

27th March 2024

SBI Life Insurance Ltd. – BUY

CMP : Rs. 1,496
Target Price : Rs. 1,966
Upside : 31%+
Stop Loss : Rs. 1,295 (Closing basis)

Investment Thesis

- SBI Life Insurance Ltd. (SBILIFE) is the 2nd largest Life Insurance player in India with a total market share of 9% growing from 5.66% market share in FY18, gaining market share from LIC and outperforming the industry. During FY24, SBILIFE has managed to increase its market share to 29.1% market share in Private Market.
- The market share gains that SBILIFE has achieved are attributed to the distribution strength it possesses. SBILIFE is the clear leader among the big three in terms of distribution scale, with a network consisting of more than 25,000 branches of its parent SBI. Apart from being huge, the bancassurance channel is under-leveraged on account of low efficiency. Therefore, the distribution moat will allow SBILIFE to continue the journey to gain market share and improve profitability.
- Further, SBILIFE is the cost leader in the industry. The Total Cost ratio of 9.9% as of 9MFY24 is far ahead of the largest player LIC whose Total Cost ratio is 15.3%. This cost leader is a result of the massive distribution moat. This cost leadership has led to high margins. The Value of New Business Margin (VNB) stood at 28.1% for 9MFY24, being the best in the industry.
- There has been stellar growth of 55.8% CAGR witnessed in the Individual Single Premium (ISP) Segment over FY19 – FY23 to reach 14% market share in FY23 with the NBP – ISP at Rs. 6,319 crs in FY23. This was >50% higher than 3rd largest player. Similarly, in the Individual Non-Single Premium (INSP) Segment seen 13.6% CAGR during the same period to reach Rs. 14,586 crs in FY23.
- Consequently, the Annualized Premium Equivalent (APE) has exhibited a strong growth trajectory, increasing by 16.1% since FY21. This momentum has further accelerated in 9MFY24, with APE growth reaching 17%. This positive trend indicates customer confidence in SBILIFE and its product offerings.

Financials

- During 9MFY24, the APE of SBILIFE stood at Rs. 143.9 bn against Rs. 122.6 bn in 9MFY23, registering a growth of 17%. The New Business Premium (NBP) / Renewal premium came in at Rs. 260 bn / Rs. 301.9 bn up 21% / 17% Y-o-Y for 9MFY24.

Particulars	FY22	FY23	FY24E	FY25E	FY26E
APE (Rs. in bn)	143.0	168.1	201.7	236.0	271.4
VNB (Rs. in bn)	37.0	50.6	59.5	67.3	74.6
VNB (%)	25.9	30.1	29.5	28.5	27.5
PAT (Rs. in bn)	15.1	17.2	20.8	24.3	28.0
EV (Rs in bn)	396.3	460.4	552.5	652.0	756.3

Stock Data

Market Cap (Rs. Crs)	1,49,553
Market Cap (\$ Mn)	17,955
Shares O/S (in Crs)	100
Avg. Volume (3 month)	13,11,729
52-Week Range (Rs.)	1,572 / 1,083

Shareholding Pattern

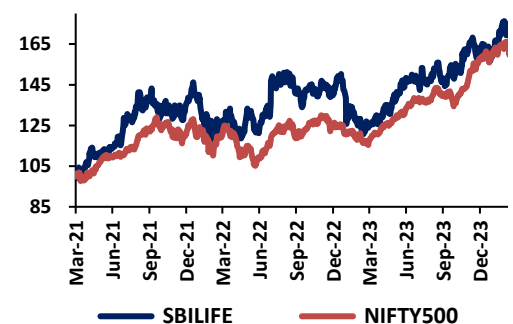
Promoters	55.43%
FII's	25.92%
Institutions	14.63%
Others (incl. body corporate)	4.01%

Key Ratios

Div Yield (%)	0.18
TTM PE (x)	80.5
ROE (%)	14
TTM EPS (Rs.)	18.6

Stock Performance

Performance (%)	1M	6M	1Yr
ABSOLUTE	-4.1	15.3	35
NIFTY500	-1.2	15.8	37.4



- Reported VNB was Rs. 40.4 bn up 11% from Rs. 36.3 bn. The VNB margin dipped by 150 bps to 28.1% in 9MFY24 due to higher share of ULIP business.
- The Operating Expense Ratio declined to 5.1%, while the Commission Ratio climbed to 4.8% leading to an increase in the total cost ratio to increase by 20 bps to 9.9%.

Key Business Highlights

- SBILIFE was founded in 2000 as a joint venture between State Bank of India (SBI) and BNP Paribas Cardiff S.A. SBILIFE registered with the Insurance Regulatory and Development Authority of India (IRDAI) in March 2001. SBI the promotor entity is the largest commercial bank in terms of assets, deposits, branches, customers, and employees. SBILIFE offers various products across individual and group categories such as participating, non-participating, pension, group gratuity, group leave encashment, group superannuation, group immediate annuity, unit-linked insurance products, variable insurance products, etc.
- SBILIFE has grown its Individual Single Premium business at 55.8% CAGR during FY19-23 and increased the market share within the segment to 14% from 2.2%. Similarly, the Non-Single Premium business grew at 13.6% CAGR during FY19-23 capturing a market share of 14.7%
- SBILIFE launched two ROP products with higher sum assured. These products are priced competitively and are margin accretive.
- The solvency ratio of SBILIFE stood at comfortable 2.09x as on 31st Dec 2023 against the regulatory minimum of 1.5x indicating a strong financial position.

Valuation

The number reported by SBILIFE in Q3FY24 showcased the increasing strength of the company in the life insurance space. The improved channel productivity is enabling SBILIFE sustain high APE and VNB growth. Additionally, the business moats of distribution and cost leadership make a compelling case to sustain such performance in the long run.

Therefore, considering above, we are assigning a **BUY** rating for **SBILIFE** with a **target price** of **Rs. 1,966**, translating to an **upside** of **31%+**.

Risk & Concern

- Regulatory changes
- Increased competition

Graphs & Charts

Figure 1: Net Sales Trend (Rs. In bn)

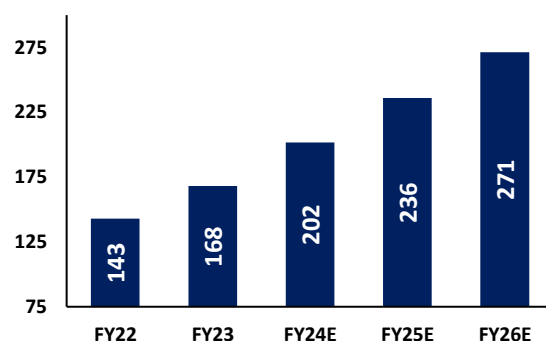


Figure 2: VNB & VNB Margin Trend (Rs. in bn)

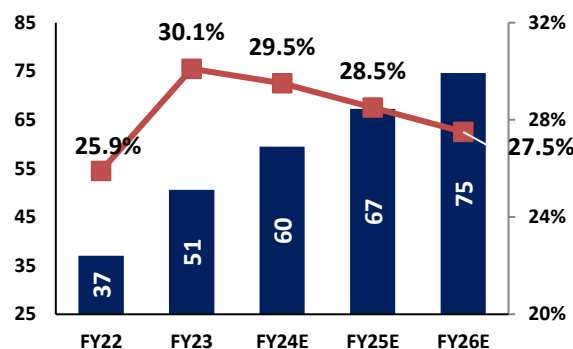


Figure 3: Channel Mix

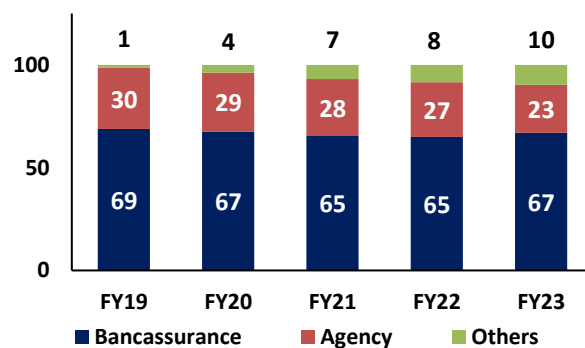
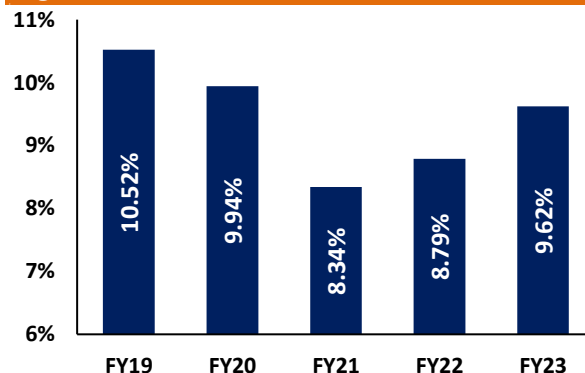


Figure 4: Cost to Income Ratio Trend



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