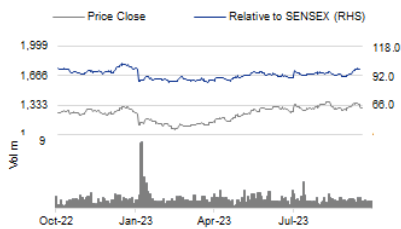


India

HOLD (no change)

Consensus ratings*:	Buy 31	Hold 2	Sell 0
Current price:	Rs1,303		
Target price:	Rs1,400		
Previous target:	Rs1,400		
Up/downside:	7.4%		
InCred Research / Consensus:	-13.1%		
Reuters:	SBILIFE IN		
Bloomberg:	SBILIFE IN		
Market cap:	US\$17,962m		
	Rs1,304,321m		
Average daily turnover:	US\$19.2m		
	Rs1395.1m		
Current shares o/s:	1,000.2m		
Free float:	50.0%		

*Source: Bloomberg



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0.1	0.5	4.0
Relative (%)	3.4	4.2	(2.2)

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

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SBI Life Insurance

Margin uncertainty to weigh over valuation

- SBI Life Insurance posted VNB at Rs14.9bn (+20.2% yoy) for 2QFY24, but the margin profile continued to witness ~30bp sequential decline to ~28.5%.
- The surge in ULIP demand, coupled with the sluggish momentum in protection plans, resulted in a subdued margin profile which may remain for some time.
- We downgraded the stock last quarter amid growth & margin worries which, we believe, are likely to stay. Retain HOLD rating with a target price of Rs1,400.

VNB growth aided by ULIPs; market share gain provides comfort

SBI Life Insurance Company (SBIL) posted ~20.7% yoy rise in the value of new business (VNB) to Rs14.9bn whereas the annualized premium equivalent (APE) grew ~34.7% yoy to Rs52.3bn in 2QFY24. However, ULIP plans remained a major contributor to growth at ~48% yoy, followed by group protection plans. Both these plans, being low-margin products, impacted the overall profitability of the company. After losing market share last quarter, SBIL gained ~30bp market share sequentially at ~27.3% amid better penetration of the company, which provides some comfort. We are factoring in ~14.5% CAGR in VNB over FY23-26F.

Margins likely to be under pressure amid a fall in non-PAR products

We continue to believe that peak VNB margins (>30% in the past few quarters) are already behind us, as a change in the taxation regime in Union Budget 2023 impacted the demand for non-PAR products, which is a key profitable product for insurers. This, coupled with ULIP plans gaining pace as well as some pricing benefits, are likely to be passed on to end-customers through linearity in policy pricing. Though we expect the margin trend to sustain at ~28.7-29.2% for FY24F-26F, the risk to margins would be elevated.

Outlook & valuation

We like SBIL for its leadership strength, improving margins and superior operating efficiency. However, we remain concerned over the slowing growth trajectory due to the levy of tax on maturity in the case of large-ticket premium products. We are factoring in ~14.5% CAGR in VNB over FY23-26F, with VNB margin estimates at ~28.5-2% for FY24F/25F. We retain our HOLD rating on SBIL amid the uncertainty over its growth and margins. We have maintained our target price of Rs1,400, or ~2.1x FY25F price/EV. Downside risks: Demand improving along with regulatory intervention failing to prevent any sustained super-normal profits. Upside risks: Surge in demand for non-par products driving margin outperformance.

Financial Summary

	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Gross Premium (Rsm)	587,596	673,156	729,099	815,493	952,577
Investment And Other Income (Rsm)	(3,274)	(7,346)	(8,880)	(10,584)	(12,597)
Net Premium (Rsm)	584,323	665,810	720,218	804,909	939,980
Net Profit (Rsm)	14,562	13,311	26,184	33,384	41,795
Core EPS (Rs)	20.10	5.30	18.50	25.59	33.87
Core EPS Growth	17.3%	(73.6%)	248.8%	38.3%	32.4%
FD Core P/E (x)	20.10	5.30	18.50	25.59	33.87
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	0.152%	0.152%	0.152%	0.152%	0.152%
P/EV (x)	0.00	0.00	0.00	0.00	0.00
P/BV (x)	11.79	10.07	8.11	6.54	5.28
ROE	3.7%	0.8%	2.7%	3.4%	3.9%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly results (Rsm)

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	YoY (%)	QoQ (%)
New business premium	55,914	74,971	84,236	80,766	62,071	100,547	34.1%	62.0%
APE	29,000	38,834	53,920	46,346	30,300	52,300	34.7%	72.6%
Value of new business	8,800	12,400	15,100	14,298	8,700	14,900	20.2%	71.3%
VNB margin %	30.3%	31.9%	28.0%	30.9%	28.8%	28.5%		
Opex ratio %	6.8%	5.2%	4.8%	5.1%	7.2%	5.6%		
Profit	3,641	3,767	3,041	10,912	3,810	3,802	0.9%	-0.2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our revised earnings estimates

Particulars (Rs bn)	FY24F			FY25F			FY26F		
	Earlier	Revised	Variance	Earlier	Revised	Variance	Earlier	Revised	Variance
VNB	54.3	52.2	-3.8%	64.0	61.2	-4.4%	72.8	72.5	-0.4%
VNB margin %	28.5%	28.6%		28.2%	28.7%		29.2%	29.2%	
APE	195.1	182.9	-6.3%	231.3	213.5	-7.7%	252.0	248.4	-1.4%
Profit	25.1	33.9	35.0%	32.1	41.2	28.3%	52.0	49.7	-4.4%
EV	550.6	555.0	0.8%	645.5	652.6	1.1%	775.0	768.3	-0.9%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS

Profit & Loss					
(Rsm)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue	584,323	665,810	720,218	804,909	939,980
Total Claims and Changes in Reserves					
Acq. Costs/Other Underwriting Exp.					
Total Underwriting Result	584,323	665,810	720,218	804,909	939,980
Investment Income on Tech Reserve					
Insurance Profit / (Loss)	584,323	665,810	720,218	804,909	939,980
Total Other Technical Income					
Total Other Revenues	236,128	133,100	294,574	375,333	457,176
Total Operating Costs					
Other Technical Income / (Loss)					
Depreciation And Amortisation	(1,262)	(1,474)	(1,809)	(2,013)	(2,369)
Operating Profit					
Pretax Income/(Loss) from Assoc.	(5,540)	8,006	7,685	7,792	7,918
Post-Tax Oper. Earnings - Life/Other Biz					
Head Office Costs					
Non-Operating Income/(Expense)	7,610	8,757	10,504	12,600	15,115
Net Interest Income	(356)	(410)	(471)	(542)	(623)
Investment Income on Shareholders Fund	(9,822)	(17,075)	(6,830)	(2,732)	(1,093)
Other Income					
Exceptional Items					
Pre-tax Profit	13,868	10,954	27,049	35,715	45,144
Taxation	693	2,356	(865)	(2,332)	(3,350)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	14,562	13,311	26,184	33,384	41,795
Minority Interests					
Preferred Dividends					
Special Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	14,562	13,311	26,184	33,384	41,795

Operating Ratios					
(Rsm)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Premium Retention Ratio (life & Health)	99.4%	98.9%	98.8%	98.7%	98.7%
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

Balance Sheet					
(Rsm)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Fixed Assets	5,654	5,654	5,654	5,654	5,654
Intangible Assets					
Other Long Term Assets					
Total Non-current Assets					
Total Cash And Equivalents					
Trade Debtors					
Other Current Assets	(3,292)	(40,401)	(68,767)	(94,889)	(118,548)
Total Current Assets	289	(36,820)	(65,186)	(91,309)	(114,968)
Creditors - Direct & Reinsurance Business					
Provision For Claims Outstanding					
Other Current Liabilities					
Total Current Liabilities					
Total Long-term Debt					
Hybrid Debt - Debt Component					
Other Liabilities					
Total Non-current Liabilities	1,408,544	1,679,453	2,006,468	2,400,315	2,874,364
Total Technical & Other Provisions	1,116,386	1,315,453	1,559,787	1,858,442	2,222,281
Total Liabilities	2,524,930	2,994,907	3,566,255	4,258,757	5,096,645
Shareholders Equity	110,526	129,343	160,711	199,387	246,599
Minority Interests					
Total Equity	110,526	129,343	160,711	199,387	246,599
Life Embedded Value					

Key Ratios					
	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Net Premium Growth	17.4%	13.9%	8.2%	11.8%	16.8%
Operating Profit Growth (Life & Health)	17.4%	13.9%	8.2%	11.8%	16.8%
Value Of New Life Business Growth (after-tax)					
Life Embedded Value Growth					
Pre-tax Margin	2.37%	1.65%	3.76%	4.44%	4.80%
Net Profit Margin	2.49%	2.00%	3.64%	4.15%	4.45%
Effective Tax Rate			3.20%	6.53%	7.42%
Net Dividend Payout Ratio	13.6%	14.9%	7.6%	6.0%	4.8%
Return On Average Assets					
Net Gearing					
Financial Leverage					
Equity / Assets					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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