



Strong Performance Continues

SBI Life Insurance (SBIL) reported a strong Q1FY22 with APE growth of 28% YoY and VNB margin expansion of 110 bps leading to 50% YoY growth in VNB. With less pressure from reinsurance, individual protection grew 86% YoY, better than the competition. Protection share has improved to 13.5% YoY, the highest-ever for the company so far. Covid-19 related at 5.7 Bn was manageable given its scale. It has Rs 4.5 Bn of Covid reserves for future claims if they arise in FY22E.

The management continues to be bullish on NPAR business and believes NPAR share in total APE will be in double-digits in FY22 (from 6.7% in Q1FY22). It also remains confident in the individual protection business despite short-term hiccups from elevated claims.

We expect revival in ULIPs and newer product launches going ahead will support growth. Gradual improvement in the product mix will drive VNB margin. SBIL remains well placed in the life insurance space with a shift toward a profitable product mix and relatively comfortable valuations. We maintain a BUY with a target price of Rs 1290 (2.6x FY23E EV), implying an upside of 20% from CMP.

Key Result Highlights

- Q1FY22 APE grew ~27% YoY led by a rebound in ULIPs/protection/annuity up 60/36/26% YoY. Protection share improved to 13.5%, up 90 bps YoY.
- VNB margin on statutory tax rate basis stood at 21.2%, up 250 bps YoY led by the improving mix (310 bps) and economic assumptions (reference rates, +60 bps YoY), negated by Covid-19 impact (110 bps).
- SBI Life paid Covid-19 claims of Rs 5.7 Bn in Q1FY22 which is moderate given its scale and compared to the claims paid by competition (HDFC Life at Rs 9.6 Bn and IPRU at Rs 5 Bn)

Key Concall Highlights

- Additional provisions stood at Rs 4.45 Bn with Rs 5.7 Bn paid in Q1FY22. Actuarial claims include IBNR reserves, so these additional provisions are earmarked for any further surprises – Covid 3.0, etc. The company is relatively better placed if the industry goes through another round of hikes from reinsurers.
- Individual protection business of SBI Life is dominated by return of premium (85% share), where reinsurance support required is less as compared to retail term. On account of this, its individual business will be not impacted by price hikes by reinsurers

Key Financials (Standalone)

(Rs Bn)	FY21P	FY22E	FY23E	FY24E
Net Premium	498	583	680	774
PAT	18	20	24	25
EV	334	387	447	517
VNB (%)	20.5	22.0	22.5	22.9
P/EV	3.2	2.8	2.4	2.1
EPS	14.5	16.1	18.9	20.6
P/E	74.3	66.9	57.0	52.3
ROE	15.2	12.5	15.6	14.9

Source: Company, Axis Research9

(CMP as of July 26, 2021)

CMP (Rs)	1077
Upside /Downside (%)	20%
High/Low (Rs)	1104/756
Market cap (Cr)	1,07,716
Avg. daily vol. (6m) Shrs.	17,39,385
No. of shares (Cr)	100

Shareholding (%)

	Jun-21	Mar-21	Dec-20
Promoter	55.7	55.7	60.7
FII	27.2	30.5	27.0
MFs / UTI	9.6	5.9	4.9
Banks / FI	0.1	0.1	0.1
Others	7.8	7.8	7.4

Financial & Valuations

Y/E Mar (Rs. bn)	2022E	2023E	2024E
Net Premium	583	680	774
PAT	20	24	25
EV	387	447	517
VNB (%)	22.0	22.5	22.9
P/EV	2.8	2.4	2.1
EPS	16.1	18.9	20.6
P/E	66.9	57.0	52.3
ROE	12.5	15.6	14.9

Change in Estimates (%)

Y/E Mar	FY22E	FY23E
NPE	0.0	0.0
PAT	0.0	0.0
EV	0.0	1.3

Axis vs Consensus

EPS Estimates	2022E	2023E	2024E
Axis	14.5	16.1	18.9
Consensus	19.4	21.8	21.8
Mean Consensus TP (12M)			1205

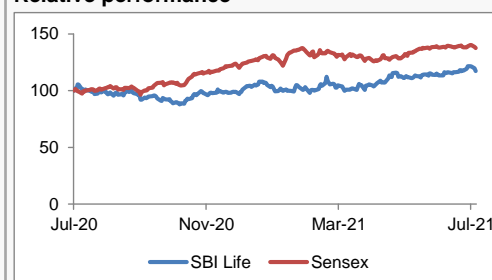
ESG disclosure Score**

Environmental Disclosure	9.8
Social Disclosure Score	43.3
Governance Disclosure Score	42.9
Total ESG Disclosure Score	26.8

Source: Bloomberg, Scale: 0.1-100

**Note: This score measures the amount of ESG data a company reports publicly, and does not measure the company's performance on any data point. All scores are based on 2020 disclosures

Relative performance



Source: Capitaline, Axis Securities

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Key Concall Highlights (Contd.)

- In the group term life business, pricing is done on a case-to-case basis. Price hike taken by reinsurer can be passed on to the customer and margins remain protected.
- In the Credit protection business, the product is very profitable and not likely to see meaningful price hikes.
- NPAR APE was down 50% YoY, largely on account of the high base with Q1FY21 NPAR share at 17.3%
- SBI Life is looking to reprice the product on hardening of bond yields, offering customers a higher IRR. This should drive sales.
- The management continues to be bullish on NPAR business and believes NPAR share in the total APE will be in double-digits in FY22 (from 6.7% in Q1FY22).
- The management continues to be bullish on the individual protection business despite short-term hiccups from elevated claims.
- The individual term grew a strong 76% YoY led by good growth across the agency, bancassurance, and others (other than SBI and digital) in the range of 50-80% YoY.

Change in Estimates

(Rs Bn)

	Revised			Old			%Change		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
NPE	583.4	680.1	774.4	583.4	680.1	-	0.0	0.0	NA
PAT	16.1	18.9	20.6	16.1	18.9	-	0.0	0.0	NA
EV	387.2	447.2	516.5	383.9	441.5	-	0.0	1.3	NA
EPS	16.1	18.9	20.6	16.1	18.9	-	0.0	0.0	NA

Source: Company, Axis Research

Valuation & Outlook

Among life insurers, SBIL possesses the largest bancassurance network by far, bancassurance network size being most critical for scalability. VNBM witnesses very good traction in Q122 led by improving the product mix. SBIL has low-cost ratios which will protect margin during downturns. Further, its granular business coupled with a high share of debt in the ULIP portfolio will support in maintaining persistency. With the gradual shift toward a profitable product mix and relatively comfortable valuations, SBIL remains well placed in the life insurance space. **We remain positive on the stock and maintain BUY with a Target Price of Rs 1,290 (2.5 x FY24EV), implying an upside of 20% from CMP.**

Result Update (Standalone)
(Rs Mn)

Y/E March	Q1FY22	Q1FY21	% YoY	Q4FY21	% QoQ
First Year Premium	14,047	10,858	29.4	36,603	-61.6
Renewal Premium	50,317	45,849	9.7	94,596	-46.8
Single Premium	19,402	19,728	-1.7	25,269	-23.2
Premium earned	83,767	76,434	9.6	1,56,467	-46.5
Premium on reinsurance ceded	641	553	15.8	910	-29.6
Net premium earned	83,126	75,881	9.5	1,55,557	-46.6
Investment income	76,916	86,777	-11.4	47,333	62.5
Other income	175	87	101.1	8,366	-97.9
Total income	1,60,217	1,62,745	-1.6	2,11,256	-24.2
Commission paid	2,617	2,254	16.1	5,856	-55.3
Operating & other expenses	7,689	5,498	39.9	16,390	-53.1
Claim/benefit paid	47,918	28,528	68.0	76,597	-37.4
Change in actuarial liability	97,767	-6,667	-1566.4	1,07,395	-9.0
Total expenses	1,55,991	1,56,475	-0.3	2,06,238	-24.4
Profit before tax	4,226	6,270	-32.6	5,018	-15.8
Tax	1,994	2,361	-15.6	-305	-753.6
Profit after tax	2,232	3,909	-42.9	5,323	-58.1
New business premium	33,449	30,586	9.4	61,872	-45.9
Annualized premium equivalent	16,190	12,700	27.5	39,700	-59.2
Individual new business premium	18,400	13,400	37.3	43,700	-57.9
VNB Margin (%)	21.2	18.7		20.4	
AUM (bn)	2,316	1,754.0	32.0	2,209.0	4.8

Source: Company, Axis Research

Financials (Standalone)

Policy Holders Account

(Rs Bn)

Y/E March	FY21P	FY22E	FY23E	FY24E
Gross Premium	502.5	587.5	684.9	780.7
First year premium	103.4	118.9	135.6	154.8
Renewal Premium	296.3	350.4	413.2	470.8
Single Premium	102.9	118.2	136.1	155.1
Net Premium (net of reinsurance)	497.7	583.4	680.1	774.4
Income from investments	314.6	155.5	178.1	200.4
Other income	8.6	9	9.5	10
Total income	820.9	747.9	867.7	984.8
Commission	17.8	21.3	24.6	27.9
Operating Expenses	28.8	38.9	46.4	52.8
Operating Profit	774.3	687.7	796.7	904.1
Net benefits paid	215.8	392.8	444.8	506.9
Change in reserves	539.3	270.2	322.1	367.1
Provision for tax	1	5.1	5.8	6.0
Surplus/Deficit after Tax	18.2	19.6	24	25
Shareholders Account				
Transfer from policyholder's account	16.8	18.7	21.2	22.4
Income from investments	6.9	7.2	8.1	9.2
Other income	0.1	0.1	0.1	0.1
Total income	23.8	26	29.4	31.7
Ex insurance expenses	0.3	0.3	0.4	0.4
Contribution to Policy holders Account	8	9	9.4	10
Profit before tax	15.4	16.7	19.6	21.3
Tax	0.9	0.6	0.7	0.7
Profit after tax	14.5	16.1	18.9	20.6

Source: Company, Axis Securities

Balance Sheet

(Rs Bn)

Y/E March	FY21P	FY22E	FY23E	FY24E
Sources of Funds	2226	2322	2905	3285
Shareholder's funds	104	117	130	147
Share Capital	10	10	10	10
Reserves	91	104	117	134
Fair value change	3	3	3	3
Borrowings	0	0	0	0
Deferred Tax Liability	0	0	0	0
Policyholders' Funds	951	1082	1213	1358
Provision for Linked liabilities	1092	1314	1499	1709
Funds for discontinued liabilities	70	49	55	63
Funds for future appropriation	8	8	8	8
Application of Funds	2226	2322	2905	3285
Investments/AUM	2188	2508	2837	3208
Shareholders	86	99	111	124
Policyholders	939	1060	1190	1332
Assets held under ULIPs	1162	1347	1536	1752
Loans	4	4	5	6
Fixed Assets	6	9	8	11
Net Current Assets	29	49	55	59

Source: Company, Axis Securities

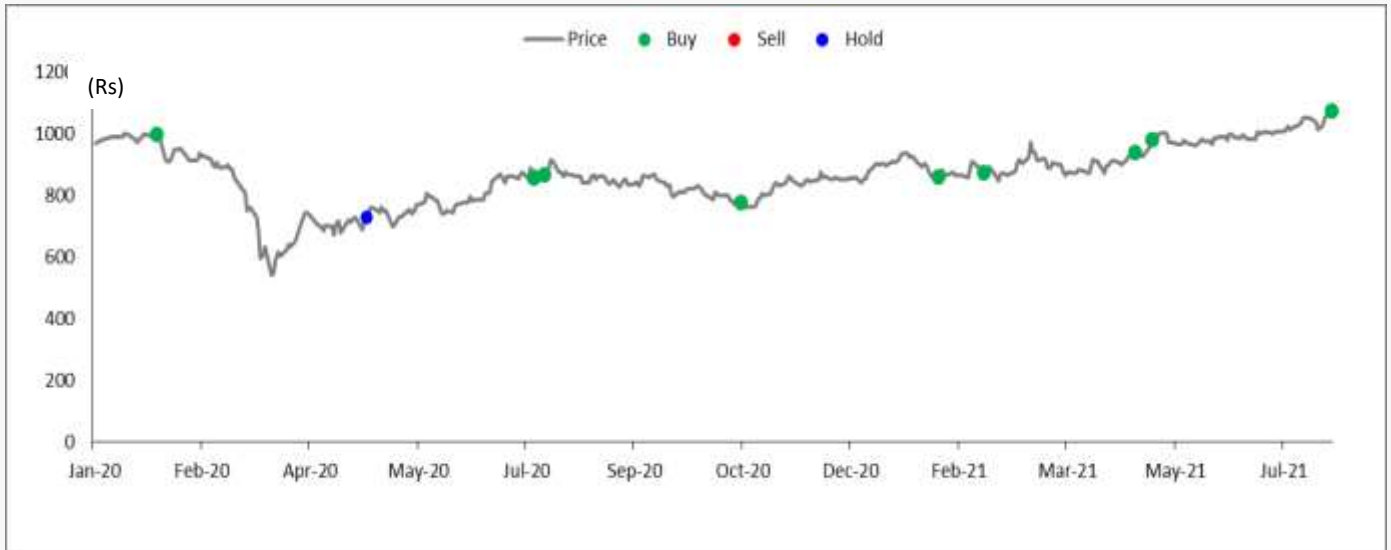
Ratio Analysis

(%)

Y/E March	FY20	FY21P	FY22E	FY23E
Growth				
New Business Premium	24.3	15.1	14.5	14.1
Net Earned Premium	23.4	17.2	16.6	13.9
APE (%)	8.2	15.1	14.3	14.1
AUM (%)	37.7	14.6	13.1	13.1
PAT (%)	2.4	-6.4	40.0	8.0
Valuations				
EPS (Rs)	14.5	16.1	18.9	20.6
BV (Rs)	104	117	130	147
EV (Rs bn)	333.8	387.2	447.2	516.5
DPS	2.5	2.7	3.8	4.1
Dividend Yield	0.2	0.3	0.4	0.4
Dividend Payout	17.2	20.0	20.0	20.0
P/EV	3.2	2.8	2.4	2.1
P/E	74.3	66.9	57.0	52.3
Capital & Efficiency				
VNB Margin	20.5	22.0	22.5	22.9
ROA (%)	0.9	0.9	0.95	0.95
ROE (%)	27.9	15.8	16.1	16.1
Commission ratio (%)	15.2	12.5	15.6	14.9
Insurance expense (%)	3.5	3.6	3.6	3.6
Expense ratio (%)	4.8	5.1	5.3	5.3

Source: Company, Axis Securities

SBI Life Insurance Price Chart and Recommendation History



Date	Reco	TP	Research
30-Jan-20	BUY	1,145	Company Update
06-May-20	Hold	779	Result Update
22-Jul-20	BUY	996	Result Update
27-Jul-20	BUY	996	Pick of the week
26-Oct-20	BUY	998	Result Update
25-Jan-21	BUY	1,076	Result Update
15-Feb-21	BUY	1,011	Pick of the week
26-Apr-21	BUY	1,035	Pick of the week
04-May-21	BUY	1,150	Result Update
27-Jul-21	BUY	1,290	Result Update

Source: Axis Securities

About the analyst**Analyst:** Siji Philip**Contact Details:** siji.philip@axissecurities.in**Sector:** BFSI**Analyst Bio:** Siji Philip is MBA (Finance) from NMIMS with over 15 years of research experience in the Banking/NBFC sector and stock markets.**Disclosures:**

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SELL	Less than -10%
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