**585,551**
Renewal premiums growth (%)	12%	13%	14%	17%	16%
Total premiums	**587,596**	**673,156**	**814,306**	**948,528**	**1,101,406**
Total premium growth (%)	17%	15%	21%	16%	16%
NBP - APE	**143,000**	**168,100**	**195,520**	**230,091**	**268,729**
NBP - APE growth (%)	25.8%	17.6%	16.3%	17.7%	16.8%

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	31,396	34,771
Income from investments & other income	9,884	7,953	10,341	14,565	17,606
Total income	27,208	35,024	36,317	45,961	52,377
Total expenses	11,601	17,440	16,896	21,142	23,727
PBT	**15,608**	**17,584**	**19,421**	**24,819**	**28,650**
Provision for tax	548	379	483	496	573
PAT	**15,060**	**17,206**	**18,938**	**24,322**	**28,077**

Source: Company, KRChoksey Research

SBI Life Insurance Company Ltd

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	140,765	146,380
Fair value change account - net	2,039	929	3,169	2,000	2,000
Shareholders' fund	**116,223**	**130,175**	**149,086**	**152,779**	**158,395**
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**	**4,629,180**	**5,408,035**
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	70,081	90,319
Total Applications of Funds	**2,682,072**	**3,095,866**	**3,927,830**	**4,629,180**	**5,408,035**

Source: Company, KRChoksey Research

EV Calculation (INR Mn)	FY22	FY23	FY24	FY25E	FY26E
Opening EV	333,900	396,300	460,400	582,500	710,273
Unwind	27,300	34,100	38,100	48,348	60,373
VNB (or NBAP)	**37,020**	**50,700**	**55,500**	**64,425**	**76,050**
Operating variance	4,600	5,800	6,900	7,500	10,000
EV Operating Profit (EVOP)	**68,920**	**90,600**	**100,500**	**120,273**	**146,423**
Non-operating variance	-4,500	-24,200	23,900	10,000	10,000
EV Profit	**64,420**	**66,400**	**124,400**	**130,273**	**156,423**
Net capital injection	-2,020	-2,300	-2,300	-2,500	-2,500
Closing EV	**396,300**	**460,400**	**582,500**	**710,273**	**864,196**

Source: Company, KRChoksey Research

Key Financials (INR Mn)	FY22	FY23	FY24	FY25E	FY26E
Total premium	587,596	673,156	814,306	948,528	1,101,406
Net premium earned	584,323	665,810	805,871	939,043	1,090,392
NBP-APE	143,000	168,100	195,520	230,091	268,729
Combined ratio (%)	8.7%	9.6%	7.2%	8.0%	8.0%
Surplus/(Deficit)	18,838	28,562	27,915	32,396	35,771
VNB margin (%)	25.9%	30.1%	28.1%	28.0%	28.3%
PAT	15,060	17,206	18,938	24,322	28,077
EPS (INR)	15.1	17.2	18.9	24.3	28.1
EVPS (INR)	396.3	460.4	582.5	710.3	864.2
RoEV (%)	20.6%	22.9%	21.8%	20.6%	20.6%
RoE (%)	13.7%	14.0%	13.6%	16.1%	18.0%

Source: Company, KRChoksey Research

SBI Life Insurance Company Ltd

SBI Life Insurance			
Date	CMP (INR)	TP (INR)	Recommendation
31-Jul-24	1,721	1,985	BUY
04-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

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:

I, Unnati Jadhav (MMS, Finance), Research Analyst, author and the name subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect my views about the subject issuer(s) or securities. I also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Terms & Conditions and other disclosures:

KRChoksey Shares and Securities Pvt. Ltd (hereinafter referred to as KRCSSPL) is a registered member of National Stock Exchange of India Limited and Bombay Stock Exchange Limited. KRCSSPL is a registered entity with SEBI for Research Analyst in terms of SEBI (Research Analyst) Regulations, 2014 vide registration number INH000001295. It is also registered as a Depository Participant with CDSL, CDSL Registration No IN-DP-425-2019.

KRChoksey Shares & Securities Pvt Ltd. and DRChoksey Finserv Private Ltd. (Demerged entity from KRChoksey Shares & Securities Limited) are regulated by the Securities and Exchange Board of India ("SEBI") and is licensed to carry on the business of Research Analysts including preparing and distribution of Research Reports. This research report is prepared and distributed by DRChoksey Finserv Private Ltd in the capacity of a Research Analyst as per Regulation 22(1) of SEBI (Research Analysts) Regulations 2014 having SEBI Registration No. INH000011246. It may be further notified that KRCSSPL carries on the activity of preparation as well as distribution of reports in the capacity of a Research Analyst as per Regulation 22(1) of SEBI (Research Analysts) Regulations 2014 having SEBI Registration No. INH000001295.

The information and opinions in this report are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of KRCSSPL. While we would endeavour to update the information herein on a reasonable basis, KRCSSPL is not under any obligation to update the information. Also, there may be regulatory, compliance or other reasons that may prevent KRCSSPL from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension follows applicable regulations and/or KRCSSPL policies, in circumstances where KRCSSPL might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. KRCSSPL will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. KRCSSPL accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice. Our employees in sales and marketing team, dealers and other professionals may provide oral or written market commentary or trading strategies that reflect opinions that are contrary to the opinions expressed herein, in reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

We submit that no material disciplinary action has been taken on KRCSSPL and its associates (Group Companies) by any Regulatory Authority impacting Equity Research Analysis activities. KRCSSPL prohibits its associate, analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analyst covers.
KRCSSPL or its associates (Group Companies) collectively or its research analyst, or relatives do not hold any financial interest/beneficial ownership of more than 1% (at the end of the month immediately preceding the date of publication of the research report) in the company covered by Analyst, and has not been engaged in market making activity of the company covered by research analyst.
It is confirmed that, I, Unnati Jadhav Research Analyst of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months. Compensation of our Research Analysts is not based on any specific brokerage service transactions.
KRCSSPL or its Associates (Group Companies) have not managed or co-managed public offering of securities for the subject company in the past twelve months.
KRCSSPL or its associates (Group Companies) collectively or its research analyst, or relatives might have received any commission/compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of brokerage services or specific transaction or for products and services other than brokerage services.
KRCSSPL or its associates (Group Companies) collectively or its research analyst, or relatives might have received any commission/compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report other than investment banking or merchant banking or brokerage services from the subject company
KRCSSPL encourages the practice of giving independent opinion in research report preparation by the analyst and thus strives to minimize the conflict in preparation of research report. KRCSSPL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither KRCSSPL nor Research Analysts his associate or his relative, have any material conflict of interest at the time of publication of this report.
It is confirmed that, Unnati Jadhav, Research Analyst do not serve as an officer, director or employee of the companies mentioned in the report.
KRCSSPL or its associates (Group Companies) or its research analyst has may been engaged in market making activity for the subject company.
This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other Jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject KRCSSPL and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform them of and to observe such restriction.
Please send your feedback to research.insti@krchoksey.com

In case of any grievances, please write to grievance@krchoksey.com
Visit us at www.krchoksey.com
KRChoksey Shares and Securities Pvt. Ltd.
CIN-U67120MH1997PTC108958
Registered Office: 1102, Stock Exchange Tower, Dalal Street, Fort, Mumbai – 400 001.
Phone: 91-22-6633 5000; Fax: 91-22-6633 8060
Corporate Office: 701-702, DLH Plaza, Opp Shoppers Stop, S V Road, Andheri (W), Mumbai 400 058
Phone: 91-22-66535000
Compliance Officer: Varsha Shinde
Email: varsha.shinde@krchoksey.com

UNNATI SACHIN JADHAV

Digitally signed by UNNATI SACHIN JADHAV
Date: 2024.07.31 11:15:04 +05'30'