

**CMP: Rs 940**

**Stock Info**

NSE	SBILIFE
Bloomberg	SBILIFE IN
Sector	Insurance
Face Value (Rs)	10
Equity Capital (Rs Cr)	1000
Market Cap (Rs Cr)	98,920
52w H/L (Rs)	1,030 / 516

**Shareholding Pattern**

	%
<b>(As on Sept, 2019)</b>	
Promoters	62.8
FII	23.7
DII	6.9
Public & Others	6.6

Source: Ace Equity, Arihant Research

**Stock Performance (%)**

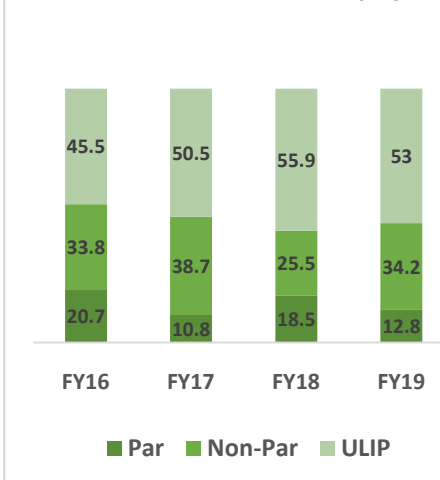
	3m	6m	12m
SBILIFE	28.2	58.7	73.2
SENSEX	8.5	8.2	14.1

**SBILIFEI v/s SENSEX**



Source: ACE Equity, Arihant Research

**NBP Product Mix (%)**



**SBI Life Insurance is the second largest private life insurance company having a market share of 6.4% in overall life insurance industry. Company has a JV between State Bank of India and BNP Paribas Cardif. SBI Life extensively leverages the State Bank Group relationship as a platform for cross-selling insurance products along with its numerous banking product packages such as housing loans and personal loans.**

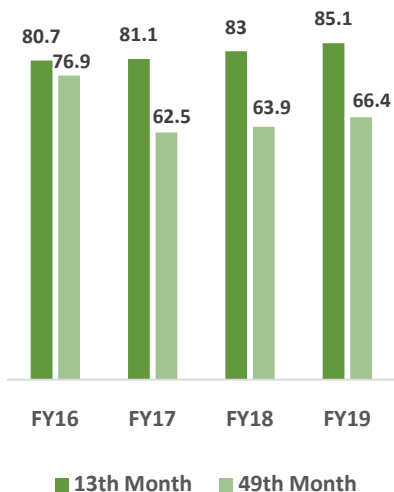
**Performance Highlights:**

- Gross written premium has increased by 30.1% from Rs `25,354 Cr in FY18 to Rs`32,989 Cr in FY19 mainly due to strong growth in individual renewal premium by 35% and increase in group single premium by 86%.
- The Solvency ratio of the company increased to 2.13 in FY19 from 2.06 in FY18, against the mandatory requirement of 1.5.
- Total investment income has increased by Rs`2,661 Cr from Rs`8,451 Cr in FY18 to Rs 11,112 Cr in FY19, mainly due to increase in interest and dividend, and change in fair value which is offset by decrease in profit and loss on sale of investments.
- The AUM has significantly grown over the years due to increasing premium inflows. The Company has registered a growth of 21.3% from Rs 1,16,261 cr in FY18 to Rs 1,41,024 cr in FY19.
- The 13<sup>th</sup> month persistency ratio (based on premium) improved to 85.1% in FY19 from 83% in FY18.

**Key Extracts from Annual Report:**

- In life insurance business, India is ranked 10th among the 88 countries. India's share in global life insurance market was 2.61% during 2018. The life insurance premium in India increased by 7.7% while global life insurance premium increased by 0.2%.
- Insurance penetration is still low in the country and there exists a huge underpenetrated market. Life insurance industry in India is expected to grow by 12%-15% annually for next 3-5 years.
- Domestic life insurance industry registered a growth of 10.7% for new business premium in FY19. Private players grew by 22% while life insurance corporation (LIC) grew by 5.7%.
- The Company's Individual Rated Premium (IRP) market share among private insurers increased from 21.8% in FY18 to 22.3% in FY19 and among overall life industry increased from 12.3% in FY18 to 12.9% in FY19.
- In India, share of working population within the age group of 30-59 years is expected to reach 40% in 2030. This age group which is the target population for the industry and has the potential to pay for insurance products, is what will boost industry growth.
- The Company has achieved a growth of 19% in its ULIP business in FY19 by offering various low cost market linked products. Total protection new business premium has increased by 174% from Rs 600 cr in FY18 to Rs 1643 cr in FY20.
- Net worth of the Company has also consistently increased from Rs`4,733 cr in FY16 to Rs `7,576 cr in FY19.

### Persistency (%)



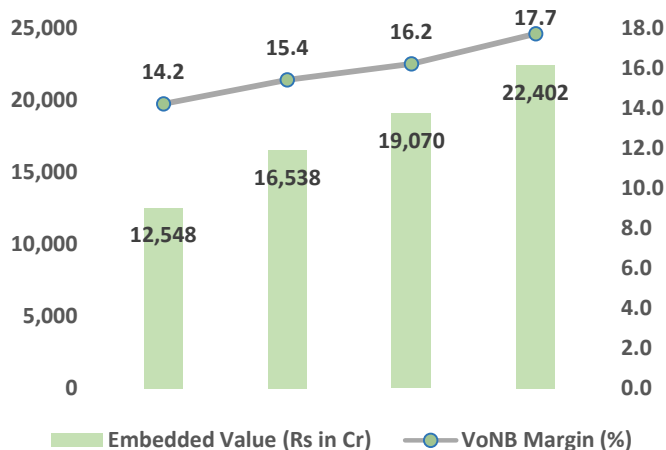
### Management Outlook:

- The life insurance industry in India will continue to enjoy advantages of favourable demographic profile with ever increasing working age population, urbanisation and improvement in standard of living. Low penetration, high protection gap and low sum assured to GDP ratio indicate significant opportunities to expand the protection business, this will further improve penetration in forthcoming years.

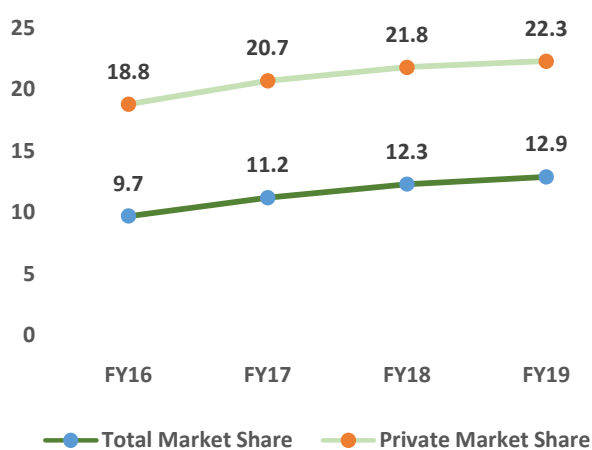
### Risk & Concern:

- Insurance companies need to consistently improve their operating margins while coming up with innovative strategies and meeting customers' demand for customised products. The industry faces risks in the form of changes in customer preferences, changes in relationship with distribution partners, market development that may adversely affects the sale of specific product, changes in tax structure, security risks due to increased dependency on digital medium and unpredictable changes in macro-economic factors.

### EV (Rs in Cr) & VNB Margin (%)



### IRP Market Share (%)



### Peer-Group Comparison:

(Rs In Cr.)	SBI Life			HDFC Life			ICICI Prudential		
	FY18	FY19	%Change	FY18	FY19	%Change	FY18	FY19	%Change
Gross Written Premium	25,354	32,989	30.1%	23,564	29,186	23.9%	27,069	30,930	14.3%
PAT	1,150	1,327	15.4%	1,109	1,277	15.1%	1,620	1,141	-29.6%
EPS	11.5	13.3	15.4%	5.5	6.3	14.6%	11.3	8.0	-29.1%
New Business Premium	10,966	13,792	25.8%	11,349	14,971	31.9%	8,402	8,140	-3.1%
Value of New Business	1,385	1,719	24.1%	1,282	1,537	19.9%	1,286	1,328	3.3%
VNB Margin (%)	16.2	17.7	-	23.2	24.6	-	16.5	17.0	-
Embedded Value	19,070	22,402	17.5%	15,216	18,301	20.3%	18,788	21,623	15.1%

**Performance Highlights:**

- Management indicated that it will reduce pricing for the individual protection to make it more competitive, post aggressive price reduction by LIC.
- Persistency ratio improved: 13th month persistency saw improvement from 84.5% in to 85.8% and 61st month persistency also improved from 56.3% in Q1FY20 to 57.5% in H1FY20.
- In H1FY20 product mix stood at 7%/9%/43%/29%/ 12% for Par/Non-Par /ULIPs/Group/Protection compared to 14%/2%/49%/25%/10% in H1FY19.
- PAT was impacted by new business strain and one-off provisioning of INR 70 cr (provisioning of ~48% of DHFL exposure). The management also put high funds for future appropriations at Rs 293 cr vs. Rs 149 cr YoY.

**Summarised Quarterly Revenue and Profit & Loss Account:**

Particulars (in Bn.)	Q2FY20	Q2FY19	YoY (%)	Q1FY20	QoQ (%)
Premium Earned	102.5	76.8	33.5%	66.9	53.2%
Premium on reinsurance ceded	-1.3	-0.3	-	-0.4	-
<b>Net Premium Earned</b>	<b>101.2</b>	<b>76.6</b>	<b>32.1%</b>	<b>66.5</b>	<b>52.2%</b>
Investment Income	26.6	20.7	28.5%	31.3	-15.0%
Other Income	0.1	0.2	-50.0%	0.1	0.0%
<b>Total Income (A)</b>	<b>127.9</b>	<b>97.5</b>	<b>31.2%</b>	<b>97.9</b>	<b>30.6%</b>
Commission paid	4.1	3.2	28.1%	2.5	64.0%
Operating and other expenses	7.5	6.3	19.0%	6.2	21.0%
Provision for tax - Policyholders	0.6	0.4	50.0%	1.8	-66.7%
Claims/Benefits paid (net)	32.5	27.7	17.3%	28.6	13.6%
Change in actuarial liability	82.0	57.4	42.9%	55.1	48.8%
<b>Total Expenses (B)</b>	<b>126.7</b>	<b>95.0</b>	<b>33.4%</b>	<b>94.2</b>	<b>34.5%</b>
<b>Profit Before Tax (A-B)</b>	<b>1.2</b>	<b>2.5</b>	<b>-52.0%</b>	<b>3.7</b>	<b>-67.6%</b>
Provision or tax - Shareholders	-0.1	0.0	-	0.1	-200.0%
<b>Profit After tax</b>	<b>1.3</b>	<b>2.5</b>	<b>-48.0%</b>	<b>3.6</b>	<b>-63.9%</b>

**Summarised Revenue and Profit & Loss Account:**

Particulars (in Bn.)	FY18	FY19	%Change
Premium Earned	253.5	329.9	30.1%
Premium on reinsurance ceded	-1.9	-1.0	-
<b>Net Premium Earned</b>	<b>251.6</b>	<b>328.9</b>	<b>30.7%</b>
Investment Income	89.0	116.0	30.3%
Other Income	0.8	0.8	0.0%
<b>Total Income (A)</b>	<b>341.4</b>	<b>445.7</b>	<b>30.6%</b>
Commission paid	11.2	13.5	20.5%
Operating and other expenses	21.0	26.1	24.3%
Provision for tax - Policyholders	2.4	2.7	-
Claims/Benefits paid (net)	117.1	152.9	30.6%
Change in actuarial liability	177.9	236.8	33.1%
<b>Total Expenses (B)</b>	<b>329.6</b>	<b>432.0</b>	<b>31.1%</b>
<b>Profit Before Tax (A-B)</b>	<b>11.8</b>	<b>13.7</b>	<b>16.1%</b>
Provision or tax - Shareholders	0.3	0.5	-
<b>Profit After tax</b>	<b>11.5</b>	<b>13.3</b>	<b>15.7%</b>

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