

Business gains traction; to continue ahead...

SBI Life Insurance reported strong growth on the premium front while controlled cost ratios, sequential decline in actuarial liabilities aided the company to have a healthy surplus and PAT.

Premium growth remained healthy at 31% YoY, 13% QoQ to ₹ 15556 crore, led by higher traction in first year premium (up 45% YoY) and single premium (up 97% YoY). Growth in renewal premium continued to remain healthy at ~16% YoY to ₹ 9459 crore. New business premium (NBP) also witnessed a sequential pick-up in growth as it was up 13.8% QoQ, 62% YoY to ₹ 6189 crore, led by traction in individual business at ₹ 2930. Protection business (individual + group) continued to report strong growth at ₹ 840 crore vs. ₹ 710 crore QoQ; proportion of total protection NBP to total NBP was at ~13.6% in Q4FY21 vs. 13.1% in previous quarter. As a result of increased quantum of protection and non-par business, VNB margins improved from 19.3% to 20.4%.

AUM growth accelerated 38% YoY to ₹ 220870 crore. Shareholders and policyholders (excluding linked liabilities) assets witnessed healthy growth at ~26% and ~28% YoY, respectively. Assets held in lieu of linked products jumped ~48% YoY to ₹ 116215 crore. Commission increased 29% YoY to ₹ 585 crore while commission ratio remained steady at 3.8% YoY, QoQ, opex ratio declined to 4.2% from 6.1% YoY, 4.7% QoQ. Consequently, the management expense ratio improved to 8.0% vs. 9.9% YoY. Strong premium growth coupled with less actuarial liability led to a policy holder surplus of ₹ 507 crore vs. ₹ 361 crore YoY. Focus on efficiency led to PAT of ₹ 532 crore, in line with our estimates. Solvency ratio was healthy at 2.15x against 1.95x YoY.

Business growth to continue; second wave a near term concern

Post a sluggish Q4FY20 and Q1FY21, business traction has witnessed continued traction. The same is expected to continue ahead. Focus on individual protection is expected to remain abated while a gradual pick-up in credit growth is seen propelling credit protect business. Demand for Ulip and annuity products is expected to remain robust ahead. Thus, overall premium accretion is seen at ~14.9% CAGR in FY21-23E to ₹ 65760 crore, while VNB margin is seen remaining at 19-20% in FY21-23E.

Valuation & Outlook

A pick-up in business with focus on high yield products including protection and non-par products is seen aiding premium growth as well VNB margins. Strong distribution (banca as well as agency) channel would enable it to pedal business growth, though opex is seen touching floor. Thus, operational efficiency and steady persistency is expected to further aid profitability. We continue to remain positive on businesses with long term growth potential and relatively lower balance sheet risk. Hence, we upgrade our target price to ₹ 1100/share (earlier ₹ 1000), valuing the stock at ~2.7x FY23E EV. We maintain our **BUY** recommendation.

Key Financial Summary

(₹ Crore)	FY19	FY20	FY21	FY22E	FY23E	CAGR (FY21-23E)
New business premium	14855.4	18071.4	20620.0	23493.2	26845.7	14%
APE	9530.7	10505.2	11450.0	13194.1	15255.8	15%
Total premium	32745.5	40334.4	49769.2	57025.3	65760.7	15%
PAT	1335.8	1423.0	1460.0	2015.7	2350.2	27%
EV	22077.6	26290.0	33390.0	35571.7	40797.4	11%
P/E (x)	71.6	67.3	65.7	47.5	40.7	
P/BV (x)	10.9	9.7	9.2	8.2	7.1	
P/IEV (x)	4.3	3.6	3.1	2.7	2.3	
RoEV (%)	17.8	17.5	16.9	17.3	17.7	



Particulars

Particulars	Amount
Market Capitalisation	₹ 95951 crore
EV (Q4FY21)	₹ 33390 crore
AUM (Q4FY21)	₹ 220870 crore
VNB margin	20.4%
52 week H/L	984/675
Face value	₹ 10
DII holding (%)	7.0
FII holding (%)	30.5

Key Highlights

- Premium accretion healthy at ~31% YoY to ₹ 15556 crore
- Focus on protection and non-par business aided VNB margins
- Maintain BUY recommendation with revised target price of ₹ 1100

Risk to our call

- Resurgence of second wave remain risk for business growth and profitability owing to higher claims
- Slower than anticipated business growth remains a risk

Research Analyst

Kajal Gandhi
kajal.gandhi@icicisecurities.com

Vishal Narnolia
vishal.narnolia@icicisecurities.com

Sameer Sawant
Sameer.sawant@icicisecurities.com

Exhibit 1: Variance Analysis

	Q4FY21	Q4FY21E	Q4FY20	YoY (%)	Q3FY21	QoQ (%)	Comments
First Year Premium	3,660.3	3,241.1	2,522.2	45.1	3,276.5	11.7	Normalcy in economy led to growth in premium accretion
Renewal Premium	9,459.6	9,269.0	8,131.9	16.3	8,435.6	12.1	Relatively higher persistency ratios aided renewal premium growth
Single Premium	2,528.9	2,299.8	1,283.2	97.1	2,162.3	17.0	Pick up in credit & protection led to strong growth in single premium
Net Premium income	15,556	14,256	11,863	31.1	13,766	13.0	
Income from Investments	4,505.9	5,428.9	-6,677.2	-167.5	12,776.9	-64.7	
Total revenue	20,896.7	19,705	5,674.9	268.2	26,551.9	-21.3	
Commission	585.6	541.7	453.4	29.1	517.2	13.2	Commission ratio remained steady at 3.8%
Operating expenses	660.5	784.1	726.5	-9.1	645.3	2.4	Opec ratio declined ~50 bps QoQ at 4.2%
Management Expenses	1,246.1	1,325.8	1,179.9	5.6	1,162.5	7.2	
Benefits paid	7,659.7	6,600.5	3,960.1	93.4	4,643.9	64.9	Higher death claims led to higher benefit expense
Change in Actuarial Liability	11,449.3	11,103.0	-405.3	NA	20,243.6	-43.4	
Total Expenses	20,389.5	19,343.3	5,015.7	306.5	26,255.4	-22.3	
Surplus/ (deficit)	507.2	361.5	659.2	-23.1	296.5	71.1	
Transfer to SH's A/c	1,217.5	500.0	920.9	32.2	65.7	1,752.9	
Transfer to SH's A/c	1,217.5	500.0	920.9	32.2	65.7	1,752.9	
Investment income	227.4	177.3	-11.5	-2,080.6	174.5	30.3	
Profit/ (loss) before tax	622.1	564.4	521.6	19.3	233.1	166.9	
PAT	532.4	536.1	530.7	0.3	232.9	128.6	

Key Metrics

NBP	6,189.2	5,540.9	3,805.4	62.6	5,438.8	13.8	AUM revived with recovery in markets
AUM	2,20,870	2,17,155	1,60,360	37.7	2,09,500	5.4	
IEV*	33,390		26,290	27.0		NA	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

(₹ Crore)	FY22E			FY23E		
	Old	New	% Change	Old	New	% Change
Premiums earned - Net	53470	57,025	6.6	59,369.2	65761	10.8
Total	68007	72,154	6.1	76,474.1	83868	9.7
Transfer to Shareholders' account	1433	1,290	-10.0	1,861.6	1719	-7.6
PAT	1904	1,716	-9.9	2,342.2	2150	-8.2
EV	342	356	3.9	387.2	408	5.4

Source: Company, ICICI Direct Research

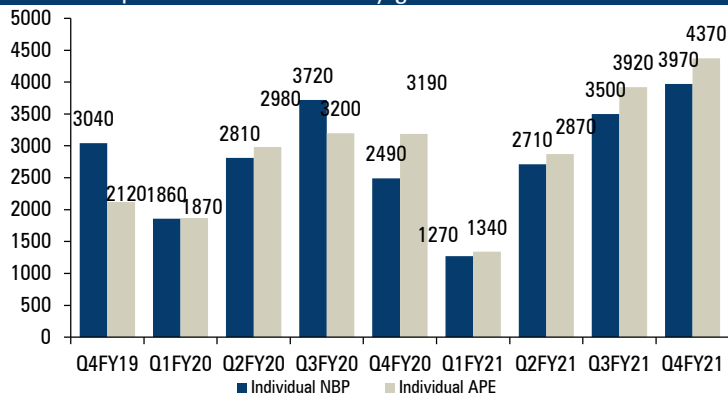
Exhibit 3: Assumption

	Current				Earlier		
	FY20	FY21	FY22E	FY23E	FY21	FY22E	FY23E
NBP growth	20.3	23.6	14.5	14.3	15.6	6.3	7.3
AUM growth	14.2	25.8	22.5	17.0	23.8	18.1	17.0
EV Growth	19.1	18.0	14.6	14.7	14.5	13.7	13.1
Comission ratio	3.6	3.2	3.3	3.3	3.5	3.5	3.4
VNB Margin	18.7	20.4	20.3	20.6	18.5	18.5	18.6
Conservation ratio	85.1	87.5	85.0	85.7	84.0	83.6	83.7
Operating RoEV	17.5	16.9	17.3	17.7	15.4	14.7	14.3

Source: Company, ICICI Direct Research

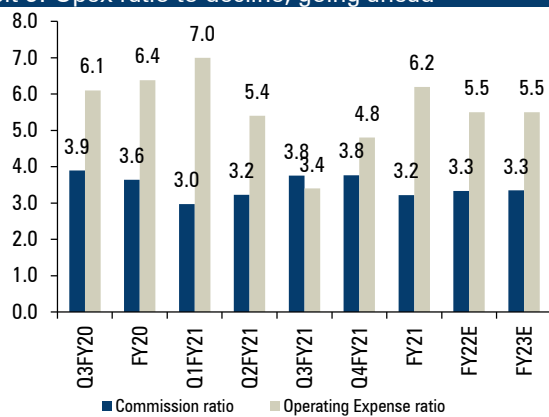
Story in Charts

Exhibit 4: Individual premiums show healthy growth



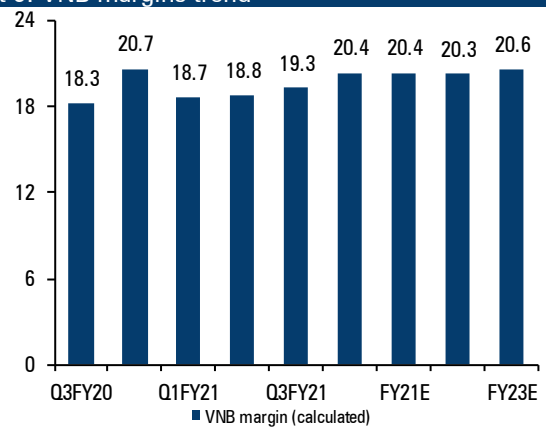
Source: Company, ICICI Direct Research

Exhibit 5: Opex ratio to decline, going ahead



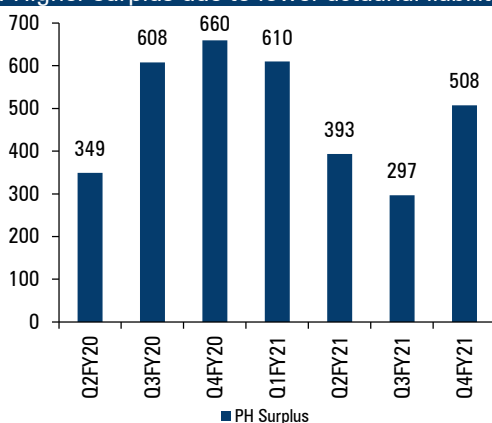
Source: Company, ICICI Direct Research

Exhibit 6: VNB margins trend



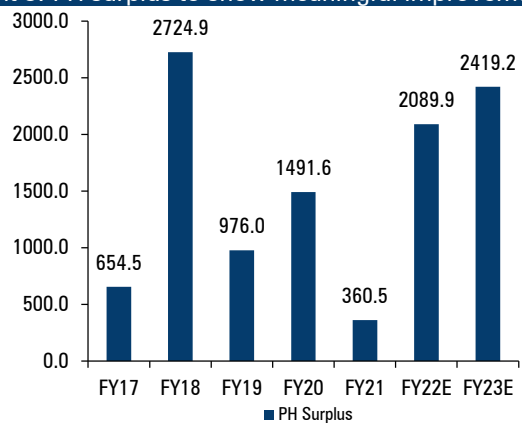
Source: Company, ICICI Direct Research

Exhibit 7: Higher surplus due to lower actuarial liabilities



Source: Company, ICICI Direct Research

Exhibit 8: PH surplus to show meaningful improvement



Source: Company, ICICI Direct Research

Exhibit 9: Persistency ratios trend

Persistency ratio %	Q2FY20	Q3FY20	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21
13th Month	83.13	82.46	84.29	81.55	84.83	83.8	87.92
37th Month	75.91	75.46	70.13	68.88	70.98	70.9	74.08
61th Month	59.55	61.06	59.44	63.14	60.32	59.6	61.63

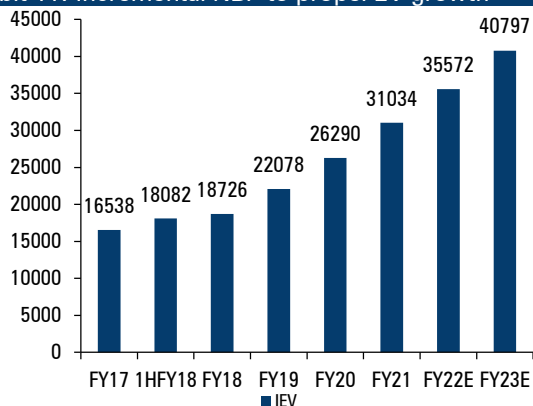
Source: Company, ICICI Direct Research

Exhibit 10: Investment profile

	FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	FY21	FY22E	FY23E
Shareholders' investments	7924	8083	8343	8684	8605	8605	8783	10165
PH Fund Excl. Linked Assets	75159	77695	82520	88953	93936	93936	117167	137354
Assets held to cover linked liabilities	76072	87868	93476	109448	116215	98215	119288	139395
Total Investments	159155	173645	184338	207085	218756	200756	245238	286915

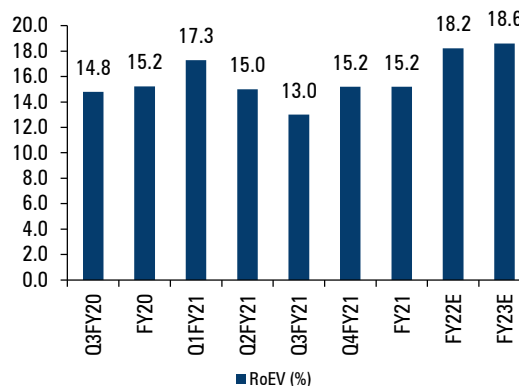
Source: Company, ICICI Direct Research

Exhibit 11: Incremental NBP to propel EV growth



Source: Company, ICICI Direct Research

Exhibit 12: Improving return ratios



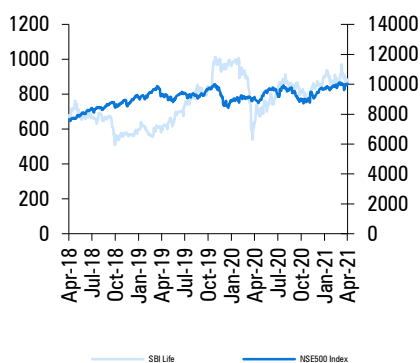
Source: Company, ICICI Direct Research

Exhibit 13: Shareholding Pattern

	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Promoter	62.8	60.7	60.7	60.7	55.7
FII	25.9	26.2	25.8	25.8	30.5
DII	5.7	7.0	7.1	7.1	7.0
Others	5.59	6.13	6.5	6.5	6.85

Source: Company, ICICI Direct Research

Exhibit 14: Price Performance



Source: Company, ICICI Direct Research

Financial summary

Exhibit 15: Policyholders Account					
(₹ Crore)	FY19	FY20	FY21E	FY22E	FY23E
Premiums earned - Net	32745.5	40334.4	49769.2	57025.3	65760.7
Income from Investments	11242.0	2997.0	31456.0	14989.7	17962.2
Other income	63.8	70.2	35.8	100.4	110.4
Contribution from the Shareholders' account	98.9	47.6	824.8	38.6	34.7
Total	44150.3	43449.2	82084.9	72154.0	83868.0
Commission	1346.4	1477.8	1742.5	1912.6	2216.4
Operating expenses	2123.5	2592.0	2448.5	3159.7	3643.8
Benefits paid (Net)	15293.8	16215.0	21582.7	23839.9	28003.8
Change in valuation of policy liabilities	23591.7	20605.0	53934.2	39851.8	46086.9
Others	6.6	7.9	-0.8	8.0	8.0
Provision for tax	812.3	1059.9	741.0	1292.1	1490.0
Surplus/(deficit) after tax	976.0	1491.6	1807.4	2089.9	2419.2
Transfer to Shareholders' account	887.9	1059.6	1678.8	1289.9	1719.2

Source: Company, ICICI Direct Research

Exhibit 16: Shareholders Account					
(₹ Crore)	FY19	FY20	FY21E	FY22E	FY23E
Amounts transferred from Policyholders' account	887.9	1059.6	1678.8	1289.9	1719.2
Income from investments	623.1	490.7	694.8	638.2	672.0
Total	1511	1550	2374	1928	2391
Expenses other than insurance	45.9	70.0	31.0	100.8	121.0
Contribution to Policyholders' account	98.9	47.6	824.8	38.6	34.7
Others	15.9	15.9	-24.7	-24.7	-24.7
Profit before Tax	1366.1	1432.7	1542.5	1788.8	2235.5
Provision for tax	46.3	-9.0	86.6	73.1	85.2
PAT	1319.8	1441.7	1455.9	1715.7	2150.2

Source: Company, ICICI Direct Research

Exhibit 17: Balance Sheet					
(₹ Crore)	FY19	FY20	FY21E	FY22E	FY23E
Sources of Funds					
Share capital	1000	1000	1000	1000	1000
Reserve and surplus	7769	8885	9093	10691	12534
Credit/(debit) fair value change account	20	20	308	308	308
Networth	8789	9905	10400	11999	13842
Policyholders' funds	138095	157733	200949	239349	285436
Total Liabilities	147166	168352	211349	253061	301491
Applications of Funds					
Shareholders' investments	7031	7924	8605	8783	10165
Policyholders' investments	66496	75159	93936	117167	137354
Asset held to cover linked liabilities	65821	76072	98215	119288	139395
Loans	188	212	358	405	457
Fixed assets - net block	663	755	565	982	1119
Net current assets	6967	8229	9670	6149	12712
Total Assets	147166	168352	211349	252774	301203

Source: Company, ICICI Direct Research

Exhibit 18: Key Ratios

(Year-end March)	FY19	FY20	FY21	FY22E	FY23E
Valuation					
No. of Equity Shares (Crore)	100.0	100.0	100.0	100.0	100.0
Diluted EPS (₹)	13.4	14.2	14.6	20.2	23.5
DPS (₹)	2.4	2.6	2.5	3.6	4.2
BV (₹)	87.9	99.0	104.2	117.1	135.5
EV per share	221	263	310	356	408
P/E	71.6	67.3	65.7	47.5	40.7
P/BV	10.9	9.7	9.2	8.2	7.1
P/IEV	4.3	3.6	3.1	2.7	2.3
Efficiency Ratios (%)					
Commission expenses as a % of Gross Premium	4.1	3.6	3.2	3.3	3.3
Management expenses incl commission as a % of Gross Premium	10.5	10.0	9.4	8.8	8.8
Return Ratios and capital (%)					
Return on Net worth	16.0	15.2	15.2	18.2	18.6
Operating RoEV	17.8	17.5	16.9	17.3	17.7
Solvency Ratio	195	200	200	200	200
Key Ratios (%)					
Conservation Ratio	85.2	85.1	87.5	85.0	85.7
VNB Margin	17.7	18.7	20.4	20.3	20.6
Surrender Ratio	5.6	4.7	4.8	4.8	4.6
Benefits paid as a % of Opening Liability	13.7	11.7	11.9	11.9	11.6

Source: Company, ICICI Direct Research

Exhibit 19: Key parameters

(Year-end March)	FY19	FY20	FY21	FY22E	FY23E
NBP	13791.9	16592.5	20509.6	23493.2	26845.7
Growth (%)	8.8	20.3	23.6	14.5	14.3
Linked	8129.7	8927.4	7958.6	9085.7	10295.3
Growth (%)	22.4	9.8	-10.9	14.2	13.3
Non Linked	6725.6	9144.0	12551.0	14407.5	16550.4
Growth (%)	11.5	36.0	37.3	14.8	14.9
APE	9530.7	10505.2	11355.5	13194.1	15255.8
Growth (%)	11.6	10.2	8.1	16.2	15.6
VNB	1720.0	2220.0	2271.1	2440.9	2837.6
Growth (%)	23.7	29.1	2.3	7.5	16.3
EV	22077.6	26290.0	31033.5	35571.7	40797.4
Growth (%)	15.8	19.1	18.0	14.6	14.7
AUM	139348.0	159154.6	200157.4	245238.5	286914.7
Growth (%)	20.4	14.2	25.8	22.5	17.0
PH Funds	132316.6	151230.7	192151.4	236455.2	276749.5
Growth (%)	44.6	14.3	27.1	23.1	17.0
SH Funds	7031.4	7923.9	8604.7	8783.3	10165.2
Growth (%)	63.7	12.7	8.6	2.1	15.7

Source: Company, ICICI Direct Research

Exhibit 20: ICICI Direct coverage universe (Insurance)

Sector / Company	CMP			M Cap (₹ bn)	EPS (₹)			P/E (x)			P/EV (x)			RoAUM (%)			RoE (%)		
	(₹)	TP(₹)	Rating		FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E
SBI Life Insurance	957	1100	Buy	959	14.6	20.2	23.5	65.7	47.5	40.7	3.1	2.7	2.3	0.8	0.9	0.9	15.2	18.2	18.6
HDFC Life	672	820	Buy	1358	6.7	7.9	8.1	99.7	85.5	83.1	5.1	4.4	3.8	0.9	0.9	0.8	17.6	17.4	16.1

Source: Company, ICICI Direct Research

ANALYST CERTIFICATION

I/We, Kajal Gandhi, CA, Vishal Narnolia, MBA and Sameer Sawant, MBA Research Analysts Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products.

ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager and Research Analyst. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.