

Rating:



Issue Summary:

Price Band (Rs)	Rs.685 – Rs.700
Face Value (Rs)	10
Market Lot	21 shares
Opens	20 th Sep, 2017
Closes	22 th Sep, 2017
Issue Size (Rs)	8400 Cr
Listing	NSE & BSE

Issue Break Up:

QIB Portion	50%
NIB Portion	15%
Retail Portion	35%

Employee Reservation Portion Up to 2,000,000 Equity Shares & State Bank Shareholders Reservation Portion Up to 12,000,000 Equity Shares out of 120,000,000.

Book Running Lead Managers:

➤ Axis Capital Ltd
➤ JM Financial Institutional Securities Ltd
➤ BNP Paribas
➤ Citi group Global Markets India Pvt Ltd
➤ Deutsche Equities India Ltd
➤ ICICI Securities Ltd
➤ Kotak Mahindra Capital Company Ltd
➤ SBI Capital Markets Ltd

Registrar

➤ Karvy Computershare Pvt Ltd.

Company & Business Profile

Incorporated in 2000, SBI Life Insurance Company Limited is India based private life insurer. SBI Life Insurance is a joint venture between the State Bank and BNPPC. State Bank is India's largest commercial bank. BNPPC, an insurance subsidiary of BNP Paribas, with operations across 36 jurisdictions internationally, is among the leading credit life insurance businesses globally. BNP Paribas is in top 10 global financial institutions in terms of revenue. SBI Life has product a portfolio of 37 individual and group products, including a range of protection and savings products to address the insurance needs of diverse customer segments.

They are India's largest private life insurer, in terms of New Business Premium generated in each fiscal year, since Fiscal 2010. They have also increased its market share of New Business Premium generated among private life insurers in India, from 15.87% in Fiscal 2015 to 20.04% in Fiscal 2017. Between Fiscal 2015 and Fiscal 2017, its New Business Premium generated increased at a CAGR of 35.45%, which is the highest among the top five private life insurers (in terms of total premium in Fiscal 2017) in India.

Company has developed a multi-channel distribution network comprising bank branches of SBI and its associated banks, individual agent network (93,849 agents) and other distribution channels including direct sales and sales through corporate agents, brokers, insurance marketing firms and other intermediaries.

Objects of the Issue

- The objects of the offer are to achieve the benefits of listing the equity shares on NSE & BSE and for the sale of equity shares by the selling shareholders.
- Further, the company expects that listing of the equity shares will enhance its visibility and brand image and provide liquidity to its existing shareholders.
- The company will not receive any proceeds of the offer and all the proceeds of the offer will go to the selling shareholders, State Bank of India and BNP Paribas Cardiff in the proportion of the equity shares offered by them.

Investment Positives

- One of the largest private life insurers with a consistent track record of rapid growth.
- Significant brand equity and pre-eminent Promoters. Company was established as a joint venture between State Bank of India and BNPPC in 2001.
- Expansive multi-channel distribution with pan-India bancassurance channel and high agent productivity.
- Sustainable business model driven by robust financial position supported by high operating efficiencies, superior investment performance, diversified product portfolio and effective risk management.
- Strong focus on customer service standards.
- Professional and Highly Experienced Board of Directors and Senior Management Team.
- Strong solvency ratio of 2.11x as of 30 June 2017 as against to regulatory minimum of 1.50x.
- It posted strong revenue growth of 19% CAGR in the last 5 years. It is posting consistent margins in between 3% to 4% in the last 5 years. It posted margins of 3.2% for FY17.

Peer Comparison

FY17	Premium Earned (Rs. Cr)	PAT (Rs.Cr)	EPS	PE(x)	PBV(x)	Embedded Value (Rs.Cr)	RONW (%)
SBI Life Insurance	21015	954.6	9.5	73.7	12.6	16538	18.5
ICICI Pru life Insurance	22155	1682.2	11.7	36.4	9.5	16184	28.7

Financials (Rs in Crore)

Particulars	For the year ended				
	March 31,2017	March 31,2016	March 31,2015	March 31,2014	March 31,2013
Premium Earned	21015	15825	12867	10783	10413
Revenue-Investment Income	9295	3341	10243	6354	4374
PBT	975	855	829	728	630
PAT	955	844	815	728	630
EPS(Rs)	9.5	8.4	8.1	7.3	6.3
Net CF from op. activities	8525	5778	2711	166	1130

Outlook

At current prices, India's GDP was 151.9 trillion as of fiscal 2017. India's life insurance penetration stood at 2.7% in 2016, compared with 4.4% in 2010. Among Asian countries, life insurance penetration in Thailand, Singapore and South Korea were at 3.7%, 5.5%, and 7.4%, respectively, in 2016. Hence this suggests the untapped potential of the Indian life insurance market. With India expected to be the fastest-growing Asian economy – GDP increasing at 10% CAGR in the next five years (in dollars, current prices), according to IMF forecasts (published in April 2016) – the Indian life insurance industry seems poised for strong growth in the years to come.

Concern

- The Life Insurance industry is a highly regulated sector and any adverse change in regulatory policy could negatively impact business.
- There is high dependence on distributors whose competence may vary and may lead to impediments in the business.
- Heavy dependence on State Bank of India for its business could have an adverse impact on business in long term.
- Company may face liquidity risk due to the nature of their liabilities and business structure.

Valuation

The issue has been offered in a price band of Rs 685-700 per equity share. At the upper price band of Rs 700 the stock is available at P/BV of 12.6(x) and P/E of 73.5(x) based on FY17 EPS. Though issue is expensive in terms of valuations, based on qualitative pointers, robust past growth and future potential, above mentioned strengths and management quality we have **"4 star"** rating for the issue.

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