

SBI Life Insurance (SBILIFE) – BUY

February Month Pick

Current Market Price (CMP)

Rs.875

Target Price

Rs.1250

We see 42.8% upside in the stock at our Fair Value of Rs.1250

Rationale:

- APE growth picked up; VNB expanded due to higher non-participating product (APE – Annual premium equivalent; VNB – Value of new business)
- We expect 21-22% medium-term VNB margin and 17-18% operating RoEV (RoEV – Return on embedded value)
- SBILIFE premium gap to its peers has narrowed & trades at 2.0X P/EV (P/EV - Price/Embedded Value)
- We are valuing SBILIFE at 2.8X Embedded value March 2023E

Q3FY21 Earnings update:

👍 Positives:

- Strong 14% yoy growth in VNB on the back of expansion in VNB margin to 20%
- Overall share of protection & non-parsavings has increased 7.15% yoy to ~20%
- Calculated cost/APE ratio declined 1.50% yoy to 9.7% (10.7% in 9MFY21)
- We are raising EV estimates by 0.7-1.3% reflecting marginally higher volumes (EV – Embedded value)

👎 Negatives:

- APE was muted at 4% yoy (down 15% yoy in 1HFY21); Profit after tax declined 40% yoy
- We expect APE to remain broadly flat in FY21E yoy

[Click here](#)

For detailed report dated 23rd January 2021. Note: CMP & valuation may differ due to difference in dates



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Holding Period: 12 months / Disclaimer: <http://bit.ly/2n5AxIE>