

## SBI Life Insurance Company

CMP : ₹692.20

Target price: ₹1090

HP\* : Upto 3 years

Our Vriddhi pick for the month of June is SBI Life Insurance Company Limited. SBI Life is one of the leading private life insurance companies, offering a comprehensive range of savings and protection products through a strong distribution network. It is one of the best performing companies among private insurance players in the industry. With strong distribution network and healthy product mix, the company has been able to grow at a faster pace and increase its market share.

### Growth in new business premium

SBI Life is India's largest private life insurer in terms of new business premium (NBP) generated each fiscal year since FY10 as per CRISIL. In FY17-19, its NBP increased at a CAGR of 25%, and this increase ranks it among the top two private life insurers in India. In FY19, it grew by 26% YoY. The company increased its market share of NBP among private life insurers in India from 17.3% in FY16 to 19% in FY19, and market share of IRP in the private life insurance industry from 9.7% in FY16 to 12.9% in FY19. With product innovation and higher focus on leveraging distribution strength (both bancassurance and online channel), private insurers are expected to continue to gain market share ahead.

### Growth in overall premium revenue

The individual rated premium grew by 15% in FY19 and at a CAGR of 28% over FY17-19. The renewal premium growth was robust at 33% in FY19 and CAGR of 30% over FY17-19. The gross written premium too grew by 30% YoY in FY19 and at CAGR of 28% over FY17-19.

### Consistent improvement in VNB margin

The company's value of new business (VNB) grew by 24% in FY19 to Rs 1720 crore from Rs 1390 crore in FY18. The new business margin has gradually increased from 15.4% in FY17 to 17.7% in FY19. New business margin is nothing but the profit margin of the company. Higher the margins, better the profitability levels of the company. As SBI Life's margin is increasing, we can say that the company is on the right track of rising profitability.

### Product Mix - Rise in Protection business

SBI Life's product mix for FY19 includes individual savings - 67% including participating - 13%, non-participating - 2% and ULIP - 53%, group savings - 21% and protection - 21% which includes individual protection - 3% and group protection - 9%. The protection products have showed up exceptional growth in FY19, with individual protection segment growing by 511% YoY and group protection segment by 136% YoY. The group savings segment too grew by 43% YoY.

\*HP : Holding Period

### Company Details

Industry	Insurance
Chairman	Rajnish Kumar
Managing Director	Sanjeev Nautiyal
Company Secretary	Nimesh Bakul Maniyar
ISIN	INE123W01016
Bloomberg Code	SBILIFE IN
BSE Code	540719

### Key Market Indicators (Standalone)

Latest Date	12-Jun-2019
Latest Price (Rs)	697.80
Previous Close (Rs)	697.10
1 Day Price Var%	0.10
1 Year Price Var%	-2.76
52 Week High (Rs)	720.15
52 Week Low (Rs)	487.00
Beta	0.44
Face Value (Rs)	10.00
Industry PE	43.25
TTM Period	201903
TTM EPS(Rs)	13.27
TTM CEPS(Rs)	13.27
Price/TTM CEPS(x)	52.59
TTM PE (x)	52.59
Price/BV(x)	9.35
EV/TTM EBITDA(x)	40.90
EV/TTM Sales(x)	2.04
Dividend Yield%	0.29
MCap/TTM Sales(x)	2.12
Latest Book Value (Rs)	74.60
Market Cap (Rs. In Crores)	69780.00
EV (Rs. In Crores)	67135.37
Latest no. of shares (In Crores)	100.00

### Share Holding Pattern as on 201903

Promoter No of shares (In Crores)	69.80
Promoter %	69.80
FII No of Shares (In Crores)	14.06
FII %	14.06
Total No of Shares (In Crores)	100.00
Free Float %	30.20

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DSJ Pvt. Ltd. : C - 305, Trade Center, North Main Road, Near Axis Bank, Opp. Lane no. 6, Koregaon Park, Pune - 411001 | For Customer Service : 020-49072626 OR service@dsj.in

Registered Office Address: 419-A, 4th Floor, Arun Chambers, Tardeo, Next to AC Market, Mumbai - 400034

CIN No. : CIN-U22120MH2003PTC139276 SEBI Research Analyst - INH000006396

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## Growing persistency ratio to aid VNB margins

The company has reported consistent growth in persistency across periods; 61st month persistency rose from 45.33% in FY18 to 47.46% in FY19, 49th month persistency rose marginally from 59.09% to 60.34%, 37th month persistency rose from 64.46% in FY18 to 66.42% in FY19, 25th month persistency rose from 70.82% to 74.25% in FY19 and 13th month persistency improved from 81.27% in FY18 to 83.90% in FY19. With consistent improvement in persistency ratio, we expect the VNB ratio to improve in FY20.

## Strong Bancassurance and distribution network

SBI Life has an edge over its peers due to its tie up with SBI, which is the largest public sector bank in India having more than ~24000 branches in India. Also, growth in individual protection policies has led to the improving productivity across branches. In FY19, bancassurance contributed 64% of the total NBP (New Business Profit) as against 54% in FY16. SBI Life's multi-channel distribution network is expected to contribute more towards growth in its VNB. By end of FY19, the company had ~124000 agents. As agents work on commission basis rather than salary basis, they intend to sell higher number of policies and renewals. Thus, as the network of agents widens for any company, the more revenue it generates. As SBI Life focuses on expanding its network distribution, it helps in generating higher premium and renewals and thereby a growth in VNB.

## Insurance industry outlook

The United Nations' world population has estimated that India's population composition will include; 0-14 years – 24%, 15-29 years – 24%, 30-59 years – 40% and above 60 years – 13% by 2030. India is one of the nations with highest population of youth with median age of 28 years. Also, of the total population, urban mix will contribute up to 40.1% by 2030. The growth in urban population is at 2.4% CAGR over FY15-20. The combination of a high share of working population, rapid urbanisation, rising affluence and focus on financial inclusion would drive the growth of India's life insurance sector. India continues to be under-penetrated as compared to countries like Japan, Korea and Thailand. As per 2017 data, only 2.8% of the GDP was covered by the insurance premiums. Increase in financial savings as a percentage of household savings, coupled with increase in share of insurance as a percentage of financial savings, are expected to drive growth in the life insurance sector.

## Valuation

In FY19, it delivered ROE and ROCE of 17.8% and 21.2% respectively. SBI Life Insurance is on the growth track with premiums increasing consistently and VNB margins improving continuously. The apt product mix and growing persistency ratio is aiding the margins and profitability. India is still an under-penetrated market in terms of insurance services. Hence, the private players like SBI Life have huge scope to grow in the upcoming years. The rising awareness of insurance and insurance being used as a tax saving instrument will benefit the company and the insurance sector. We see a potential upside of 57% with a target price of Rs 1090 over a period of three years.



***In FY17-19, SBI Life's New Business Premium increased at CAGR of 25%***



***Value of New Business (VNB) grew by 24% in FY19 and New Business margin increased to 17.7% in FY19***



***Bancassurance is strong with SBI's branch network of ~24000 and agents' network of ~124000.***

**Quarter On Quarter (Standalone) (Rs in Crore)**

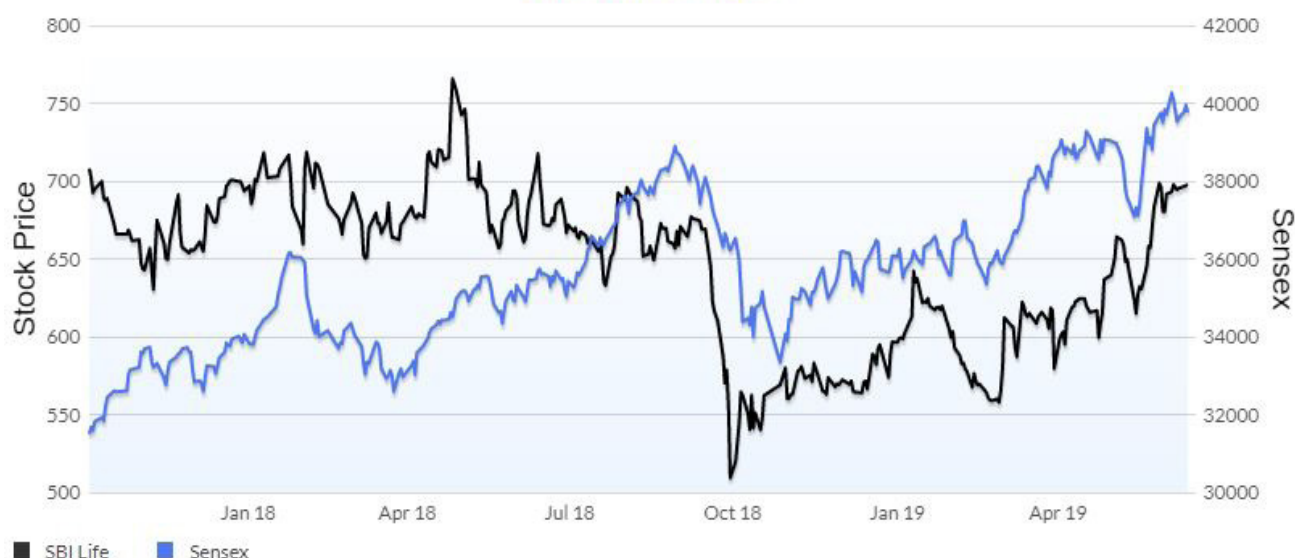
Particulars	201903	201812	Q on Q Var%	201803	Y on Y Var%
Net Sales	11333.02	9141.26	23.98	9236.70	22.70
Total Expenditure	15129.64	11968.66	26.41	9651.63	56.76
PBIDT (Excl OI)	-3796.62	-2827.40	-34.28	-414.93	-815.00
PAT	457.68	264.28	73.18	381.21	20.06
PBIDTM% (Excl OI)	-33.50	-30.93	-8.31	-4.49	-646.10
PBIDTM%	4.51	3.47	29.97	4.78	-5.65
PATM%	4.04	2.89	39.79	4.13	-2.18
Adj. EPS(Rs)	4.58	2.64	73.48	3.81	20.21

**About the company**

SBI Life Insurance was incorporated on October 11, 2000, a joint venture between State Bank of India (SBI) and BNP Paribas Cardif S.A. SBI owns 62.1% of share capital while BNP Paribas Cardif S.A holds 22% stake. SBI is India's largest commercial bank in terms of advances, deposits and number of branches. It has a strong branch network which is spread across the country and covers some of India's smallest and farthest towns and villages. BNP Paribas Cardif S.A is the insurance subsidiary of France-based BNP Paribas Bank and has operations across 35 jurisdictions globally. SBI Life has a unique multi-channel distribution network comprising an expansive bancassurance channel, including State Bank, its largest bancassurance partner in India, with a large and productive individual agent network.



***Growth in protection business is robust and its percentage within product mix is rising consistently***

**Stock vs. Index**


\*\*Track calls using our new investor app