

SBI Life Insurance Company Ltd.

BUY

Sector: Life Insurance

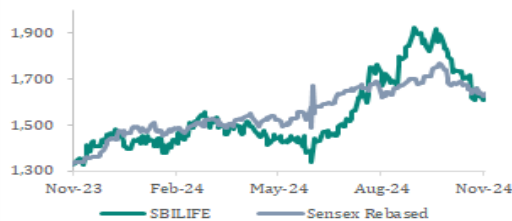
14th November 2024

Key Changes	Target ▲	Rating ●	Earnings ▲	Target	Rs. 1,748
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Large Cap	SBILIFE:IN	77,691	SBILIFE	540719	12 Months
				CMP	Rs. 1,546
				Return	+13%

Data as of: 13-11 2024

Company Data			
Market Cap (Rs. cr)	156,846		
52 Week High — Low (Rs.)	1,935 - 1,307		
Outstanding Shares (cr)	100.2		
Free Float (%)	45.0		
Dividend Yield (%)	0.2		
6m average volume (cr)	0.15		
Beta	0.8		
Face value (Rs.)	10.0		
Shareholding (%)	Q4FY24	Q1FY25	Q2FY25
Promoters	55.4	55.4	55.4
FII's	25.2	24.7	25.2
MFs/Institutions	15.4	15.9	15.3
Public	2.0	2.1	2.1
Others	2.0	1.9	2.0
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-5.8%	12.4%	22.2%
Absolute Sensex	0.9%	7.6%	23.5%
Relative Return	-6.7%	4.8%	-1.3%

*over or under performance to benchmark index



Y.E March (cr)	FY24A	FY25E	FY26E
Net Premium	80,587	91,588	105,251
Growth (%)	21.0	13.7	14.9
New Business (%)	28.1	28.3	28.4
Net Profit	1,894	2,288	2,514
Growth (%)	10.1	20.8	9.9
EPS (Rs.)	18.9	22.8	25.1
Growth (%)	10.0	20.8	9.9
BVPS (Rs.)	145.7	148.0	150.3
EVPS (Rs.)	581.7	702.6	848.9
RoE	13.0	15.4	16.7
RoEV	21.8	21.3	21.3
P/E	79.2	71.0	64.7
P/EV	2.6	2.3	1.9
Solvency (%)	196.0	198.9	201.9

Steady margins, growth prospects intact

SBI Life Insurance Company Ltd, a leading life insurance company in India, was incorporated in October 2000. It offers individual and group insurance plans, covering life and health, and annuity, pension and variable products. It also has unit-linked plans.

- Net premium rose a modest 1.1% YoY in Q2FY25 to Rs. 20,266cr, driven by growth in first-year premiums (+6.1% YoY) and renewal premiums (+15.8% YoY), partially mitigating the impact of a 30.3% YoY drop in single premiums.
- In H1FY25, the Value of New Business (VoNB) saw a 2.5% uptick YoY to Rs. 2,420cr. VoNB margin declined to 26.8% (vs 28.5% in Q2FY24), largely attributable to the unfavourable growing contribution of unit-linked insurance products (ULIPs).
- Profit after tax (PAT) rose 39.3% YoY to Rs. 529cr in Q2FY25, driven by operational efficiencies. The Operating expense ratio for the quarter stood at 5.6% (vs 4.4% in Q2FY24), while the total cost ratio was 9.7% (vs 8.4% in Q2FY24), due to the increasing number of agents and digital transformation initiatives.
- In H1FY25, asset under management (AUM) rose to Rs. 4,390bn from Rs. 3,889bn in FY24.

Outlook & Valuation

SBI Life reported a lower single-digit revenue growth during the quarter. However, the company is well-positioned for growth, driven by the new higher-margin product launches expected to revitalise the protection segment. Improving persistency ratios, ongoing investments in the agency network, market leadership, customised offerings in the individual premium segment, digital initiatives and growing demand for financial protection solutions are anticipated to drive future growth. Therefore, **we maintain our BUY rating on the stock, based on 2.06x FY26E EV, with a revised target price of Rs. 1,748.**

Quarterly Financials Standalone

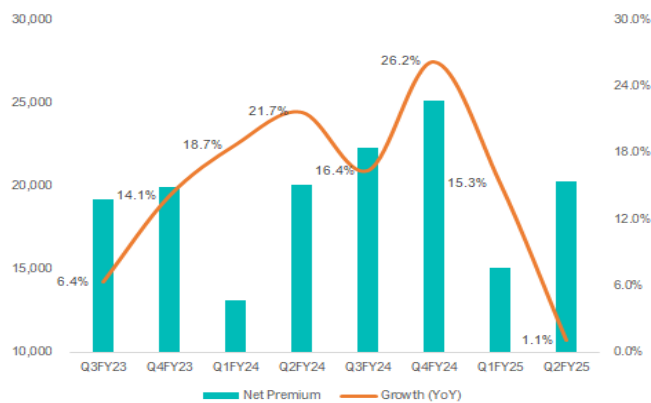
Rs.cr	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	H1FY25	H1FY24	YoY (%)
Premium earned (Net)	20,266	20,050	1.1	15,105	34.2	35,372	33,154	6.7
Total income	40,015	28,569	40.1	34,392	16.3	74,407	56,261	32.3
Total expenses	39,494	28,168	40.2	33,712	17.2	73,207	55,437	32.1
Surplus (Post tax)	466	364	28.1	618	-24.6	1,084	744	45.7
PBT	547	387	41.3	535	2.1	1,082	777	39.4
Reported PAT	529	380	39.3	520	1.9	1,049	761	37.8
EPS (Rs)	5.3	3.8	39.3	5.2	1.9	10.5	7.6	37.8



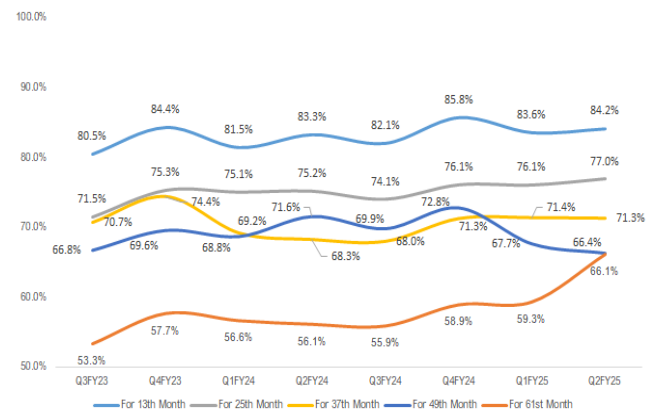
Key Highlights

- SBI Life's new business premium fell 13.6% YoY to Rs. 8,690cr in Q2FY25, primarily due to interest rate fluctuations that caused a significant decline in group savings (-62.6% YoY). While the protection premium declined 22.3% YoY, owing to a delay in the launch of new products, the individual savings premium remained resilient, clocking an 18.7% YoY growth.
- Annualised premium equivalent (APE) grew 3.1% YoY to Rs. 5,390cr, fuelled by robust growth in bancassurance and agency channels, which rose 3.3% and 24.5%, respectively. However, other distribution channels declined 33.7% YoY.
- For FY25, the VoNB growth is expected to be in the range of 12-15%, with the VoNB margin holding steady at 26-27%.
- SBI Life reported a 15% YoY growth on an individual rated premium (IRP) basis in H1FY25. The management expects to sustain this momentum, targeting 15-17% IRP growth for FY25, fuelled by new product launches and strategic distribution initiatives.
- In 2HFY25, the agency and bancassurance channels are expected to grow 30%+ and 9%, respectively.

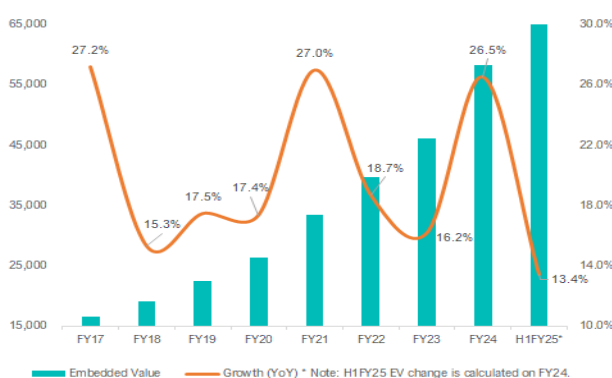
Net Premium



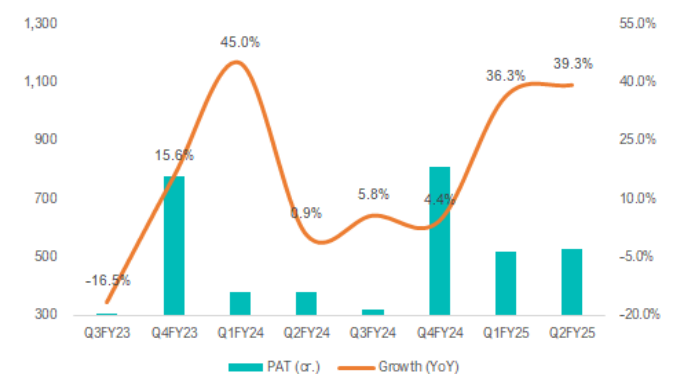
Persistency Ratio



Embedded value (EV)



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Premium earned (net)	88,721	99,891	91,588	105,251	3.2	5.4
Profit before tax	2,267	2,551	2,346	2,578	3.5	1.0
Net Profit	2,218	2,496	2,288	2,514	3.2	0.7
EPS	22.2	24.9	22.8	25.1	2.9	0.8



Standalone Financials

Policyholder's Profit & Loss Account

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net Premium	58,432	66,581	80,587	91,588	105,251
% change	17.4	13.9	21.0	13.7	14.9
Income from Inv.	23,568	13,260	50,367	42,812	43,668
Transfer of funds from shareholder's account	982	1,707	1,628	1,693	1,760
Other income	45	50	50	52	54
Total Income	83,027	81,598	132,631	136,145	150,733
Commission	2,084	2,936	3,105	3,948	4,371
Operating Expenses	2,974	3,409	3,982	4,629	5,276
Other Expenses	857	959	1,079	1,089	1,206
Operating Profit	77,112	74,294	124,466	126,479	139,881
% change	-0.4	-3.7	67.5	1.6	10.6
Benefits Paid (Net)	31,340	30,287	43,107	48,161	53,435
Change in Reserves	43,762	41,003	78,431	74,989	82,903
Tax	126	147	136	154	164
Tax Rate (%)	6.3	4.9	4.6	4.6	4.6
Surplus/Deficit	1,884	2,856	2,791	3,175	3,378
% change	4.2	51.6	-2.3	13.7	6.4

Shareholder's Profit & Loss Account

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Transfer from Technical A/c	1,732	2,707	2,598	2,984	3,175
Investment Inc.	988	795	1,034	1,137	1,251
Total Income	2,721	3,502	3,632	4,122	4,427
% change	14.6	28.7	3.7	13.5	7.4
Other Expenses	178	36	62	82	89
Contri to Technical A/c	982	1,707	1,628	1,693	1,760
Total Expenses	1,160	1,744	1,690	1,775	1,849
PBT	1,561	1,758	1,942	2,346	2,578
% change	1.2	12.7	10.4	20.8	9.9
Tax	55	38	48	58	64
Tax Rate (%)	3.5	2.2	2.5	2.5	2.5
Reported PAT	1,506	1,721	1,894	2,288	2,514
Adj*	-	-	-	-	-
Adj PAT	1,506	1,721	1,894	2,288	2,514
% change	3.4	14.2	10.1	20.8	9.9
No. of shares (cr)	100	100	100	100	100
Adj EPS (Rs.)	15.1	17.2	18.9	22.8	25.1
% change	3.4	14.2	10.0	20.8	9.9
DPS (Rs.)	2.0	2.5	2.7	3.4	3.8

Balance Sheet

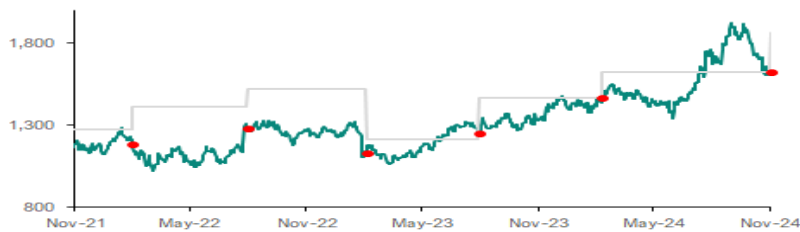
Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Source of Funds					
Share Capital	1,000	1,001	1,001	1,001	1,001
Reserves & Surplus	10,418	11,924	13,590	13,828	14,054
Fair Value Change	204	93	317	349	383
Shareholders' Fund	11,622	13,017	14,908	15,178	15,439
Policy Liabilities	109,759	130,132	155,809	181,517	211,467
Others	145,832	165,294	220,729	276,957	353,016
Policyholders' Fund	255,591	295,426	376,538	458,474	564,483
Funds for Future appropriations	994	1,143	1,337	1,527	1,730
Total	268,207	309,587	392,783	475,179	581,652
Application of Funds					
Shareholders'	10,076	11,209	13,036	14,601	16,353
Policyholders'	112,131	129,870	156,544	185,504	219,822
Assets held to cover linked liabilities	142,625	163,256	216,010	274,948	345,617
Loans	363	389	389	399	408
Fixed assets	527	522	557	595	635
Net Current assets	2,486	4,342	6,247	-868	-1,185
Total	268,207	309,587	392,783	475,179	581,652
BVPS (Rs.)	114.1	129.1	145.7	148.1	150.3
% change	13.1	13.1	12.8	1.6	1.5

Ratio

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Per Share (Rs.)					
EPS	15.1	17.2	18.9	22.8	25.1
DPS	2.0	2.5	2.7	3.4	3.8
EVPS	396.2	460.0	581.7	702.6	848.9
Earnings (%)					
RoE	13.2	13.3	13.0	15.4	16.7
RoEV	20.6	22.8	21.8	21.3	21.3
Valuation (x)					
P/E (x)	74.4	64.0	79.2	71.0	64.7
P/EV (x)	2.8	2.4	2.6	2.3	1.9
Div. Yield (%)	0.2	0.2	0.2	0.2	0.2
Exps. (% of premium)					
Commission	3.5	4.4	3.8	4.2	4.1
Operating Ex-penses	5.1	5.1	4.9	5.0	4.9
Total Expenses	10.1	10.9	10.0	10.4	10.2
Margin (%)					
New Business	25.9	30.1	28.1	28.3	28.4
Solvency (%)					
Solvency	205.0	215.0	196.0	198.9	201.9



Recommendation Summary (last 3 years)



Dates	Rating	Target
28-Jul-20	BUY	1,018
28-Jan-21	BUY	985
30-Jul-21	BUY	1,276
3-Feb-22	BUY	1,412
4-Aug-22	BUY	1,520
7-Feb-23	HOLD	1,218
3-Aug-23	BUY	1,471
13-Feb-24	BUY	1,625
14-Nov-24	BUY	1,748

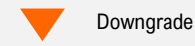
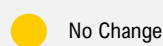
Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:



To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

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