SMART SYNC SERVICES

SBI Life Q1FY21

Financial Results & Highlights

Brief Company Introduction

SBI Life Insurance is a joint venture life insurance company between State Bank of India (SBI), the largest state-owned banking and financial services company in India, and BNP Paribas Cardif. BNP Paribas is a French multinational bank and financial services company with global headquarters in Paris. SBI owns 62.1% of the total capital and BNP Paribas Cardif 22% of the capital. Other investors are Value Line Pte. Ltd. and MacRitchie Investments Pte. Ltd., holding 1.95% of the total capital each and remaining 12% with Public.

Consolidated Financials (In Crs)					
	Q1FY21	Q1FY20	YoY %	Q4FY20	QoQ %
Sales	16178	9644	67.75%	5675	185.07%
PBT	388	378	2.65%	522	-25.67%
PAT	391	372	5.11%	531	-26.37%

Detailed Results:

1. There was a 31% decline in the Value of New Business (VNP).
2. IRP (Individual Rated Premium) and APE (Annualized Premium Equivalent) declined 36% & 32% YoY while Total Protection NBP fell by 33% YoY.
3. The new business premium fell 3% YoY. The new business Margin was at 19.9%.
4. The company maintained a solvency ratio of 239%.
5. The company saw a fall in its private market share based on IRP to 18% from 21.5% a year ago.
6. Total AUM and Net Worth grew 19% and 17% YoY respectively in the quarter.
7. As of 30th June 2020, the AUM was at Rs 1469.5 billion and had a 76:24 debt to equity mix. Over 90% of debt investments were in AAA-rated bonds.
8. The operating expense to the gross premium ratio declined 30 bps YoY to 7%.
9. Total Cost to gross premium ratio was at 10.1% from 11.2% a year ago.
10. The company reported minor drops improvement in persistency across all time periods.
11. The company achieved market leadership in Total NBP with 23.9% private market share improving 398 bps YoY.
12. Individual NBP from Non- par segment has increased by 50% YoY.
13. increase in GWP by 14% to 76.4 billion in Q1 FY 2021 mainly due to strong growth in renewal premium by 30% from 35.4 billion in Q1 FY 2020 to 45.8 billion in Q1FY 2021.
14. Protection and annuity market share were at 26% which is up 656 bps YoY.
15. ULIP maintains a dominant revenue share at 48%.
16. In distribution channels, Banca channels account for 56% of APE while Agency and other accounts for 26% and 18% respectively.

Investor Conference Call Highlights

1. Share of individual premium in new business stands at 24% mainly due to higher sales in the annuity.
2. The annuity business grew 171% YoY.
3. Instant protection product sold through Yono app has covered more than 1,96,000 lives in the quarter.
4. Other channels grew 76% YoY in terms of new business premium.
5. 97% of individual proposals are submitted digitally and 22% of proposals are processed through automated underwriting.
6. The management is targeting marginal growth over the last year. They expect to catch up on the lost business for the rest of the year.
7. The company provided an additional grace period of one month for the repayment of premiums.
8. The management expects to achieve individual targets. It expects strong demand for protection space and the company will be looking to launch new products in these segments.
9. The company is also eyeing good numbers for individual and group segments.
10. Total group protection business done is Rs 324 Cr out of which Rs 274 Cr is for credit life.
11. Price increases have been lower than peers to balance affordability for customers and to maintain a certain profit margin. Overall margins are expected to stay stable and increase after the repricing as volumes will rise due to competitive pricing and margins will be better than before the repricing.
12. The management sees good potential in the Yono app as it has already exceeded the premium earned in the whole of last year in Q1 only.
13. The company will not be stopping existing products to push new protection products.
14. Similarly, guaranteed products will also be sold as long as demand is there for the product. The management does expect the demand for this product going down due to return going down but it still remains uncertain as to how the situation will pan out.
15. June accounted for 60% of the protection premium earned in Q1.
16. The conservative assumptions taken in March 2020 are still in place for making any estimations for the company.
17. The management expects approval to sell new protection products by the end of Q2.
18. In individual protection, 80-85% is from the ROP product.
19. The company was able to cover for the shortfall in new inquiries in credit life by selling this product to loan takers who have taken loans in the past 1-2 years. This is because a customer may be in a better state of mind to take this product once some time has passed since the initiation of the loan. This represents a good opportunity for the company to leverage the existing customer base in its bank channels.
20. The non-par business was at Rs 350 Cr out of Rs 155 was for individual annuity and Rs 194 Cr was for a non-par guaranteed savings plan.
21. The board mandated requirement for solvency is at 180%. The company's solvency in March was at 1.95 times which could be considered to be at its lowest as asset prices were at their lowest at that time.
22. The management will keep products as long as margins are protected. If margins are adversely impacted, then the company may scale back or discontinue the particular product.
23. Without the change from product mix and the risk-free rate, margins would have appreciated substantially in the quarter.

24. Internally the management tracks persistency in a rolling 12-month basis which helps normalize volatility in certain months.
25. VoNB margin is calculated in the month of inception at a risk-free rate for 12 months. For savings businesses, when interest rate rises, margins rise. For the protection business, the impact of an interest rate rise is neutral. For ULIP, the interest rate rise causes margins to fall. In overall margin will be dependent on the product mix and change in interest rate.

Analyst's View:

SBI Life is one of the front runners in the life insurance industry in India. The company has done well to establish itself as the biggest private insurance company in India in terms of AUM and market share. The company has seen a big drop in APE but the growth in non-par has been very encouraging. The company has done well to use the Yono app by SBI to get new customers in a period where physical channels have stayed subdued due to COVID-19. The focus of the management remains to focus on protection products as it sees good potential in this product segment and the company aims to stay competitive and drive volumes in this segment. It remains to be seen whether the situation ahead unfolds within the company's expectations or whether we may see more uncertainty arising from COVID-19. Nonetheless, given the company's market positioning, its emphasis on cautious capital allocation, and the rapid proliferation of the company's products through digital channels, SBI Life remains one of the most preferred life-insurance companies in the country.