

July 24, 2024

RESULT REPORT Q1 FY25 | Sector: Insurance (Life)

SBI Life Insurance

SBI Life remains a top 2 life insurer pick

Our view – Margins come under pressure due to unfavorable product mix but APE growth was healthy

VNB margin - Calculated VNB margin has contracted sequentially on the back of unfavourable product mix, among other factors: Calculated VNB margin for 1QFY25 fell -168bps QoQ and -206bps YoY to 26.6% (on effective tax rate basis). The reason for the YoY decline were increase in share of ULIP business, Lower share of protection business and for a specific period, for non-par savings business, the impact of yield movement was absorbed by the company and not passed on to customers. The company is taking steps to increase the share of protection and would launch a new digital protection product with competitive rates on SBI's Yono app with pre-approved sum-assured. The company is also designing a protection product for ultra HNIs for higher sum assured, which will be launched in August 2024. The management has guided that the impact of the change in surrender value regulation would be minimal for the company. The management has guided for a VNB margin of 28% for FY25 which would be driven by better product mix.

APE growth - APE has grown sequentially driven by robust growth in ULIP product and the agency channel: New business APE de-grew/grew -31.7%/20.1% QoQ/YoY. The individual new business APE has grown by 23% YoY. ULIP segment has grown by 39.6% YoY and contributed 61% to total APE, up 851bps YoY. The total protection APE was down by -18.9% YoY and contributed 8% to total APE down -397bps YoY. The retail protection APE was down -28.6% YoY and contributed 4.1% to total APE. The banca channel APE was at Rs 21.6bn up 9.1% YoY. The agency channel APE was at Rs 10.9bn up by 45.3% YoY. During 1QFY25, the company added 11,188 net agents and the total agents were around 257,266 agents. The management has guided that the business growth (assume APE growth) will be in higher teens to 20% in FY25.

We maintain 'BUY' rating on SBIL with a revised price target of Rs 1990: We value SBIL at 2.4x FY26 P/EV for an FY25E/26E RoEV profile of 20.0%/19.9%. MFSL is our other preferred pick in the life insurance space.

(See Comprehensive con call takeaways on page 2 for significant incremental colour.)

Other Aspects (See "Our View" above for elaboration and insight)

- VNB growth:** VNB de-growth/growth was at -35.8%/11.5% QoQ/YoY where the YoY growth was driven by growth in APE
- Expense control:** Expense ratio grew/de-grew 418/-29bps QoQ/YoY to 10.9%, where the opex ratio de-grew -70bps YoY and commission ratio grew 41bps YoY
- Persistency:** 37th month ratio grew 12/219 bps QoQ/YoY to 71.4% whereas 61st month ratio grew 42/271 bps QoQ/YoY to 59.3%

Exhibit 1: Result table

Rs mn	Q1FY25	Q1FY24	% yoy	Q4FY24	% qoq
NBP	70,334	62,071	13.3%	122,379	-42.5%
Renewal premium	85,387	73,480	16.2%	130,033	-34.3%
Income from investments	192,835	145,789	32.3%	108,117	78.4%
Surplus/(Deficit)	6,181	3,801	62.6%	17,099	-63.9%
APAT	5,195	3,810	36.3%	8,108	-35.9%
Expense ratio	10.9%	11.1%	-29bps	6.7%	418bps
37th mo. Persistency*	71.4%	69.2%	219bps	71.3%	12bps
Total APE	36,400	30,300	20.1%	53,300	-31.7%
VNB (effective tax basis)	9,700	8,700	11.5%	15,100	-35.8%
VNB Margin (effective tax basis)	26.6%	28.7%	-206bps	28.3%	-168bps

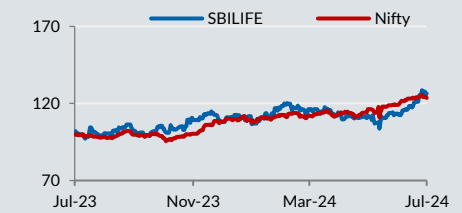
Source: Company, YES Sec-Research, *N.B. Regular and Limited Pay under individual category

Recommendation	: BUY
Current price	: Rs 1,633
Target price	: Rs 1990
Potential return	: +22%

Stock data (as on July 24, 2024)

Nifty	24,414
52 Week h/l (Rs)	1665 / 1252
Market cap (Rs/USD mn)	1597365 / 19080
Outstanding Shares (mn)	1,002
6m Avg t/o (Rs mn):	1,901
Div yield (%):	0.2
Bloomberg code:	SBILIFE IN
NSE code:	SBILIFE

Stock performance



	1M	3M	1Y
Absolute return	12.4%	11.8%	24.0%

Shareholding pattern (As of Mar'24 end)

Promoter	55.4%
FII+DII	40.6%
Others	4.0%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	1990	1,850

Financial Summary

Rs. Mn	FY24	FY25E	FY26E
APE	197,200	231,710	272,259
% yoy	17.2%	17.5%	17.5%
VNB	55,500	66,037	78,955
% yoy	9.5%	19.0%	19.6%
VNB Margin	28.1%	28.5%	29.0%
PAT	18,938	26,604	30,686
EPS (Rs)	18.9	26.6	30.6
EV/Share (Rs)	581.6	694.7	829.5
VNBPS (Rs)	55.4	65.9	78.8
P/EV (x)	2.8	2.4	2.0
P/VNB (x)	29.5	24.8	20.7
ROEV (%)	21.8%	20.0%	19.9%

Δ in earnings estimates

Rs bn	FY24E	FY25E	FY26E
VNB (New)	NA	66.0	79.0
VNB (Old)	NA	65.8	78.5
% change	NA	0.3%	0.6%

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COMPREHENSIVE CON-CALL TAKEAWAYS

VNB and VNB margin

- VNB for 1QFY25 is up by 12% YoY to Rs 9.7 bn.
- **VNB margin**
 - VNB margin stood at 26.8%, down -200bps YoY.
- **Reasons for fall in VNB margin**
 - Increase in share of ULIP business
 - For a specific period, for non-par savings business, the impact of yield movement was absorbed by the company and not passed on to customers.
 - Lower share of protection business.
- **Margin guidance**
 - VNB margin to be around 28% for FY25.
 - Better product mix to help improvement in margins from current levels.

Impact of change in surrender value regulation

- **Impact on margins**
 - The company sees very minimal impact of the change in surrender value regulations on margins.
 - **The reasons for lower expected impact**
 - Share of non-par savings is low.
 - The company is very prudent in terms of its assumptions.
 - The company's Surrender value on products is already higher than regulatory requirements as the company is not banking on the surrender penalty for returns.
- **Commission structure**
 - The company has carried out any change in structure of commission payment on individual or corporate side.

Product growth and mix

- **Single premium**
 - Single premium contributed 36% to Individual NBP, attributable to growth in individual annuity products.
 - Excluding annuity business, single premium contributed 18% to individual NBP.
- **Product mix**
 - The share of Guaranteed non-par savings products was 21% in Individual APE.
 - **Product Mix on APE basis for 1QFY25**
 - Par savings - 4%
 - Non par savings - 19%
 - ULIP - 61%
 - Protection - 8%
 - Annuity - 3%
 - Group Savings - 4%

(Con call takeaways continue on the next page)

Protection

- Protection NBP was down -8% YoY to Rs 7.2 bn due to -29% de-growth in individual protection.
- Group protection NBP was at Rs 5.7bn, up 0.3% YoY.
- Group Credit life NBP was at Rs 4.7bn, up 6% YoY
- Protection APE is down -19% YoY to Rs 3.0 bn.
- Group Protection APE is down -5% YoY to Rs 1.5 bn.
- **Steps to increase the share of protection**
 - To improve the share of protection business, the company is in discussion with parent SBI and will launch a new digital protection product with competitive rates on SBI's Yono app with pre-approved sum-assured.
 - The company is also designing a product for ultra HNIs for higher sum assured, which will be launched in August 2024

Channel growth and mix

Channel mix on APE basis in 1Q

- Banca - 59%
- Agency - 30%
- Others - 11%

Channel growth

- The banca APE has grown 9% YoY.
- The Agency APE has grown 45% YoY.
- Other APE has grown 28% YoY.

Agent count

- The company has around 257,266 agents.
- During 1QFY25, net agents added were 11,188.

Overall Revenue growth aspects

Key revenue growth figures for 1QFY25 over 1QFY24

- New business premium is up 13% YoY to Rs 70.3bn.
- New business premium private market share was 21.8%.
- Individual new business premium is up 17% YoY to Rs 47.5bn.
- Individual New business premium private market share was 25.9%.
- Gross written premium was up 15% YoY.
- Total APE was up by 20% YoY to Rs 36.4 bn.
- Individual APE was up by 22% YoY to Rs 33.1 bn.

Guidance

- Business growth would be in higher teens to 20%.

Solvency

- The solvency ratio stood at 201%.

AUM

- AUM is up 26% YoY to Rs 4.15 tn.

Claim ratio

- The death claim settlement ratio was at 98.7%.

(Con call takeaways continue on the next page)

Persistency

- On Individual Regular premium and limited premium paying policy
 - 13th month persistency was 86.5%, an improvement of 150bps YoY.
 - 61st Month persistency was at 59.0%, an improvement of 229bps YoY.

Exhibit 2: Quarterly Actuals Vs Estimates

Q1 FY25 (Rs. mn)	Actuals	Estimates	Diff, %
New Business Premium	70,334	68,424	2.8
Total APE	36,400	35,930	1.3
VNB	9,700	10,179	(4.7)

Source: Company, YES Sec – Research

Exhibit 3: Other Business Parameters

Rs mn	Q1FY25	Q1FY24	% yoy	Q4FY24	% qoq
APE by Product (Rs mn)					
Individual Savings	30,600	23,800	28.6%	40,900	-25.2%
Par	1,400	2,000	-30.0%	1,700	-17.6%
Non par	7,000	5,800	20.7%	7,900	-11.4%
ULIP	22,200	15,900	39.6%	31,300	-29.1%
Total Protection	3,000	3,700	-18.9%	5,800	-48.3%
Individual Protection	1,500	2,100	-28.6%	2,900	-48.3%
Group Protection	1,500	1,600	-6.3%	2,900	-48.3%
Total Annuity	1,200	1,300	-7.7%	1,600	-25.0%
Group Savings	1,600	1,500	6.7%	5,000	-68.0%
Total APE	36,400	30,300	20.1%	53,300	-31.7%
Product Mix (% in APE)					
Individual Savings	84%	79%	552bps	77%	733bps
Par	4%	7%	-275bps	3%	66bps
Non par	19%	19%	9bps	15%	441bps
ULIP	61%	52%	851bps	59%	226bps
Total Protection	8%	12%	-397bps	11%	-264bps
Individual Protection	4%	7%	-281bps	5%	-132bps
Group Protection	4%	5%	-116bps	5%	-132bps
Total Annuity	3%	4%	-99bps	3%	29bps
Group Savings	4%	5%	-55bps	9%	-499bps
APE by Channel (Rs mn)					
Banca	21,600	19,800	9.1%	28,650	-24.6%
Agency	10,900	7,500	45.3%	15,050	-27.6%
Others	3,900	3,000	30.0%	9,600	-59.4%
Channel mix (% in APE)					
Banca	59%	65%	-601bps	54%	559bps
Agency	30%	25%	519bps	28%	171bps
Others	11%	10%	81bps	18%	-730bps
Persistency*					
13 th month	83.6%	81.5%	212bps	85.8%	-215bps
61 st month	59.3%	56.6%	271bps	58.9%	42bps
Expense ratio					
Commission ratio	4.6%	4.1%	41bps	2.3%	231bps
Opex ratio	6.3%	7.0%	-70bps	4.4%	188bps
Solvency					
Solvency ratio	201%	215%	-1400bps	196%	500bps

Source: Company, YES Sec – Research, *N.B. Regular and Limited Pay under individual category

ANNUAL FINANCIALS

Exhibit 4: Policyholder account

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Net premium	584,323	665,810	805,871	942,411	1,105,997
Income from investments	235,680	132,601	503,666	521,408	648,540
Other income	448	499	501	551	606
Contri from shareholders A/C	9,822	17,075	16,276	17,903	19,694
Total income	830,272	815,985	1,326,314	1,482,274	1,774,837
Commission	21,583	30,625	32,553	38,069	44,677
Employee expenses	18,164	20,464	23,983	28,046	32,915
Other opex	11,581	13,631	15,836	18,519	21,734
Benefits paid	313,398	302,875	431,074	546,216	682,477
Change in valuation of liability	437,619	410,031	784,313	802,903	938,052
Others	7,829	8,323	9,283	10,888	12,812
Provision for Tax	1,262	1,474	1,357	1,512	1,813
Surplus/(Deficit)	18,838	28,562	27,915	36,121	40,358
Transfer to shareholders A/C	17,324	27,072	25,977	33,613	37,556

Source: Company, YES Sec – Research

Exhibit 5: Shareholder account

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Transfer from Policyholders' account	17,324	27,072	25,977	33,613	37,556
Income from Investments	9,831	7,945	10,341	12,129	14,219
Total A	27,155	35,017	36,317	45,742	51,774
Expenses (apart from insurance)	1,570	372	515	566	623
Contribution to Policyholders' Acc	9,822	17,075	16,276	17,903	19,694
Others	210	(8)	106	0	0
Total B	11,601	17,440	16,896	18,469	20,316
Profit/(Loss) before tax	15,608	17,584	19,421	27,283	31,469
Provision for Taxation	548	379	483	679	783
Profit/(Loss) after tax	15,060	17,206	18,938	26,604	30,686

Source: Company, YES Sec – Research

Exhibit 6: Balance sheet

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Shareholders' Funds:					
Share Capital	10,004	10,009	10,015	10,015	10,015
Reserve and surplus	104,181	119,237	135,902	158,515	184,598
Policyholders' Funds					
Policy Liabilities	1,129,659	1,321,708	1,605,276	1,960,968	2,392,313
Provision for Linked Liabilities	1,344,530	1,535,926	2,045,746	2,635,159	3,316,070
Funds for future appropriation	9,936	11,427	13,366	13,366	13,366
Sources of Funds	2,682,072	3,095,866	3,927,830	4,917,914	6,083,093
Investments - Shareholders	100,758	112,087	130,364	154,013	180,437
Investments Policyholders	2,547,560	2,931,258	3,725,539	4,670,225	5,770,938
Fixed Assets	5,268	5,215	5,570	5,720	5,870
Net Current Assets	24,859	43,417	62,470	84,068	121,961
Misc. Expenditure	0	0	0	0	0
Application of funds	2,682,072	3,095,866	3,927,830	4,917,914	6,083,093

Source: Company, YES Sec – Research

Exhibit 7: EV Walk

Y/e 31 Mar (Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Opening EV	333,900	396,300	460,400	582,500	695,751
Unwind of Discount	27,300	34,100	38,100	48,204	57,576
Value of New Business	37,000	50,700	55,500	66,037	78,955
Operating Assumption Changes	(100)	700	800	0	0
Operating Experience Variance	4,600	4,900	6,100	2,000	2,000
EV Operating Profit (EVOP)	68,800	90,400	100,500	116,242	138,531
Economic Variance	(4,500)	(24,200)	23,900	1,000	1,000
EV Profit	64,300	66,200	124,400	117,242	139,531
Net Capital Inflow / Outflow	(2,000)	(2,100)	(2,300)	(3,991)	(4,603)
Closing EV	396,200	460,400	582,500	695,751	830,680

Source: Company, YES Sec – Research

Exhibit 8: Change in annual estimates

Y/e 31 Mar (Rs mn)	Revised Estimate			Earlier Estimate			% Revision		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Annual Premium Equivalent	NA	231,710	272,259	NA	230,980	270,698	NA	0.3	0.6
Value of new business	NA	66,037	78,955	NA	65,829	78,502	NA	0.3	0.6
Embedded Value	NA	695,751	830,680	NA	695,579	830,100	NA	0.0	0.1

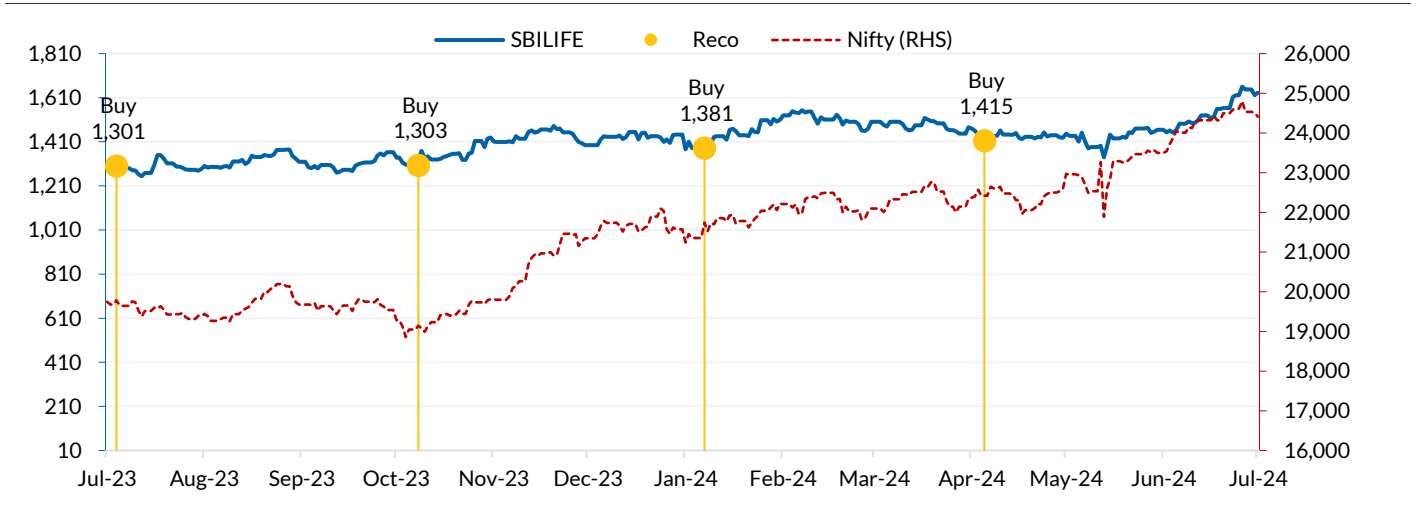
Source: Company, YES Sec – Research

Exhibit 9: Ratio analysis

Y/e 31 Mar	FY22	FY23	FY24	FY25E	FY26E
Growth (%) - P&L					
New business premium	23.4%	16.3%	29.2%	19.2%	19.3%
Renewal premium	12.4%	13.3%	14.5%	14.6%	15.3%
Net premium	17.4%	13.9%	21.0%	16.9%	17.4%
PAT	3.4%	14.2%	10.1%	40.5%	15.3%
VNB	39.1%	37.0%	9.5%	19.0%	19.6%
Growth (%) - Balance Sheet					
Total AUM	21.1%	14.9%	26.7%	25.1%	23.4%
Total Assets	20.5%	15.4%	26.9%	25.2%	23.7%
Embedded value	18.7%	16.2%	26.5%	19.4%	19.4%
Profitability ratios (%)					
VNB Margins	25.9%	30.1%	28.1%	28.5%	29.0%
Commission ratio	3.7%	4.6%	4.0%	4.0%	4.0%
Opex ratio	5.1%	5.1%	4.9%	4.9%	4.9%
Expense ratio	8.8%	9.7%	9.0%	9.0%	9.0%
Conservation Ratio	83.3%	81.6%	81.6%	81.6%	81.6%
Return ratios (%)					
ROE	13.2%	13.3%	13.0%	15.8%	15.8%
RoEV	20.6%	22.8%	21.8%	20.0%	19.9%
RoA	0.6%	0.6%	0.5%	0.6%	0.6%
Investment Return (%)					
Invest. Yield - Sh.	10.6%	7.5%	8.5%	8.5%	8.5%
Invest. Yield - Ph.	10.1%	4.8%	15.1%	12.4%	12.4%
Solvency					
Solvency Ratio	205%	215%	196%	205%	200%
Underwriting					
Claims ratio	53.6%	45.5%	53.5%	58.0%	61.7%
Claims / AUM	11.8%	10.0%	11.2%	11.3%	11.5%
Per share data (Rs)					
EPS	15.1	17.2	18.9	26.6	30.6
VNBPS	37.0	50.7	55.4	65.9	78.8
BVPS	114.1	129.1	145.7	168.3	194.3
EVPS	396.2	460.0	581.6	694.7	829.5
Valuation (x)					
P/E	108.5	95.0	86.4	61.5	53.3
P/VNB	44.2	32.2	29.5	24.8	20.7
P/BV	14.3	12.6	11.2	9.7	8.4
P/EV	4.1	3.5	2.8	2.4	2.0

Source: Company, YES Sec – Research

Recommendation Tracker



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