

4QFY24 Result Update

SBI Life Insurance Company

Sequential margin expansion – steady
delivery

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CMP (Rs): 1,415

Market cap. (Rs bn): 1,415

Target price (Rs): 1,706

Maintain BUY

First Cut Feel of the Results

- SBI Life Insurance Company (SBI Life) recorded an APE of Rs 53.3 bn during 4QFY24, up 17% YoY/down 13% QoQ, the growth in APE was mainly driven by growth in ULIP, Group Protection and Group savings YoY.
- The VNB for the quarter was at Rs 15.1 bn, up 5% YoY, slightly above our expectations. The growth was lower due to a higher mix of non-par in the prior year period, which is a high margin product. Consequently, SBI Life reported a 28.3% VNB margin for the quarter, which was above our expectations.
- While the margin was lower on a YoY basis as the current product mix had a higher share of ULIP (product with lower margin profile – contributing ~59% in the total mix), on a sequential basis margins saw an expansion, as share of ULIPs reduced compared to 3QFY24.
- We maintain our Buy recommendation with an unchanged target price of Rs 1,706, factoring in steady growth trajectory, improving mix of non-par and protection products, leading to an expansion in margin profile, in our appraisal value-based model, valuing the company at an implied multiple of 2.0x FY26E EV.

Financial highlights

(Rs bn)	4QFY23	4QFY24	YoY (%)	3QFY24	QoQ (%)
APE	45.5	53.3	17.1	61.3	(13.1)
Par	3.0	1.7	(43.3)	1.8	(5.6)
Non-Par Savings	10.4	7.9	(24.0)	10.1	(21.8)
Total Protection	5.5	5.8	5.5	4.5	28.9
ULIP	23.7	31.3	32.1	41.9	(25.3)
Annuity	1.6	1.6	0.0	1.6	0.0
VNB	14.4	15.1	4.9	16.8	(10.1)
VNB Margin (%)	31.6	28.3	(332)bps	27.4	92bps
Exp. ratio (%)	9.4	6.6	(272)bps	9.7	(310)bps
Persistency - 13m (%)	84.4	85.8	141bps	82.1	367bps

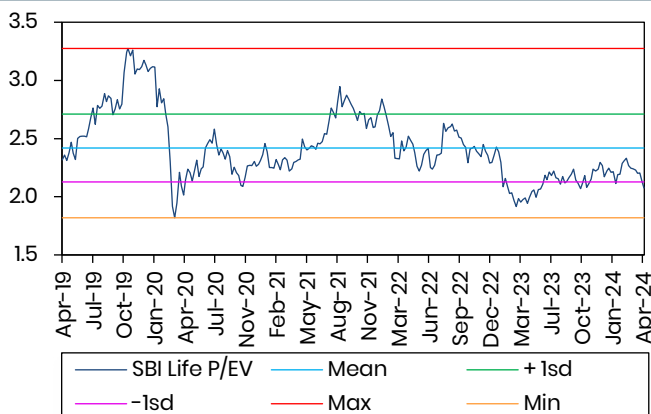
Key variables

Yr to 31 Mar (%)	FY24	FY25E	FY26E
VNB Margin	28.1	28.5	28.8
Oper. RoEV	21.8	19.4	19.0
APE growth	17.3	17.0	15.0
VNB growth	9.5	18.5	16.2

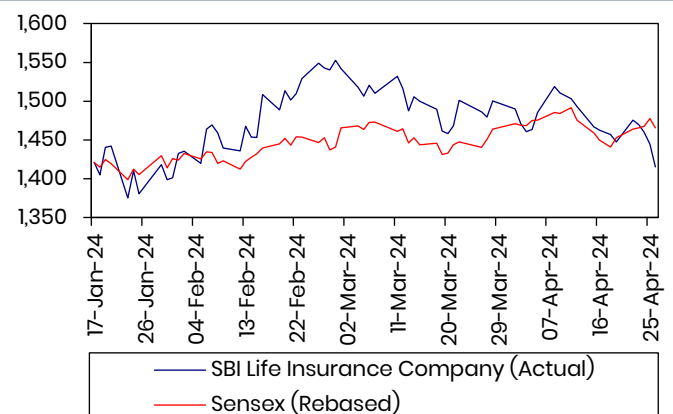
Valuation multiple (x)

P/EV	2.4	2.0	1.7
P/VNB	25.5	21.5	18.5

One-year forward P/EV



Relative performance



Is it in the Price?

The VNB margins surprised positively during the quarter. Also, management commentaries around APE and VNB margin remains intact. We expect this to positively benefit the stock price.

Connecting the Dots

- SBI Life Insurance Company (SBI Life) recorded an APE of Rs 53.3 bn during 4QFY24, up 17% YoY/down 13% QoQ, the growth in APE was mainly driven by growth in ULIP, Group Protection and Group savings YoY.
- VNB margins improved sequentially, which was driven by a lower mix of ULIP during the quarter, compared to prior period. Share of both individual and group protection improved, as management has launched new products in the return of premium protection category.

APE and VNB

(Rs bn)	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
APE	45.7	41.4	29.0	39.3	54.3	45.5	30.3	52.3	61.3	53.3
- o/w Individual	41.9	38.6	26.2	35.4	51.4	41.5	27.2	44.7	57.7	45.4
- o/w Group	3.8	2.8	2.8	3.9	2.9	4.0	3.1	7.6	3.6	7.9
VNB	11.5	11.7	8.8	12.4	15.1	14.4	8.7	14.9	16.8	15.1
VNB margin (%)	25.2	28.4	30.3	31.6	27.8	31.6	28.7	28.5	27.4	28.3

Source: Company data, B&K Research

Product segments

- The overall product mix continues to skew towards individual savings, mainly due to growth in the ULIP segment because of buoyant equity market (from 52% in 4QFY23 versus 59% in 3QFY24).
- In terms of growth in individual categories apart from ULIP, which saw a strong YoY growth owing to the buoyant equity markets, non-par savings and annuity categories recorded a YoY de-growth of 24% and remained flat, respectively. Par de-grew by 43% YoY owing to higher base, while Individual protection was down 3% YoY. In the ULIP AUM, consequently, share of equity assets went up considerably.
- Share of group protection and group savings saw a growth sequentially. However, the group protection segment registered 16% YoY growth on a favourable base, while that for group savings was 233%. Group savings remains a lumpy business.

Product mix

(as % of APE)	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Individual savings	84	84	81	81	87	82	79	78	88	77
- Par	4	5	6	6	4	7	7	4	3	3
- Non Par	12	15	28	24	18	23	19	16	16	15
- ULIP	67	63	47	51	65	52	52	58	68	59
Individual Protection	5	7	7	6	5	7	7	4	4	5
Group Protection	4	4	4	6	4	5	5	9	4	5
Annuity	3	2	2	3	3	4	4	3	3	3
Group Savings	5	2	6	4	2	3	5	5	2	9
Total APE	100	100	100	100	100	100	100	100	100	100

Source: Company data, B&K Research

Distribution channel mix

- Banca channel saw a growth by ~5% YoY, but sequentially it was much lower due to seasonality as 3Q is typically the larger quarter for the bank (~54% share in 4QFY24 versus ~60% in 3QFY23).
- Agency channel showed a higher growth in the overall mix, resulting into higher market share from 12% in 4QFY23 to 18% in 4QFY24.
- Other distribution channels (e.g. non-SBI banca, corporate agents, brokers) reported strong growth (81% YoY/2x QoQ) and contributed 18% of APE during the quarter.

Channel mix

(as % of APE)	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Banca	66	62	63	64	70	60	65	58	71	54
Agency	23	28	26	24	24	29	25	27	21	28
Others	11	11	11	12	6	12	10	16	8	18
Total APE	100	100	100	100	100	100	100	100	100	100

Source: Company data, B&K Research

Others

- Expense ratio saw a sharp fall by 272 bps YoY/310 bps QoQ, and was at 6.6%, which is possibly due to reversal of some rewards in the current quarter.
- Solvency ratio was at 196%, lower sequentially.
- Persistency saw YoY as well as sequential improvement across all the cohorts, except 37th month persistence, which was lower YoY mainly due to portfolio written during the Covid-19 period moving to 37th month.

Other ratios

(%)	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Solvency Ratio	209.0	209.0	221.0	219.0	225.0	215.0	215.0	212.0	209.0	196.0
Commission Ratio	3.5	4.0	4.6	4.4	4.6	4.6	4.0	5.0	5.0	2.2
Expense of mgmt Ratio	7.7	9.0	11.2	9.4	9.1	9.4	10.8	9.5	9.7	6.6
Persistency ratios (%)										
13th Month	80.7	85.0	83.0	81.5	80.5	84.4	81.5	83.3	82.1	85.8
25th month	74.9	77.7	73.4	71.8	71.5	75.3	75.1	75.2	74.1	76.1
37th month	68.0	71.0	69.8	72.5	70.7	74.4	69.2	68.3	68.0	71.3
49th month	67.0	69.9	68.0	67.5	66.8	69.6	68.8	71.6	69.9	72.8
61st month	46.0	51.1	51.0	52.8	53.3	57.7	56.6	56.1	55.9	58.9

Source: Company data, B&K Research

Outlook and Recommendation

SBI Life's 4QFY24 results surprised positively on the margin front as share of ULIPs reduced in the mix sequentially. Management commentary related to increasing share of protection (to be driven by product launches in the TROP segment) and non-par savings going ahead could lead to an expanding margin profile for SBI Life. We believe that there can be positive surprise in terms of growth driven by SBI Life's strong distribution franchise. We expect growth momentum to continue on dual engines of ULIP category on the back of buoyant markets, and management's focus on non-par and protection categories, aided by new

product launches. We maintain our Buy recommendation with an unchanged target price of Rs 1,706, factoring in mid-to-high teens APE growth in FY25/26 and better than expected margin in our appraisal value-based model, valuing the company at an implied multiple of 2.0x FY26E EV.

Earnings call highlights

Outlook

- SBI Life will focus on improving protection and the non-par side of the business, can expect better margin going ahead.
- Long-term growth guidance remains in place.
- Growth in FY24 has been driven more by ticket size than NOP. Going forward, as protection and non-par savings sees traction, management expects NOP growth to catch-up.

Product and Margin

- Improvement in margin is due to better product mix.
- In the last quarter, the company has launched a pure TROP product in high ticket size categories (< Rs 2.5 mn), which is gaining traction.
- Annuity remains a very profitable business, and SBI Life is witnessing high volume growth in the segment. The company tries to reprice the product actively.
- The company is planning to launch few products on Individual protection side of the business, to improve its share in the overall product mix.
- GTL contributes Rs 9,300 mn in FY24 (Rs 6,000 mn in FY23) and Credit Life contributed Rs 2,260 mn in FY24 on an APE basis.
- Group savings is a lumpy business, SBI Life restrict is to 18% to 20% of the total NBP.

Distribution

- Slower growth in Banca channel during this quarter is due to seasonality, as 3Q is typically the larger quarter for the bank.
- SBI Life is well placed against the increasing competition in tier 2/3 cities with the wide range and better penetrated SBI bank branches.
- SBI Life do not intend to give out higher commission but stand against competition with better products, as per the customers' needs.
- There is high potential for SBI Life to sell its products to SBI customers base given only ~2% penetration and ~3.5% to 4% penetration of insurable customer (with more than Rs 10,000 balance) has been captured.

Persistency

- Low persistency for 37th month was mainly due to portfolio written during the Covid-19 period moving to 37th month.

Embedded value

- SBI Life saw release into EV across all the categories, as an outcome of prudent assumptions.

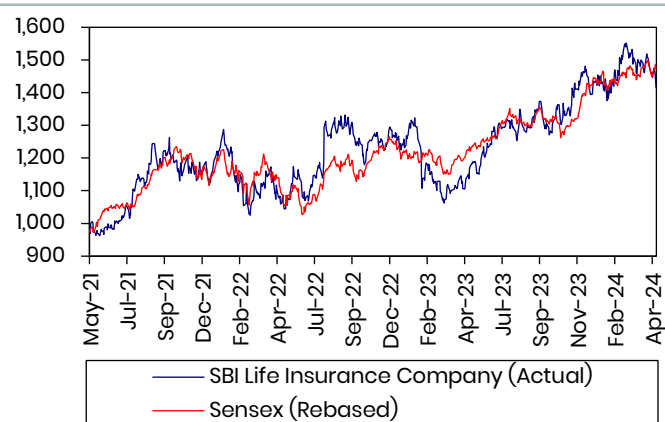
Change in estimates

(Rs bn)	Old		New		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
APE	230	265	231	265	0.3	0.2
VNB	65	76	66	76	1.2	0.5
VNB margin (%)	28.3	28.2	28.5	28.8	20 bps	57 bps
EV	693	828	704	840	1.6	1.5
RoEV (%)	20.9	19.5	20.8	19.4	(10) bps	(11) bps

Major shareholders (%)

	Dec 23	Mar 24	Change
Promoters	55.4	55.4	(0.0)
GOI	0.0	0.0	0.0
FII's	25.9	25.2	(0.8)
MFs	11.5	12.3	0.8
BFSI's	3.1	3.1	(0.0)
Public & Others	4.0	4.0	(0.0)
Pledge	0.0	0.0	0.0

Relative to Sensex 3 Years



Income Statement

Yr end 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E
Net premium income	665,810	805,871	908,708	1,093,493
Income from Investments	132,601	503,666	478,483	535,901
Other income	499	501	644	708
Contribution fr. Shareholders' acc.	17,075	16,276	17,903	19,694
Total income	815,985	1,326,314	1,405,738	1,649,796
Growth (%)	(1.7)	62.5	6.0	17.4
Operating expenses	73,043	81,655	97,880	107,663
Benefits paid	302,875	431,074	431,280	597,141
Change in valuation of liab	410,031	784,313	843,137	906,372
Provision for tax	1,474	1,357	2,234	2,544
Total expenses	784,474	1,295,686	1,370,062	1,608,632
Growth (%)	(3.0)	65.2	5.7	17.4
Surplus from Rev. account	28,562	27,915	31,208	36,075
Funds for future appropriation	1,491	1,938	2,809	3,247
Transfer to shareholder's account	17,075	16,276	16,276	19,694
Income from Invts/ Other Income	7,945	10,341	12,411	14,024
Other expenses	372	515	772	1,158
PBT	17,584	19,429	23,770	26,008
Growth (%)	12.7	10.5	22.3	9.4
Provision for Tax	(379)	(483)	(713)	(780)
PAT	17,206	18,945	23,057	25,228
Growth (%)	14.2	10.1	21.7	9.4

Balance Sheet

Yr end 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E
Shareholders' funds	130,175	149,086	168,237	189,678
Policyholders' liabilities	2,954,263	3,765,379	4,593,394	5,499,766
Funds for future appro.	11,428	13,366	16,174	19,421
Total Liabilities	3,095,866	3,927,830	4,777,805	5,708,865
Investments				
Shareholders'	112,087	130,364	146,007	164,988
Policyholders' non linked	1,298,702	1,565,436	1,710,949	1,884,239
Policyholders' linked	1,632,555	2,160,103	2,475,341	2,877,117
Loans	3,889	3,888	3,888	3,888
Fixed assets	5,215	5,570	5,959	6,377
Net current assets	43,417	62,470	435,659	772,256
Total assets	3,095,866	3,927,830	4,777,805	5,708,865

Embedded Value

Yr end 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E
Opening EV	396,300	460,500	582,600	703,761
Unwind	34,100	38,100	46,608	56,301
VNB	50,700	55,500	65,753	76,376
Operating variance	5,000	6,100	800	800
EVOP	90,500	100,500	113,161	133,476
Economic assumption change and investment variance	(24,200)	23,900	10,000	5,000
Net capital injections	(2,100)	(2,300)	(2,000)	(2,000)
Closing EV	460,500	582,600	703,761	840,238
RoEV	16.2	26.5	20.8	19.4
Operating ROEV	22.8	21.8	19.4	19.0
Unwind as % of Opening EV	8.6	8.3	8.0	8.0
VNB as % of Opening EV	12.8	12.1	11.3	10.9
Oper. Variance as % of Opening EV	1.3	1.3	0.1	0.1

Key parameters

Yr end 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E
APE	168,100	197,200	230,747	265,441
VNB	50,700	55,500	65,753	76,376
VNB Margin (%)	30.2	28.1	28.5	28.8

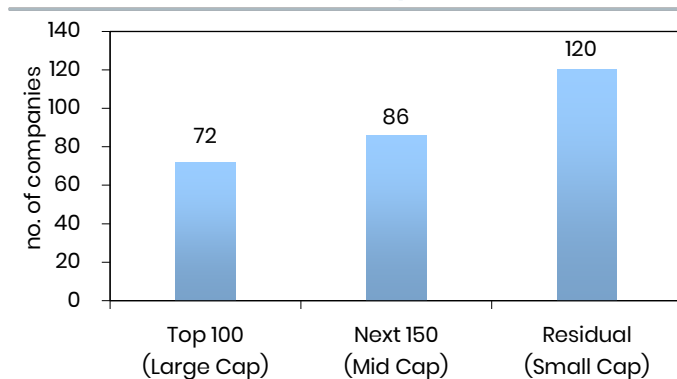
Product Mix on APE basis

Yr end 31 Mar (%)	FY23	FY24	FY25E	FY26E
Par	5.7	4.0	3.7	3.6
Non-par savings + annuity	25.3	19.5	20.6	21.9
Individual protection	5.8	4.8	4.7	4.5
Group protection (GTL + CP)	4.8	5.9	5.5	5.7
ULIP	55.3	60.5	59.9	58.6
Group savings	3.2	5.4	5.5	5.8

Valuations

Yr end 31 Mar (x)	FY23	FY24	FY25E	FY26E
Price to VNB	27.9	25.5	21.5	18.5
Price to EV	3.1	2.4	2.0	1.7
Price to Earnings	82.3	74.7	61.4	56.1
Price to Book Value	10.9	9.5	8.4	7.5

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