

Pick of the Week

- In an ever-changing business environment, some of our investment ideas seem more convincing than others due to better earning visibility and/or attractive valuation. Every Monday, we bring you such fundamental stock ideas through our “Pick of the Week” report.
 - **Investment Horizon:** Though the ideal investment horizon for such ideas remain 6-9 months, our picks may provide some profit-making opportunities even to short-term investors.
 - **Risk-Return Profile:** Pick of the week ideas are the best high return research ideas at this point in time.

Scrip	Mcap (Rs Cr)	CMP	Target Price *	Potential Upside (%)	Reco
SBI Life Insurance Company Ltd	69,750	699	776	11%	Buy

* Note: Investment horizon Approx. 6-9 months., CMP as on 7th June, 2019.

CMP	Target
699	776

MARKET DATA

No. of Shares	: 104.26 cr
Market Cap	: Rs 69,750 Cr
52-week High / Low	: Rs 727/487
BSE Code	: 540719
NSE Code	: SBILIFE

Investment Rationale

- ❑ SBI Life reported Q4FY19 PAT at Rs 4.6 bn (up 20.1% YoY), primarily on account of higher income from investments (Rs 41.5 bn - up 476.1% YoY). AUM increased 21.3% YoY to Rs 1,410.2 bn with equities constituting 23%, G-Secs 35%, debentures & bonds 33% and other securities the remaining share.
- ❑ Value of New Business (VNB) grew strong 23.7% YoY aided by 150 bps YoY increase in VNB margin to 17.7% (up 20 bps QoQ) on rising share of protection business. Share of high-margin protection NBP (individual and group) has been consistently increasing from 5.2% in Q3FY18 to 13.4% of NBP in Q4 (up 136 bps QoQ).
- ❑ SBI Life is a play on the under-penetrated Indian insurance market, superior distribution franchise, brand value and operating matrices at par with best in class. It has improved the product mix, consistently increased the Banca per branch productivity and cut down on cost ratios along with superior capitalization levels..
- ❑ We maintain a **BUY** with a target of Rs. 776

Financial Summary

Y/E	Net Premium (Rs bn)	PAT (Rs bn)	EV (Rs bn)	P/EV (x)	RoE (%)	P/E (x)
March						
FY19	329	13.3	224	3.1	18.8	52.6
FY20E	401	15.0	259	2.7	18.7	46.6
FY21E	484	17.2	293	2.4	19.1	40.6

Source: Axis Securities * Custom synthesis and manufacturing solutions

No of Stocks Matrix

No of Stocks	9m	15m
Met Target	16	29
Not Met Target	22	35

Performance Matrix

% Return	9m	15m
Met Target	11.55	11.57
Not Met Target	(10.16)	(16.02)

Benchmark Performance Matrix

% Return	9m	15m
Met Target	3.65	3.09
Not Met Target	7.26	8.1

Note : Performance of the pick of the week is calculated for stocks recommended from Sep-18 to May-19 for 9 Months and from Mar-17 to May-19 for 15 Months.

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DEFINITION OF RATINGS	
Ratings	Expected absolute returns over 12 months
BUY	More than 10%
HOLD	Between 10% and -10%
SELL	Less than -10%

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