

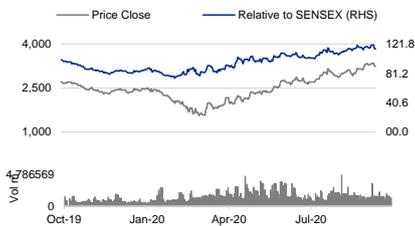
India

**ADD** (no change)

Consensus ratings\*: Buy 34 Hold 1 Sell 0

Current price:	Rs1,323
Target price: ▲	Rs1,650
Previous target:	Rs1,600
Up/downside:	24.7%
InCred Research / Consensus:	1.2%
Reuters:	SBIL.NS
Bloomberg:	SBILIFE IN
Market cap:	US\$16,276m
	Rs1,324,200m
Average daily turnover:	US\$17.4m
	Rs1416.5m
Current shares o/s:	1,000.2m
Free float:	50.0%

\*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	7.5	8.2	6.8
Relative (%)	8.9	5.2	4.4

Major shareholders	% held
State Bank of India	55.5
IPRU Equity Savings Fund	3.1
Government of Singapore	2.8

# SBI Life Insurance

## Consistent performer; margins under watch

- SBIL posted a healthy 3Q growth of ~31.3% yoy in VNB despite a QoQ dip in margins to ~28% amid better growth in group plans and rising share of ULIPs.
- Though the share of protection consolidated (~12% of NBP), growth & margins to remain healthy amid an improved product profile & strong distribution (SBI).
- Based on improved product mix, we have raised FY24F/25F VNB margin estimates to ~29%. Retain ADD with a new TP of Rs1,650 (~3x P/FY24F EV).

### Growth momentum healthy; ULIPs gather pace

SBI Life Insurance Company (SBIL) posted ~31.3% yoy growth in 3QFY23 value of new business (VNB) to Rs15.1bn whereas the annualized premium equivalent (APE) grew by ~19.4% yoy to Rs53.9bn. SBIL maintained its leadership position in individual rated premium (IRP) at Rs111.4bn with ~25.7% private market share as at end-Dec 2022. The rise in the share of ULIP (being a simplified product) was on expected lines as the share of protection plans has been consolidating at ~12% of new business premium (NBP) for some time. We remain confident about the growth momentum for SBIL continuing in the coming quarters led by a diversified product mix as well as deeper geographical reach.

### Margin sustainability likely amid better product mix and pricing

We believe that peak VNB margins (>30% in past few quarters) may be behind us as ULIPs gather pace as well as some pricing benefits are expected to be passed on to end-customers through linearity in policy pricing. However, we expect the overall margin trend to remain sustainable at ~29% over FY23F-25F amid better pricing and a reshuffle in the product portfolio towards better-margin products. Management highlighted that policy pricing had dynamic adjustment for products, including the repricing of annuities, term plans, etc. Accordingly, we raise our VNB margin assumptions to ~29% for FY23F-25F.

### Outlook & valuation

We like SBIL for its leadership strength, improving margins and superior operating efficiency. We have increased our VNB margin estimates to ~29%, from ~28% earlier, for FY24F/25F and, accordingly, factored in the rise in the return on enterprise value or EV (ROEV) at ~19% for FY23F-25F. We have valued SBIL on a price/EV basis considering improving margins and steady growth momentum aiding the EV. We retain ADD rating on the stock with a revised target price of Rs1,650, (Rs1,600 earlier) corresponding to ~3x price/EV on FY24F. Key downside risks: Demand disruption due to a resurgence in the Covid-19 pandemic along with regulatory intervention to prevent any sustained super-normal profits. The credit protect product's margins, in our view, may be at risk of erosion.

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### Financial Summary

	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Gross Premium (Rsm)	502,542	615,012	740,978	896,129	1,091,313
Investment And Other Income (Rsm)	(4,859)	(6,366)	(11,294)	(13,682)	(16,487)
Net Premium (Rsm)	497,683	608,646	729,683	882,447	1,074,826
Net Profit (Rsm)	15,845	15,825	12,185	19,978	25,829
Core EPS (Rs)	17.13	21.36	4.18	12.13	17.61
Core EPS Growth	(32.7%)	24.7%	(80.4%)	190.2%	45.2%
FD Core P/E (x)	17.13	21.36	4.18	12.13	17.61
P/NB (x)	0.00	0.00	0.00	0.00	0.00
DPS (Rs)	2.50	2.50	2.50	2.50	2.50
Dividend Yield	0.150%	0.150%	0.150%	0.150%	0.150%
P/EV (x)	0.00	0.00	0.00	0.00	0.00
P/BV (x)	12.72	11.84	10.22	8.55	7.10
ROE	3.8%	3.9%	0.6%	1.5%	1.8%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 1: Quarterly parameters**

	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	YoY(%)	QoQ(%)
New business premium	30,586	59,397	54,388	61,872	33,449	69,436	85,029	61,959	55,914	74,971	84,236	-0.9%	12.4%
APE	12,830	26,779	34,928	39,130	15,987	39,431	45,165	36,410	28,725	38,834	53,920	19.4%	38.8%
Income from investments	85,828	55,904	1,27,769	45,059	74,099	1,07,344	24,241	23,332	-64,057	1,10,367	74,430	207.0%	-32.6%
Operating expenses related to insurance business	5,376	5,882	6,300	6,605	6,137	7,476	7,876	16,834	7,457	8,546	9,140	16.0%	6.9%
Opex ratio	7.1%	4.6%	4.6%	4.2%	7.4%	5.1%	4.4%	8.5%	6.8%	5.2%	4.8%		
Profit	3,909	2,997	2,329	5,324	2,232	2,466	3,641	1,946	3,641	3,767	3,041	-16.5%	-19.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 2: Our revised estimates**

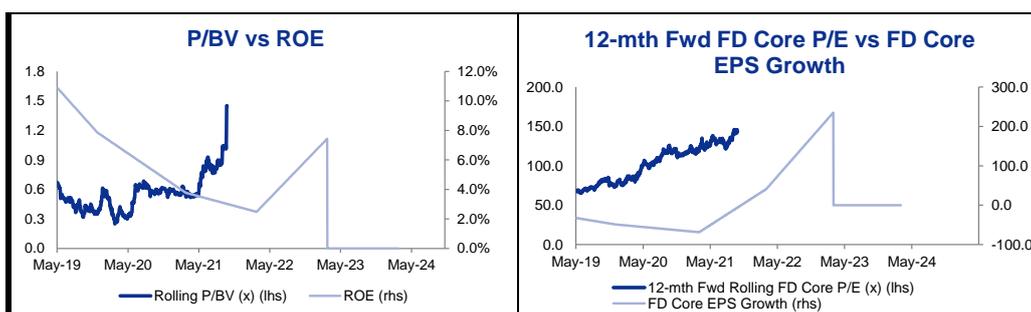
Particulars (Rs bn)	FY23F			FY24F			FY25F		
	Earlier	Revised	Variance	Earlier	Revised	Variance	Earlier	Revised	Variance
VNB	45.0	48.5	7.7%	54.3	57.0	5.1%	64.0	67.3	5.2%
VNB margins %	28.5%	29.2%		28.5%	28.9%		28.2%	28.8%	
APE	165.2	166.4	0.8%	195.1	197.2	1.1%	231.3	234.1	1.2%
Profit	19.6	20.2	3.2%	25.1	27.8	10.9%	32.1	34.0	6.1%
EV	460.6	470.0	2.1%	550.6	557.5	1.3%	645.5	661.3	2.4%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

### Key takeaways from the conference call:

- Individual new business premium (NBP) stood at Rs152.4bn and the private market's share was at 27.2%.
- Total NBP collected stood at Rs215.1bn with a market share of 23.1%.
- During 9MFY23, a total of 15,67,000 new policies were issued.
- The value of new business or VNB stood at Rs36.3bn, witnessing a strong growth of 44% YoY. VNB margin increased by 478bp YoY to 29.6% and, as per management, the growth in VNB margin was mainly due to a shift in the product mix towards the non-par segment and increased business volume. Management believes the margins will remain at this level in FY23F.
- Non-par guaranteed new business registered a growth of 147% YoY, which can be attributed to new business contribution from a product called Smart Platina Plus, and the amount stood at Rs19.41bn for 9MFY23.
- SBIL targets a product mix of 60% ULIPs and 40% other products.
- Agency business: During 9MFY23, SBIL added 47,758 agents and now the total count stands at 1,93,635. Around 54,000 State Bank of India or SBI employees are engaged in selling SBIL's products. Management also clarified that there is no conflict of interest when SBI sells life insurance products while taking deposits.
- The agency channel registered NBP growth of 22%, which contributes 18% to NBP.
- Other distribution channels such as direct, corporate agents, brokers and online grew by 48% in terms of individual new business premium and 42% in terms of individual APE.
- Management strongly believes that the productivity at SBI will go up in the next few quarters, which will enhance SBIL's sales efficiency.

**BY THE NUMBERS**



<b>Profit &amp; Loss</b>					
<b>(Rsm)</b>	<b>Mar-21A</b>	<b>Mar-22A</b>	<b>Mar-23F</b>	<b>Mar-24F</b>	<b>Mar-25F</b>
Revenue	497,683	608,646	729,683	882,447	1,074,826
Total Claims and Changes in Reserves					
Acq. Costs/Other Underwriting Exp.					
Total Underwriting Result	497,683	608,646	729,683	882,447	1,074,826
Investment Income on Tech Reserve					
Insurance Profit / (Loss)	497,683	608,646	729,683	882,447	1,074,826
Total Other Technical Income					
<b>Total Other Revenues</b>	<b>323,166</b>	<b>232,709</b>	<b>224,422</b>	<b>296,340</b>	<b>353,933</b>
<b>Total Operating Costs</b>					
Other Technical Income / (Loss)					
<b>Depreciation And Amortisation</b>	<b>(976)</b>	<b>(1,064)</b>	<b>(962)</b>	<b>(1,321)</b>	<b>(1,616)</b>
<b>Operating Profit</b>					
Pretax Income/(Loss) from Assoc.	(1,287)	(5,540)	8,006	7,852	8,217
Post-Tax Oper. Earnings - Life/Other Biz					
Head Office Costs					
<b>Non-Operating Income/(Expense)</b>	<b>6,948</b>	<b>7,610</b>	<b>8,757</b>	<b>10,504</b>	<b>12,600</b>
<b>Net Interest Income</b>	<b>(63)</b>	<b>(356)</b>	<b>(410)</b>	<b>(471)</b>	<b>(542)</b>
Investment Income on Shareholders Fund	(8,248)	(3,299)	(1,320)	(528)	(211)
Other Income					
Exceptional Items					
<b>Pre-tax Profit</b>	<b>16,711</b>	<b>16,892</b>	<b>14,082</b>	<b>22,544</b>	<b>29,028</b>
Taxation	(866)	(1,068)	(1,897)	(2,566)	(3,199)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>15,845</b>	<b>15,825</b>	<b>12,185</b>	<b>19,978</b>	<b>25,829</b>
Minority Interests					
Preferred Dividends					
Special Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>15,845</b>	<b>15,825</b>	<b>12,185</b>	<b>19,978</b>	<b>25,829</b>

<b>Operating Ratios</b>					
<b>(Rsm)</b>	<b>Mar-21A</b>	<b>Mar-22A</b>	<b>Mar-23F</b>	<b>Mar-24F</b>	<b>Mar-25F</b>
Premium Retention Ratio (life & Health)	99.0%	99.0%	98.5%	98.5%	98.5%
Benefits Ratio (life & Health)					
Acquisition Expense Ratio (life & Health)					
Admin Expense Ratio (life & Health)					
Total Expense Ratio (life & Health)					
Policyholder Dividends Ratio (life & Health)					
Combined Underwriting Ratio (life & Health)					
Underwriting Profit Margin (life & Health)	100.0%	100.0%	100.0%	100.0%	100.0%
Operating Profit Margin (life & Health)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rsm)</b>	<b>Mar-21A</b>	<b>Mar-22A</b>	<b>Mar-23F</b>	<b>Mar-24F</b>	<b>Mar-25F</b>
Fixed Assets	5,654	5,654	5,654	5,654	5,654
Intangible Assets					
Other Long Term Assets					
<b>Total Non-current Assets</b>					
Total Cash And Equivalents					
Trade Debtors					
Other Current Assets	29,124	(2,029)	(40,264)	(74,836)	(108,513)
<b>Total Current Assets</b>	<b>32,705</b>	<b>1,552</b>	<b>(36,683)</b>	<b>(71,255)</b>	<b>(104,932)</b>
Creditors - Direct & Reinsurance Business					
Provision For Claims Outstanding					
Other Current Liabilities					
<b>Total Current Liabilities</b>					
Total Long-term Debt					
Hybrid Debt - Debt Component					
Other Liabilities					
<b>Total Non-current Liabilities</b>	<b>1,170,573</b>	<b>1,408,544</b>	<b>1,679,453</b>	<b>2,006,301</b>	<b>2,399,723</b>
<b>Total Technical &amp; Other Provisions</b>	<b>951,343</b>	<b>1,116,386</b>	<b>1,315,453</b>	<b>1,559,787</b>	<b>1,858,442</b>
<b>Total Liabilities</b>	<b>2,121,916</b>	<b>2,524,930</b>	<b>2,994,907</b>	<b>3,566,088</b>	<b>4,258,165</b>
Shareholders Equity	104,004	111,789	129,480	154,809	186,355
Minority Interests					
<b>Total Equity</b>	<b>104,004</b>	<b>111,789</b>	<b>129,480</b>	<b>154,809</b>	<b>186,355</b>
Life Embedded Value					

<b>Key Ratios</b>					
	<b>Mar-21A</b>	<b>Mar-22A</b>	<b>Mar-23F</b>	<b>Mar-24F</b>	<b>Mar-25F</b>
Net Premium Growth	23.4%	22.3%	19.9%	20.9%	21.8%
Operating Profit Growth (Life & Health)	23.4%	22.3%	19.9%	20.9%	21.8%
Value Of New Life Business Growth (after-tax)					
Life Embedded Value Growth					
Pre-tax Margin	3.36%	2.78%	1.93%	2.55%	2.70%
Net Profit Margin	3.18%	2.60%	1.67%	2.26%	2.40%
Effective Tax Rate	5.18%	6.32%	13.47%	11.38%	11.02%
Net Dividend Payout Ratio	12.6%	12.6%	16.3%	9.9%	7.7%
Return On Average Assets					
Net Gearing					
Financial Leverage					
Equity / Assets					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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