

SBI Life Insurance Company Ltd. : IPO Update

BFSI: Insurance

Issue Details

Issue Opens	20th Sep 2017
Issue Closes	22nd Sep 2017
Equity shares offered (in Mn)	120
Face Value (INR)	10
Price Band (INR)	685-700
Issue Size (in Mn)	80830-82600
Minimum Application Lot	21
Listing	NSE/BSE
Global Co-ordinators and Book Running Lead Managers	Axis Capital, SBI Capital Markets, BNP Paribas, Citigroup, Deutsche Equities India, ICICI Securities, JM Financial, Kotak Mahindra Capital

Highlights

- SBI Life was established as a joint venture between the State Bank of India and BNP Paribas Cardif SA, an insurance subsidiary of BNP Paribas, in 2001. It is India's leading private life insurer, in terms of New Business Premium generated in each fiscal year, since Fiscal 2010. SBI holds 70.10 per cent in SBI Life and 26 per cent is held by BNPPC. SBI Life will become the second life insurer to go public after listing of ICICI Prudential Life Insurance last year. State Bank of India (SBI) will dilute up to 8 crore shares while BNP Paribas Cardif SA will offload up to 4 crore shares.
- SBI Life has increased its market share of new business premium generated among private life insurers in India, from 15.87 percent in FY15 to 20.04 percent in FY17. In FY17, they have enjoyed a market share of Individual Rated Premium of 20.69% among private life insurers in India and 11.16% of the entire life insurance industry in India.
- The company's Embedded Value as of March 2017 was INR16538 Cr. Their value of New Business was INR1039 Cr in FY17. Their AUM is the second highest among top five private life insurers in India. As of March 31, 2017, the net worth was INR 5552.08 Cr as per the company's restated financial statements.
- Their profit after tax increased at a CAGR of 8.24% from INR814.86 Cr in FY15 to INR954.65 Cr in FY17. The insurer has a solvency ratio of 2.11 as of June 2017 as against the IRDAI mandate of 1.50. The company has the lowest operating expense ratio among the peers.
- Some of the insurer's group firms have suffered losses in the past. In FY17 the losses were, SBICAP (UK) INR5.42 crore, SBICAP (Singapore) Ltd INR 1.12 Cr, SBI Infra Management Solutions incurred losses of INR67 lakh.
- SBI Life's new business premium, gross written premium, individual rated premium, new business annualised premium equivalent increased at a CAGR of 35.45 percent, 27.80 percent, 36.59 percent, and 37.90 percent, respectively, between FY15-17.
- Valuation: The company is well positioned to capitalise on India's low insurance penetration and the widespread bancassurance network. The IPO is priced at 4.2x FY17 Embedded Value which is above the 3.70x of ICICI Prudential. The issue is fairly priced given the strong performance in past few years and gaining market share. We recommend a 'Neutral' rating to the IPO.

Stock Scan

Lower Price Band (INR)	685
Upper Price Band (INR)	700
Diluted EPS FY2017	9.55
P/EV Lower PB	4.14
P/E Upper PB	4.23

Rating **Neutral**

Exhibit: CDSL Ltd. : Financial Performance at a glance (Consolidated)

Particulars (INR Cr)	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Premium Earned Net	10345.30	10701.94	12780.00	15665.45	20852.45
Growth (%)		3.45%	19.42%	22.58%	33.11%
Total Income	14975.52	17369.42	23186.48	19119.72	30277.51
Growth (%)		15.99%	33.49%	-17.54%	58.36%
Net Profit	630.11	727.75	814.86	844.10	954.65
Net Profit Growth (%)		15.50%	11.97%	3.59%	13.10%
EPS	6.30	7.28	8.15	8.44	9.55

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21st September 2017

Source: Company, RHP, SMIFS Research

Peer Comparison

	SBI Life	ICICI Life	HDFC Life
AUM	97736 Cr	122919 Cr	91737 Cr
Embedded Value	16538 Cr	16184 Cr	12470 Cr
RoEV	23%	16.50%	21.70%
ROA	0.99%	1.37%	0.97%
RoE	17.55%	26.24%	25.70%
ROIC	87.86%	34.34%	40.70%
RoNW	18.56%	22.33%	25.60%
Operating Expense Ratio	7.83%	10.50%	12.30%
Dividend Payout Ratio	18.90%	39.50%	29.60%
Branches	803	512	414
BVPS	55.52	44.56	19.21
Price Band	685-700	425.00	-
P/BV	12.61	9.54	-

Major Insurers	Total Life Insurance Premium (in Cr)			Claims Ratio	Claims Rejected (%)	Total AUM (in Cr)	Mkt Share (Pvt)	Market Share	Solvency Ratio
	2014	2015	2016	2016	2016	2016	2016	2016	2016
Bajaj Allianz	5,843.00	6,017.00	5,897.00	91.30%	6.34	43,884.00	8.90%	1.75%	7.93
Exide Life	1,830.00	2,027.00	2,047.00	89.36%	10.11	9,445.00	1.92%	0.38%	2.65
Birla Sunlife	4,833.00	5,233.00	5,579.00	88.45%	7.86	30,742.00	6.24%	1.23%	2.11
ICICI Pru	12,428.00	15,306.00	19,164.00	96.20%	3.5	101,790.00	20.65%	4.07%	3.2
HDFC Std	12,062.00	14,829.00	16,312.00	95.02%	4.34	74,249.00	15.06%	2.97%	1.98
Max Life	7,278.00	8,171.00	9,216.00	96.95%	3.01	35,804.00	7.26%	1.43%	3.43
SBI Life	10,738.00	12,867.00	15,825.00	93.39%	4.76	79,455.00	16.12%	3.18%	2.12
Private Total	77,359.00	88,434.00	100,499.00			492,949.00		19.70%	
LIC	236,942.00	239,667.00	266,444.00	98.33%	0.98	2,009,118.00		80.30%	1.55
Total	314,301.00	328,102.00	366,943.00			2,502,068.00			

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Stock Recommendation	Expected absolute returns (%) over 12 months
Strong Buy	>20%
Buy	between 10% and 20%
Hold	between 0% and 10%
Sell	0 to <-10%
Neutral	No Rating

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