

Introduction



Recommendation: Buy

Current Price: **1,515**

Key Highlights:

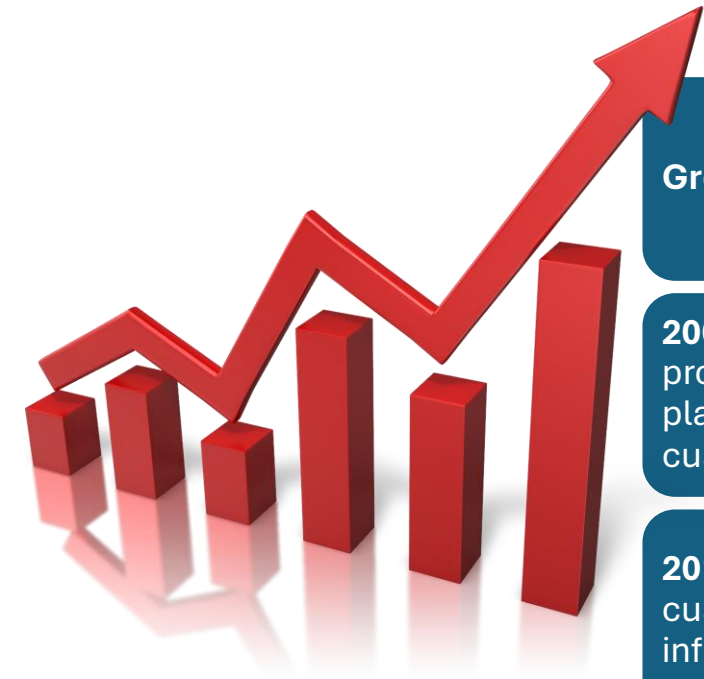
- Strong financial performance with substantial revenue and net income growth.
- Robust market position with a diverse product portfolio and a wide distribution network.
- Expected revenue growth at 8% CAGR over the next five years.

Company Overview: History

Early Years and Establishment (2001-2007)

- **2001:** SBI Life Insurance Company Limited was established as a joint venture between the State Bank of India (SBI) and BNP Paribas Cardif. SBI held a significant stake of 55.50%, while BNP Paribas Cardif held a minor 0.22%. The remaining shares were held by public shareholders. Initially, the company focused on leveraging SBI's vast branch network through the bancassurance model to gain a foothold in the Indian insurance market.
- **2002-2003:** The company introduced its first set of insurance products, including traditional policies, unit-linked insurance plans (ULIPs), pension plans, and health insurance products, catering to a wide range of customer needs.
- **2004-2005:** Continued expansion of the product portfolio and distribution channels. The company strengthened its presence in the market by forming strategic alliances and partnerships, which helped in increasing its customer base.
- **2006-2007:** Achieved a significant milestone by becoming the first private sector life insurer in India to achieve a positive profit after tax (PAT). This was a testament to the company's robust business model and effective management strategies.





Growth and Innovation (2008-2016)

2008-2010: Focused on expanding the reach and accessibility of insurance products through innovative distribution channels, including digital platforms. The company also enhanced its product offerings to include more customer-centric and flexible insurance solutions.

2011-2012: Marked by significant growth in premium collections and customer base. The company continued to invest in technology and infrastructure to improve operational efficiency and customer service.

2013-2014: Further expansion of the product portfolio to include more specialized insurance products tailored to the diverse needs of customers. Continued focus on improving the claims settlement process to enhance customer satisfaction.

2015-2016: Strengthened its market position by leveraging advanced analytics and customer insights to develop more targeted and effective marketing strategies. The company also focused on enhancing its digital capabilities to provide a seamless and convenient customer experience.

Going Public and Modernization (2017-Present)

- **2017:** SBI Life Insurance Company Limited went public, listing its shares on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). The IPO was a significant milestone, marking the company's transition into a publicly traded entity. Post-IPO, the company focused on digital innovation, advanced analytics, and strategic partnerships to enhance customer engagement and operational efficiency.
- **2018-2020:** Continued emphasis on digital transformation and innovation. The company launched several digital initiatives to streamline operations, improve customer service, and enhance the overall customer experience. Strategic partnerships and alliances were formed to expand the company's reach and market presence.
- **2021:** Celebrated its 20th anniversary with a strong market position and a reputation for financial stability and customer-centricity. The company continued to invest in technology and innovation to stay ahead in the competitive insurance market.
- **2022-2023:** Focused on sustainable growth and enhancing shareholder value. The company implemented several initiatives to improve operational efficiency, customer satisfaction, and market share. The annual report for 2022-23 highlights the company's strong financial performance and continued commitment to innovation and customer service .

- **Products and Services**

- SBI Life offers a diverse range of products to cater to the various needs of its customers. The company's portfolio includes:

- **Protection Plans:**

- These plans provide pure risk covers to protect the insured's family in the event of untimely death.
- They ensure financial security and peace of mind for the policyholder's dependents.

- **Savings Plans:**

- Designed to help customers save systematically.
- These plans aid in achieving long-term financial goals like buying a house, funding children's education, or preparing for unforeseen expenses.

- **Unit Linked Insurance Plans (ULIPs):**

- ULIPs combine insurance coverage with investment opportunities.
- They allow customers to invest in a variety of funds, offering potential for wealth creation along with the security of life insurance.

- **Retirement Plans:**

- These plans provide financial security post-retirement.
- They ensure a steady income stream during retirement years, helping policyholders maintain their standard of living.

- **Child Plans:**

- Focused on securing a child's future, these plans help in financing education and other significant milestones in a child's life.
- They offer a combination of savings and insurance, providing financial support even in the absence of the parent.

- **Group Plans:**

- Tailored for corporates, these plans provide life insurance coverage to employees.
- They are designed to offer comprehensive benefits, fostering employee loyalty and satisfaction.

• **Market Position:**

- SBI Life Insurance holds a formidable position in the Indian life insurance market:
- **Market Share:**
 - **Individual Rated Premium:** 22.26% private market share.
 - **New Business Premium:** 21.34% private market share.
 - **Individual New Policies:** 27.31% private market share.
- **Distribution Network:**
 - **Bancassurance:** Strong partnership with 14 bancassurance partners.
 - **Agents and Brokers:** Over 2.75 lakh trained insurance personnel, 63 corporate agents, and 129 brokers.
 - **Offices and Branches:** 992 offices and 39,000+ partner branches across India.
- **Financial Strength:**
 - **Solvency Ratio:** 2.15, indicating strong financial health.
 - **Net Worth:** ₹130.16 billion, demonstrating a solid capital foundation.
 - **Profitability:** ₹17.21 billion profit after tax, up 14% year-on-year.
 - **VoNB Margin:** 30.1%, reflecting robust profitability.
- **Market Leadership:**
 - SBI Life consistently ranks among the top players in the life insurance industry in India.
 - Known for its customer-centric approach and extensive distribution reach, SBI Life continues to expand its market presence and enhance its brand reputation



Management Team:

SBI Life's management team consists of experienced professionals from the insurance and financial sectors:

Leadership Focus:

- **Innovation:** Implementing new ideas to stay relevant and improve customer experiences.
- **Customer Satisfaction:** Prioritizing customer needs and ensuring high-quality service delivery.
- **Sustainable Growth:** Committed to achieving long-term growth while maintaining financial stability.

Strategic Initiatives:

- Emphasis on digital transformation to enhance customer experience and operational efficiency.
- Continuous training and development programs for employees to build a skilled and capable workforce.
- Focus on sustainable business practices to contribute to long-term community welfare and environmental sustainability.

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- **President & CEO: Mahesh Kumar Sharma**
 - **Background:** Mr. Mahesh Kumar Sharma is the Managing Director and Chief Executive Officer of SBI Life Insurance Company Limited.
 - **Experience:** He has extensive experience in the insurance sector, particularly in driving strategic initiatives and enhancing operational efficiency.
 - **Focus:** Under his leadership, SBI Life has focused on digital innovation, customer engagement, and expanding its market share.






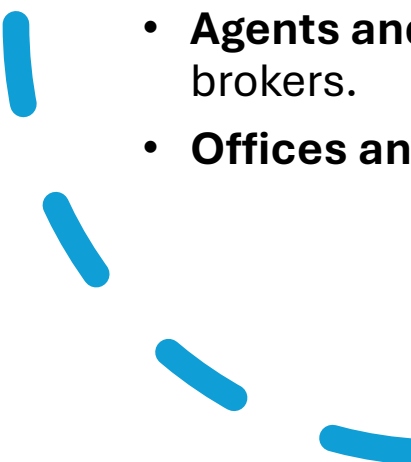
CFO: Sangramjit Sarangi

- Background:** Mr. Sangramjit Sarangi is the President and Chief Financial Officer at SBI Life.
- Education:** He holds a Bachelor’s degree in Commerce and Law and is a Fellow of the Institute of Chartered Accountants of India.
- Experience:** With 23 years of experience in the life insurance and mutual fund industry, he brings a wealth of financial expertise to the company.
- Role:** His role includes overseeing the financial operations, ensuring financial stability, and supporting the company's strategic growth.



Chief Marketing Officer: G. Durgadas

- Background:** Mr. G. Durgadas is the President of Marketing (Zone 3) at SBI Life.
- Education:** He is a Science graduate with additional certifications from the Indian Institute of Bankers and the Indian Institute of Insurance. He also holds a certification from the Indian Institute of Corporate Affairs.
- Experience:** With 32 years of experience in banking and insurance, he has a deep understanding of the market dynamics and customer needs.
- Role:** As the Chief Marketing Officer, he is responsible for the marketing strategies and initiatives aimed at enhancing the company's market presence and customer reach .

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Market Leadership

- SBI Life Insurance Company Limited is a leading player in the Indian life insurance market, characterized by the following:
- **Consistent Top Ranking:**
- **Market Share in Individual Rated Premium:** 22.26% among private players.
- **Market Share in New Business Premium:** 21.34% among private players.
- **Market Share in Individual New Policies:** 27.31% among private players.

- **Extensive Distribution Network:**
- **Bancassurance:** Partnership with 14 bancassurance partners, leveraging the vast branch network of the State Bank of India.
- **Agents and Brokers:** Over 2.75 lakh trained insurance personnel, 63 corporate agents, and 129 brokers.
- **Branches and Offices:** 992 offices and more than 39,000 partner branches across India, ensuring widespread reach and accessibility.

- **Customer-Centric Approach:**
- **Customer Satisfaction:** SBI Life's focus on understanding and meeting customer needs has resulted in high customer satisfaction and loyalty.
- **Innovative Products:** The company offers a diverse range of products, including protection plans, savings plans, ULIPs, retirement plans, child plans, and group plans, catering to various customer segments.
- **Digital Initiatives:** Implementation of digital solutions and advanced analytics to enhance customer experience, streamline operations, and provide convenient service.

Industry Analysis



Industry Size and Growth

The Indian life insurance industry is one of the fastest-growing sectors in the world. According to a Swiss Re report, India is expected to become the sixth-largest insurance market by 2032. The total insurance premiums are projected to grow at an average annual rate of 14% in nominal local currency terms, which translates to approximately 9% per annum in real terms over the next decade



- **Economic Growth and Demographic Advantages**

- India's economy is poised for strong growth, with an average annual real GDP growth rate of 6.7% projected between 2022 and 2032. This makes India the fastest-growing G20 economy over the next decade. The per capita GDP is expected to nearly double during this period. A healthy external debt to GDP ratio and substantial foreign exchange reserves further create a favorable environment for the expansion of the life insurance industry.

- **Under-penetration and Growth Opportunities**

- Despite being among the largest globally, the Indian life insurance sector still faces significant under-penetration. This presents a substantial growth opportunity, particularly as disposable incomes rise and financial security awareness increases. The life insurance premiums are expected to grow annually by 9% in real terms by 2032

Key Drivers and Strategic Initiatives

- **Demographic Profile:** The vibrant population, especially within the age group of 25-64, serves as a catalyst for sustained expansion. This demographic advantage is expected to support long-term growth and prosperity.
- **Digitalization and Regulatory Support:** Recent regulatory developments and increased digitalization are expected to support market growth. New regulations aim to improve insurance penetration, attract capital inflows, and facilitate the entry of specialized players.
- **Product Innovation:** The pandemic has heightened awareness of financial protection, prompting companies to develop innovative products catering to specific consumer needs. This has further increased the potential for growth in the life insurance industry.

Balance sheet

(₹ in '000)

Particulars	Schedule	As at March 31, 2023	As at March 31, 2022
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	5	10,008,948	10,003,706
Reserves and Surplus	6	119,236,577	104,180,746
Credit/(Debit) Fair Value Change Account		929,296	2,038,672
Sub-Total		130,174,821	116,223,124
Borrowings	7	-	-
Policyholders' Funds			
Credit/(Debit) Fair Value Change Account (including for derivative contracts- Refer note no.23A (vi) of Schedule 16 (C))		20,388,940	32,068,986
Policy Liabilities (Refer note no. 7 of Schedule 16 (C))		1,301,319,007	1,097,590,397
Insurance Reserves		-	-
Provision for Linked Liabilities		1,407,213,737	1,174,870,941
Add: Fair value change (Linked)		128,711,810	169,659,373
Add: Funds for Discontinued Policies			
(i) Discontinued on account of non-payment of premium		94,516,345	80,441,749
(ii) Others		2,113,514	1,280,996
Total Linked Liabilities (Refer note no. 6 of Schedule 16 (C))		1,632,555,405	1,426,253,059
Sub-Total		2,954,263,352	2,555,912,442
Funds for Future Appropriation - Linked (Refer note no.5 of Schedule 16 (C))		-	-
Funds for Future Appropriation - Other (Refer note no. 5 of Schedule 16 (C))		11,427,394	9,936,423
TOTAL		3,095,865,567	2,682,071,989
APPLICATION OF FUNDS			
Investments			
- Shareholders'	8	112,087,007	100,758,226
- Policyholders'	8A	1,298,702,378	1,121,306,618
Assets held to cover Linked Liabilities	8B	1,632,555,405	1,426,253,059
Loans	9	3,889,171	3,626,890
Fixed assets	10	5,215,127	5,267,726
Current Assets			
Cash and Bank Balances	11	41,649,219	32,042,193
Advances and Other Assets	12	52,763,650	44,115,176
Sub-Total (A)		94,412,869	76,157,369

Profit and Loss sheet

(₹ in '000)

Particulars	Schedule	Year ended March 31, 2023	Year ended March 31, 2022
Amount transferred from Policyholder Account (Technical Account)		27,071,495	17,324,326
Income from Investments			
(a) Interest, Dividend & Rent - Net of Amortisation (Gross for the year ended March 31, 2023 ₹ 6,822,050 thousands, previous year ended March 31, 2022 ₹ 6,116,941 thousands)		6,907,237	5,898,864
(b) Profit on sale/redemption of investments		1,068,877	4,084,400
(c) (Loss on sale/redemption of investments)		(31,098)	(152,762)
Other Income		7,494	53,582
Total (A)		35,024,005	27,208,410
Expenses other than those directly related to the insurance business			
(a) Rates and Taxes		-	-
(b) Directors' sitting fees		13,825	13,075
(c) Board meeting related expenses		124	4
(d) Depreciation		-	1,383
(e) Other Expenses		132,118	1,288,036
(f) Corporate Social Responsibility expenses		226,210	267,276
Bad debts written off		-	-
Contribution to the Policyholders' Account (Refer Note No. 28 of Schedule 16 (C))		17,074,883	9,821,481
Provisions (Other than taxation)			
(a) For diminution in the value of Investment (Net) (Refer note no. 20 of Schedule 16 (C))		(7,626)	209,580
(b) Provision for doubtful debts		-	-
Total (B)		17,439,535	11,600,835
Profit/(Loss) Before Tax		17,584,470	15,607,575
Provision for Taxation			
- Income Tax (Refer Note No. 15 of Schedule 16 (C))		378,746	547,598
Profit/(Loss) After Tax		17,205,724	15,059,977
APPROPRIATIONS			
(a) Balance at the beginning of the year		103,940,822	90,881,586
(b) Interim dividends during the year		2,502,197	2,000,741
(c) Proposed final dividend		-	-
(d) Transfer to reserves/other accounts		-	-
Profit/(Loss) carried to the Balance Sheet		118,644,349	103,940,822

(₹ in '000)

Particulars	Schedule	Year ended March 31, 2023	Year ended March 31, 2022
CASH FLOW FROM OPERATING ACTIVITIES			
Premium Collection (including Goods and Service Tax collected)		673,429,183	599,361,261
Other receipts		-	98,904
Payments to or receipts from the re-insurers, net of claims/benefits		(3,804,147)	4,339,896
Cash paid to suppliers and employees ¹		(30,883,537)	(24,374,202)
Cash paid towards Income Tax		(7,993,725)	(7,170,549)
Cash paid towards Goods and Service Tax		(13,905,794)	(12,673,063)
Commission Paid		(29,478,332)	(21,926,490)
Benefits Paid		(300,752,183)	(319,113,909)
Security deposit		(51,003)	(22,497)
Net cash from/(for) Operating activities (A)		286,560,462	218,519,351
CASH FLOW FROM INVESTING ACTIVITIES			
Cost of purchase of investments		(2,418,353,887)	(1,636,729,598)
Proceeds from sale of investments		1,980,989,112	1,284,694,861
Investments in money market instruments and in liquid mutual funds (Net)		5,620,225	19,636,161
Interest received		120,573,093	110,580,263
Dividend received		10,019,974	7,715,588
Purchase of fixed assets		(632,015)	(557,872)
Proceeds from sale of fixed assets		5,777	601
Expenses related to investments		(125,757)	(109,590)
Security deposit		133,387	(1,131,718)
Loan against Policies		(851,581)	(717,133)
Loans disbursed		-	-
Loan repayment received		591,667	508,333
Net cash from/(for) Investing activities (B)		(302,030,006)	(216,110,104)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital (net)		351,491	189,965
Proceeds from short term borrowing		-	-
Repayment of short term borrowing		-	-
Interim dividend paid (Gross of TDS on Dividend)		(4,502,441)	(2,500,061)
Net cash from/(for) Financing activities (C)		(4,150,950)	(2,310,096)
Effect of foreign exchange rates on cash and cash equivalents (net) (D)		-	-
Net increase/(decrease) in cash and cash equivalents (A+B+C+D)		(19,620,493)	99,151
Cash and cash equivalents at beginning of the year		108,846,158	108,747,007
Cash and cash equivalents at end of the year (Refer note no. (t) of Schedule 16 (B))		89,225,664	108,846,158
Cash (including cheques, drafts)		611,397	635,956
Bank Balances (includes bank balances in unit linked funds) ²		14,461,202	8,855,340
Fixed Deposits(Less than 3 months) ²		1,250,000	875,532
Money Market instruments		72,903,066	98,479,330
Total		89,225,664	108,846,158

Cash Flow Statement

Key Ratios

Market Cap ₹ 1,53,181 Cr.

Current Price ₹ 1,529

High / Low ₹ 1,572 / 1,251

Stock P/E 80.9

Book Value ₹ 149

Dividend Yield 0.18 %

ROCE 14.9 %

ROE 13.6 %

Face Value ₹ 10.0



Conclusion

Final Recommendation: Buy

Rationale: SBI Life's strong financial health, competitive market position, and growth potential justify a higher valuation. The company's consistent performance, robust distribution network, and strategic initiatives position it well for future growth. The target price of ₹68 per share reflects the intrinsic value derived from the DCF analysis and comparable company analysis.