

SBI Life

Refer to important disclosures at the end of this report

Improving margins; comfortable valuation

CMP: Rs 714

as of (May 5, 2020)

TP: Rs 892 (▼)

12 months

Rating: BUY (■)

Upside: 24.9 %

- We assume coverage on SBI Life with a Buy rating (OW in NBFC EAP) and a revised TP of Rs892 at 2.5x March'22E EV (earlier Rs1100 at 3x Sep'21E EV). SBIL has reported further improvement in VNB margins at 18.7% (+102bps yoy), with a shift in the product mix toward the non-par business and a gradual rise in protection plans.
- SBIL management remains firm over the rising share of Protection plans through an increasing focus on credit protection. However, like IPRU, SBIL also depends heavily on bancassurance (~67% of distribution), which could trigger steady growth for ULIPs especially during H2FY20 as the overall equity market is seeing some stabilizing trends.
- We believe that SBIL's margin will improve owing to a gradual rise in protection plans' share along with the elevated share of non-par products. However, management needs to re-price its existing protection plans amid a rise in prices for reinsurance. We expect VNB margins to improve to ~19.6% by FY22E against ~18.7% during FY20.
- 13M persistency for SBIL has improved to ~86.1% against ~85.1% last year, whereas 49M has improved to ~67.3% against 66.4% last year. However, the same does not include the impact of Covid-19 lockdowns and hence, the numbers are least relevant. The solvency ratio fell to ~195% because of a dip in equity markets.

Improvement in VNB margins likely; however, pricing is the key: SBIL has reported further improvement in VNB margins at 18.7% (+102bps yoy), with a shift in the product mix toward the non-par business as well as a gradual rise in protection plans. We expect the trend to improve further, with the rising share of protection plans as well as the elevated share of non-par businesses. However, management needs to re-price its existing protection plans since most of reinsurance companies has already opted for a price hike. Management has confirmed that the current protection plans are being priced cheaper to HDFCSL, however after the price hike, the competition from HDFCSL would surely play an important role.

Best-in-class operating efficiency maintained: SBIL is following Cardiff's model on the bancassurance distribution, making the bank sell insurance policies rather than driving sales through its own employees sitting in the branch. The overall opex ratio for SBIL has improved to ~5.9% against ~6.3% last year, whereas the commission ratio has improved to ~4%. With a further push for digitalization, management expects stability over operating expenses and further improvement in the matrix.

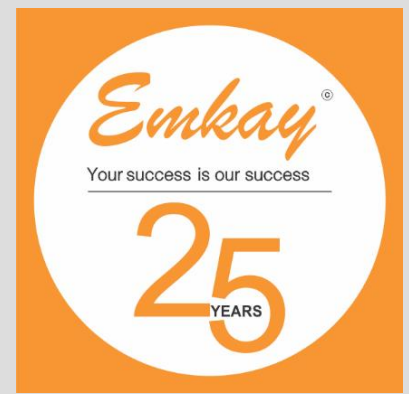
Outlook and valuation: Assume coverage with Buy; OW in EAP: Through a gradual shift toward the profitable product mix and relatively comfortable valuations, we are assuming SBI Life with a Buy rating and a revised TP of Rs892 at 2.5x March'22E EV (earlier Rs1100 at ~3x Sep'21E EV). We expect VNB to grow at a CAGR of 16.3% to Rs27.2bn over FY20-22E, with EV to rise to Rs3.6tn by 2022E. ROEVs are likely to be at around ~17.5% over FY20-FY22E.

Please see our sector model portfolio (Emkay Alpha Portfolio): [BFSI-Insurance \(page 14\)](#)

Financial Snapshot (Standalone)

(Rs mn)	FY18	FY19	FY20	FY21E	FY22E
Net Profit	11,504	13,268	14,222	13,969	16,337
EPS (Rs)	11.5	13.3	14.2	14.0	16.3
VNB	13,855	17,200	20,100	23,521	27,619
VNB margin %	16.2	17.7	18.7	19.1	19.6
EV	1,90,834	2,24,144	2,62,900	3,05,995	3,56,610
ROEV %	17.9	17.4	20.5	17.4	17.5
P/EV (x)	3.7	3.2	2.7	2.3	2.0

Source: Company, Emkay Research



Change in Estimates

EPS Chg FY21E/FY22E (%)	-/-
Target Price change (%)	(18.9)
Target Period (Months)	12
Previous Reco	BUY

Emkay vs Consensus

	EPS Estimates	
	FY21E	FY22E
Emkay	14.0	16.3
Consensus	16.9	20.0
Mean Consensus TP (12M)	Rs 926	

Stock Details

Bloomberg Code	SBILIFE IN
Face Value (Rs)	10
Shares outstanding (mn)	1,000
52 Week H/L	1,030 / 519
M Cap (Rs bn/USD bn)	714 / 9.43
Daily Avg Volume (nos.)	13,00,776
Daily Avg Turnover (US\$ mn)	12.9

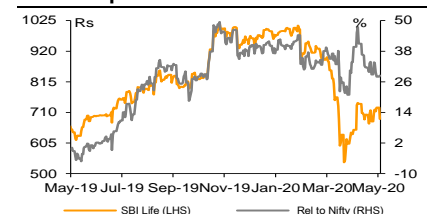
Shareholding Pattern Mar '20

Promoters	62.8%
FIIs	25.9%
DIIIs	5.7%
Public and Others	5.6%

Price Performance

(%)	1M	3M	6M	12M
Absolute	10	(22)	(26)	7
Rel. to Nifty	(4)	3	(5)	37

Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

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Exhibit 1: Comparative matrix

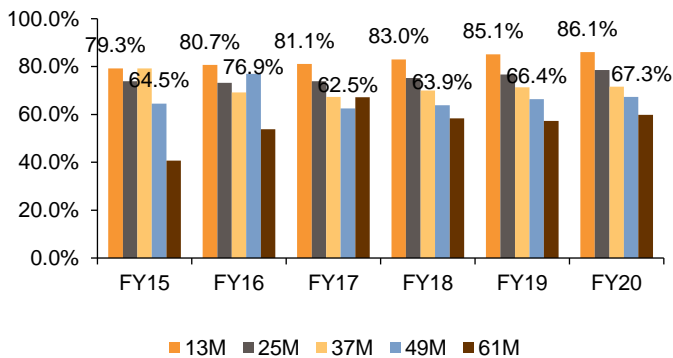
Ranking	IPRU	HDFCSL	SBIL	Remarks
Product Mix	3	1	2	HDFCSL wins here with a balanced mix and the highest share of protection. IPRU is on losing side with concentrated ULIP product mix and more sensitive to cyclical shocks.
Distribution strength	3	2	1	SBIL wins here with the strongest bancassurance base and huge parent network (branch activation rate of ~50% as of now).
Growth ratios	3	2	1	SBIL again wins here with the fastest growth expectation on total premium basis.
Persistency	3	1	2	HDFCSL has seen sharp improvement with overall persistency rising to ~88%, whereas for IPRU, the same has dropped to ~85% for FY20.
VNB Margin	3	1	2	HDFCSL wins here with big margin on the back of the highest share of protection mix and balanced portfolio. IPRU ranks lowest with ULIP being a low margin product.
Impact from sensitivity	3	1	2	IPRU is more sensitive to surrenders due to the ULIP-heavy model.

Source: Emkay Research

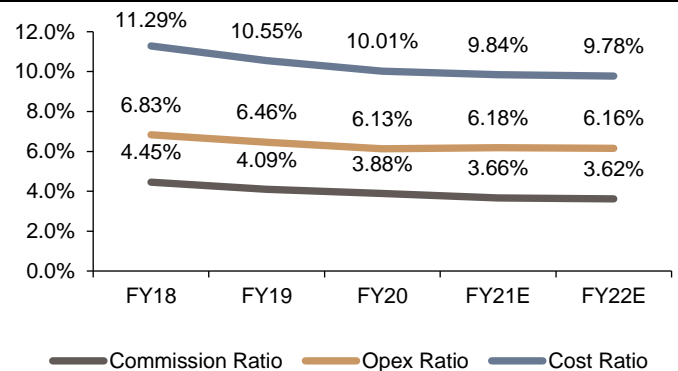
Story in Charts**Exhibit 2: Revision in estimates**

	FY21E			FY22E
	Old	New	% change	Introduced
NBP	2,28,993	2,02,540	-12%	2,35,359
APE	1,39,493	1,23,328	-12%	1,41,046
PAT	18,533	13,969	-25%	16,337
EV	3,07,178	3,05,995	0%	3,56,610
VNB margin %	19.0%	19.1%	0%	19.6%
ROE %	19.3%	15.2%	-21%	15.9%
ROEV %	18.8%	17.4%	-7%	17.5%

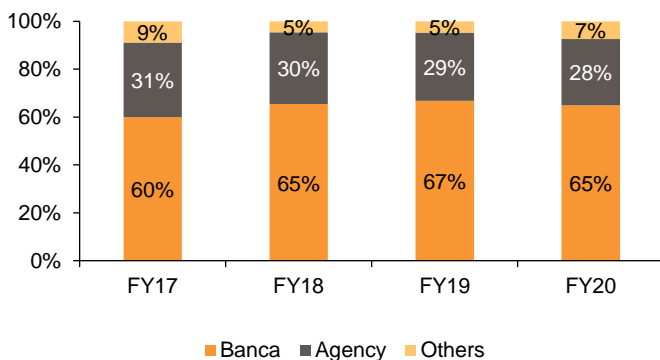
Source: Company, Emkay Research

Exhibit 3: Improving persistency trends

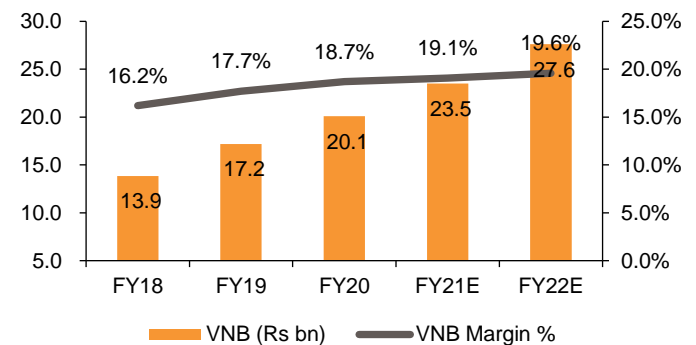
Source: Company, Emkay Research

Exhibit 4: Improving cost matrix

Source: Company, Emkay Research

Exhibit 5: Strong banca channel

Source: Company, Emkay Research

Exhibit 6: VNB margins to continue robust momentum

Source: Company, Emkay Research

Exhibit 7: Movement in EV

Rs mn	FY17	FY18	FY19	FY20	FY21E	FY22E
Opening Embedded value (EV)	1,25,475	1,65,379	1,90,834	2,24,144	2,62,900	3,05,995
Expected return on existing business (A+B+C)	18,506	15,800	16,020	25,800	22,347	26,010
Expected return on existing business (unwind) (A)	10,862	14,100	16,200	19,000	22,347	26,010
Operating assumption changes (B)	5,963	100	(1,010)	1,200	-	-
VNB added during the period	10,367	13,855	17,200	20,100	23,521	27,619
Operating experience variance (C)	1,681	1,600	830	5,600	-	-
IEV operating earnings (EVOP)	28,873	29,655	33,220	45,900	45,868	53,629
Economic assumption changes and investment variance	12,835	(1,800)	2,500	(7,000)	-	-
IEV total earnings	41,708	27,855	35,720	38,900	45,868	53,629
Capital contributions/ / (dividends paid out)	(1,805)	(2,400)	(2,410)	(144)	(2,773)	(3,014)
Closing IEV	1,65,378	1,90,834	2,24,144	2,62,900	3,05,995	3,56,610
Expected return as % of opening (PAT/opening EV)	7.6%	7.0%	7.0%	6.3%	5.3%	5.3%
VIF transfer as % of opening (unwinding/opening EV)	8.7%	8.5%	8.5%	8.5%	8.5%	8.5%
ROEV %	23.0%	17.9%	17.4%	20.5%	17.4%	17.5%
Operating ROEV %	16.9%	16.9%	17.5%	17.4%	17.4%	17.5%

Source: Company, Emkay Research

Exhibit 8: Assumptions

Assumptions	
Terminal APE growth FY36 onwards	5.0%
Terminal VNB Margin	24.0%
Cost of Equity	13.0%
Risk free rate	7.0%
Implied Beta (including company-specific risk)	1.2
Risk Premium	5.0%

Source: Emkay Research

Exhibit 9: Valuation

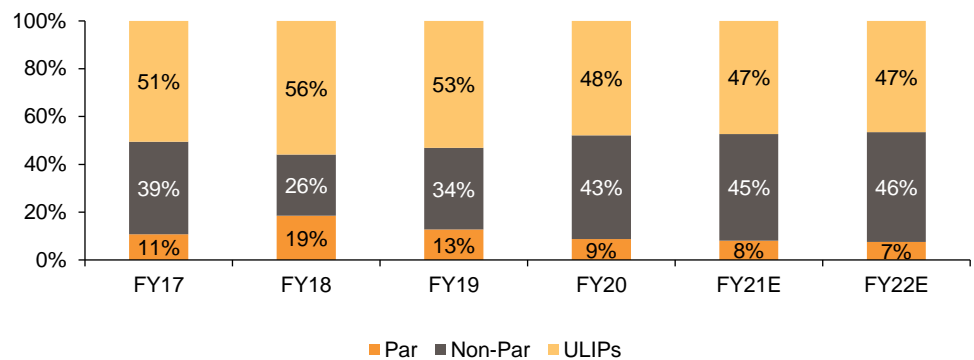
Valuation	
EV	3,56,610
Derived value of VNB	5,34,948
Value of the firm	8,91,558
Per share value (Target Price)	892
Implied AV/EVx	3
Implied NBPx	19

Source: Emkay Research

Sharp rise in share of non-par products – Protection remains the key

SBIL has seen a sharp rise in non-par products (guaranteed returns) during the previous year, which was in line with HDFSL. However, with a recent steep decline in interest rates, the push for the same product seems unlikely. Going forward, management remains firm over increasing the share of Protection plans (mainly individual protection) through increasing focus on credit protection along with a consistent rise in group protection as well. With HDFCSL gradually reducing its focus on credit protection, there could be decent headroom for SBIL.

Exhibit 10: Non-Par products dominated FY20; however a shift is likely to be in favor of protection



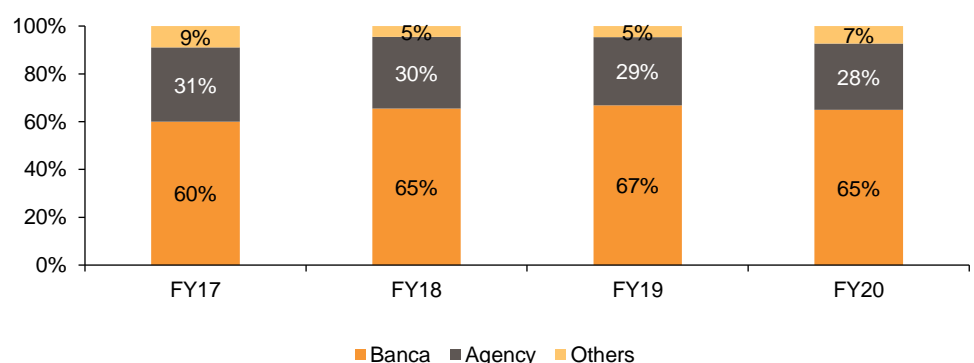
Source: Company, Emkay Research

Post-Covid-19, distribution channel plays vital role

We believe that the overall insurance penetration in India is likely to rise post-Covid-19 scenario as individual as well as corporate customers would be more cautious toward such crisis. We also remain certain that demand for pure protection is tend to rise, with individual customers getting more educated toward the risk that such insurance covers.

Similar to IPRU, SBIL also has large dependence on Bancassurance, which could trigger steady growth for ULIPs especially during H2FY20 as the overall equity market is witnessing some stabilizing trends. Management is also trying to focus on participating products in order to reduce the rising dependence on ULIPs, however elevated dependence on bancassurance remains a major risk to this strategy.

Exhibit 11: Elevated dependence on bancassurance remains the risk to product profile



Source: Company, Emkay Research

As highlighted by us earlier, we believe that elevated reliance on bancassurance (mainly SBI) remains a key risk to the product profile of the company. The bank prefers to sell ULIPs due to large ticket sizes, easier product to sell as well as less competitive to the bank's existing savings product. With the normalization of equity markets, the probability of ULIP sales by the bank remains elevated, which could pose a major risk to the company's margin profile.

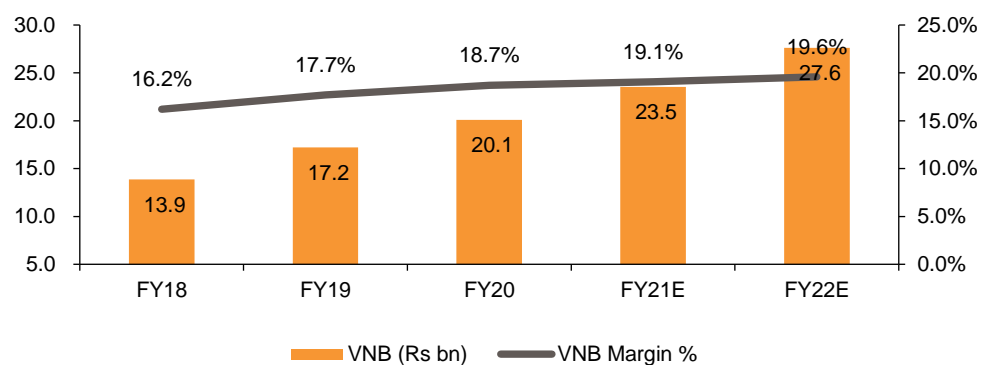
Improvement in VNB margins likely, however pricing remains the key

SBIL has reported further improvement in VNB margins at 18.7% (+102bps yoy), with a shift in the product mix toward the non-par business as well as a gradual rise in protection plans. We expect the trend to improve further, with the rising share of protection plans as well as elevated share of non-par businesses.

We believe that SBIL's margin will improve owing to its increased focus on protection, which is a high-margin business. However, management needs to re-price its existing protection plans since most of reinsurance companies has already opted for a price hike. The management has confirmed that the current protection plans are being priced cheaper to HDFCSL, however after price hikes, the competition from HDFCSL would surely play an important role.

We expect VNB to grow at a CAGR of 16.3% to Rs27.2bn over FY20-22E with EV to rise to Rs3.6tn by 2022E. ROEVs are likely to be at around ~17.5% over FY20-FY22E.

Exhibit 12: VNB margin to witness steady improvement

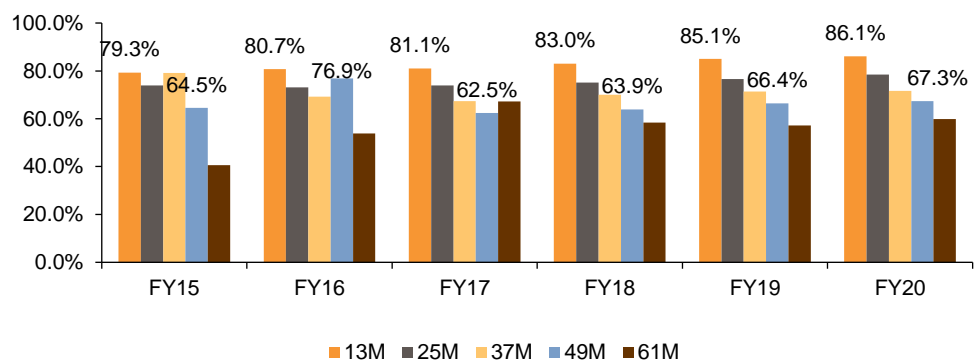


Source: Company, Emkay Research

Persistency Ratio: March numbers would remain volatile

Improvement in persistency is vital, especially for the linked business due to the inherent cyclicity in the business. The 13M Persistency for HDFCSL has improved to ~86.1% against ~85.1% last year, whereas 49M has improved to ~67.3% against 66.4% last year. However, the same does not include data from March'20, which was the first month impacted due to Covid-19 lockdowns and hence, the present numbers are least relevant.

Exhibit 13: Trend in persistency remains encouraging



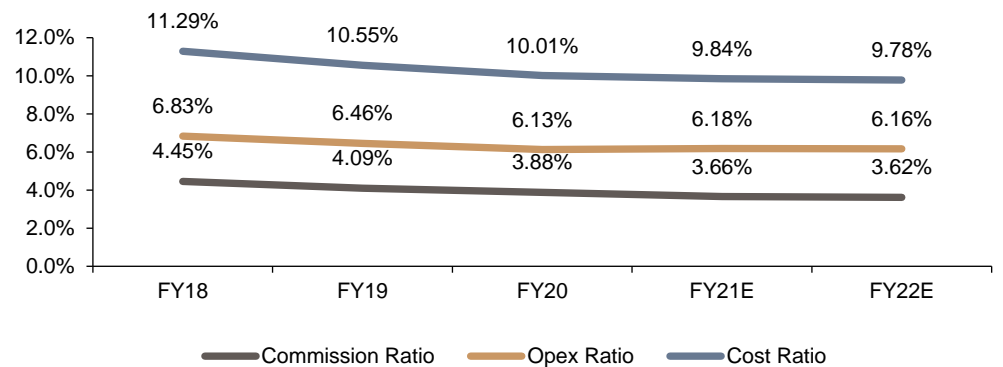
Source: Company, Emkay Research

Strong distribution network; lowest cost ratio

SBIL is following Cardiff's model on bancassurance distribution, making the bank sell insurance policies rather than driving sales through its own employees sitting in the branch. This model requires very low staff support in bank branches (1:10) unlike its peers (>1:1). SBIL has the lowest cost ratio among its peers. The primary reason is the dominance of the bancassurance channel, which contributes ~70% to its individual NBP.

The overall opex ratio has improved to ~6.1% against ~6.5% last year, whereas the commission ratio has improved to ~3.9%. With a further push for digitalization, management expects stability over operating expenses and further improvement in the matrix.

Exhibit 14: Lowest cost ratios among peers



Source: Company, Emkay Research

Q4FY20 Earnings Update – Steady quarter

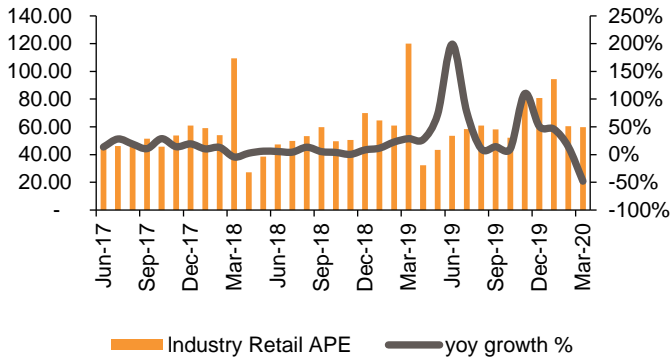
- SBIL has reported further improvement in VNB margins at 18.7% against 17.07% for FY19 on the back of the rising share of non-par products as well as protection plans. Absolute VNB grew by ~17% yoy, which was similar to the last quarter.
- APE at Rs107.4bn (+11% yoy) and NBP of Rs165.9bn (+20% yoy) were lower than our expectation, due to slower growth in the first year's premium at -8.5% yoy amid the Covid-19 slowdown. The share of ULIPs on an APE basis stood at ~70% against ~72% during last year, whereas the share of protection has remained stable at 9% similar to last year.
- 13M Persistency improved to ~86.1% against ~85.1% last year, whereas 49M has improved to ~67.3% against 66.4% last year. However, the same does not include data of March, which was the first month impacted due to Covid-19 lockdowns and hence, the present numbers are least relevant.
- The solvency ratio reduced to ~195% because of a dip in equity markets. However, the same is fairly comfortable against the statutory requirement of ~150%
- Operating variance had been positive by Rs5.6bn – strengthened assumptions mainly bn amid tightening persistency assumptions, whereas the mortality rate has been kept flat.
- Management expects ~Q1FY21 growth to be in single digits whereas H1FY21 would be under pressure and post which one can see some momentum once Covid-19 eases and macro factors stabilizes.
- Share of Non Par products should consolidate as the rate of interest has been reducing – had seen a sharp rise during Q2-Q3FY20.
- Agency remains preferred mode of distribution, however management also remains comfortable with bancassurance contribution. The company has recently tied up with UCO Bank for distribution.
- ULIP persistency would be 85% whereas Protection persistency would be 80%.

Monthly Tracker: Group insurance saves the day

- Premium growth in March'20 witnessed a sharp decline of ~37.8% yoy against growth of ~31.8% during February'20, mainly due to lockdowns amid Covid-19.
- Decline in Retail APE had been far more severe compared to group APE at ~39.8% yoy (+4.8% YTD), again reflecting a delay in premium collections, especially from retail individuals.
- IRDA has anyhow permitted one-month extension for all insurance players, whereas the government allowed a moratorium of 90 days over insurance payments for tax benefit purposes, which could also have resulted in a decline in overall insurance premiums.
- The sole PSU entity, LIC, also witnessed a similar drop in premium collections due to Covid-19. LIC APE declined by ~57% yoy (retail APE declined by 64.5% yoy).
- SBIL reported an APE decline of ~42% yoy to Rs7.3bn on a received premium basis in March'20. Retail APE at Rs6.8bn decreased by ~42.1% yoy.
- Policy sales fell by ~43.2% yoy in March'20, while the retail APE ticket size increased by ~2.1% yoy, helped by resuming sales of par products.
- The current month premium data is more or less irrelevant, considering the impact of Covid-19 has not been analyzed. We continue to remain optimistic toward improvement in premium collection data over coming months, however some volatility is expected amid the current macro crisis due to the Covid-19 pandemic.
- We also believe that private insurance players are unlikely to see any significant shift in premium growth due to the recent announcements made in the Union Budget 2020 (tax savings sale dropping off under the new tax regime), given a diversified product suite and evolving distribution ecosystem.

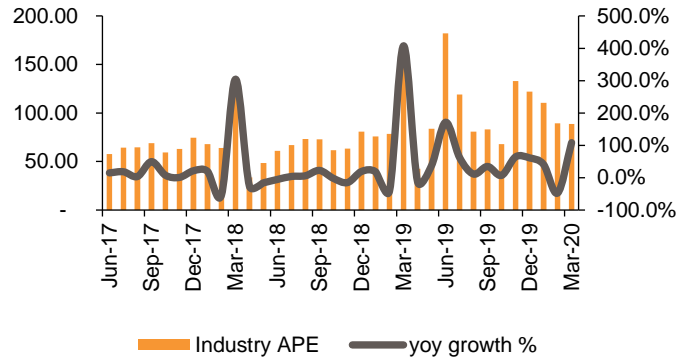
Monthly Tracker Charts

Exhibit 15: Industry's retail APE (Rs bn) and yoy growth (%)



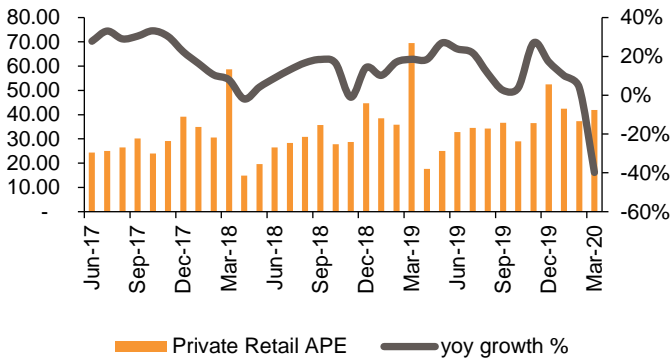
Source: Company, Emkay Research

Exhibit 16: Industry's APE (Rs bn) and yoy growth (%)



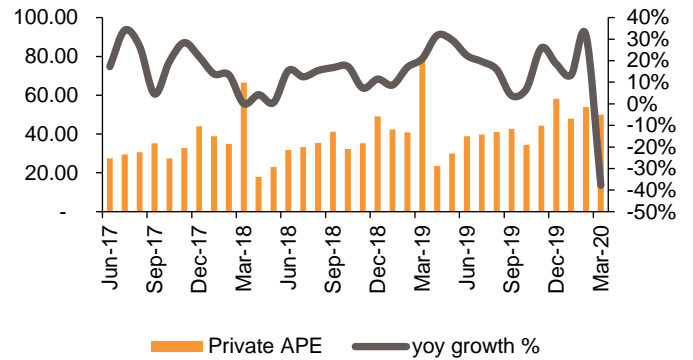
Source: Company, Emkay Research

Exhibit 17: Retail APE of private players (Rs bn) and yoy growth (%)



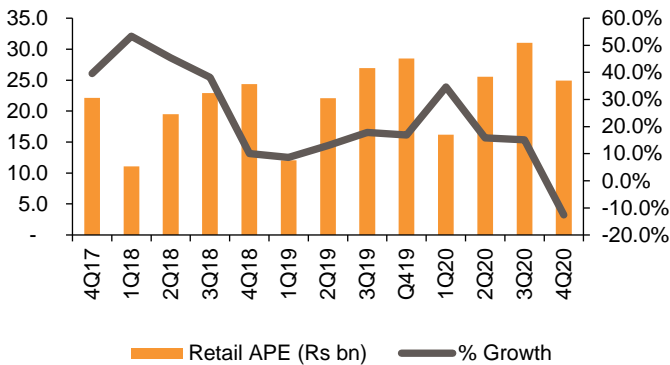
Source: Company, Emkay Research

Exhibit 18: APE of private players (Rs bn) and yoy growth (%)



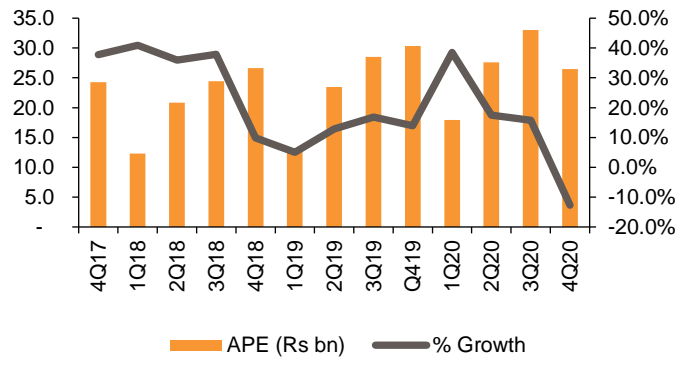
Source: Company, Emkay Research

Exhibit 19: SBIL's retail APE (Rs bn) and yoy growth (%)



Source: Company, Emkay Research

Exhibit 20: SBIL APE (Rs bn) and yoy growth (%)



Source: Company, Emkay Research

Exhibit 21: Glossary

Term	Abbreviation	Description
Annualized Premium Equivalent	APE	APE is the sum of annualized first year premiums on regular premium policies and 10% of single premiums on the new business written during any period.
Bancassurance	Banca	An arrangement entered into by an insurance company with banks through which the bank sells or markets insurance products of the insurance company to the bank's clients.
Embedded value	EV	It represents the present value of shareholders' interests in the earnings distributable from the assets allocated to the business after sufficient allowance for the aggregate risks in the business. It is the sum of retained earnings, invested capital and value in force (VIF). It is the value of company's existing business.
Embedded value operating profit	EVOP	EVOP is a measure of the increase in the EV during any given period due to matters that can be influenced by management. It includes value created due to writing off new business and positive operating variance due to better persistency and mortality experience, better expense efficiencies. It excludes changes in EV due to external factors like changes in economic variables and shareholder-related actions like capital injection or dividend pay-outs.
Operating return on embedded value	ROEV	Operating Return on EV is the ratio of EVOP for any given period to the EV at the beginning of that period.
First Year Premium	FYP	Insurance premium that is due in the first policy year of a life insurance contract.
In-Force	-	An insurance policy or contract, reflected on records, which has not expired, matured or otherwise been surrendered or terminated.
Insurance Penetration	-	It is the insurance premium as % of GDP for any given period.
Morbidity Rate	-	It is an estimate of the number of persons that are expected to suffer a disease, illness, injury, or sickness and could vary by age or other factor such as occupation, health etc.
Mortality Charges	-	The risk charges that are deducted from the unit fund of a policy to provide for the mortality benefit to the policyholder.
Mortality Rate	-	An estimate of number of deaths, varying by such parameters as age, gender and health, used in pricing and computing policy liabilities.
New Business Premium	NBP	Insurance premium, which is due in the first policy year of a life insurance contract or single lump sum payment from the policyholder.
New business strain	NBS	New business strain arises when the premium paid at the commencement of a contract is not sufficient to cover the initial expenses, including acquisition costs and any mathematical reserve that a company needs to set up at that point.
Participating Product	-	A life insurance policy where the policyholder is entitled to share the surplus emerging in participating fund. The current minimum share that the policyholders are entitled to, as per the IRDAI regulations, is 90%.
Persistency Ratio	-	It can be measured in terms of number of policies or in terms of premium underwritten. It is in proportion of the business retained from business underwritten E.g. 49th Month persistency at 65% will mean that only 65 policies are in force today out of 100 policies sold 4 years back.
Value of New Business	VNB	VNB is the present value of expected future earnings from new policies written during a specified period and it reflects the additional value to the shareholders - expected to be generated through the activity of writing new policies during a specified period.
Value of new business margin	VNB margin	VNB margin is the ratio of VNB to New Business APE for a specified period and is a measure of the expected profitability of new business.
Solvency Ratio	-	It is the minimum amount of required capital to run insurance business smoothly. In India, it is set at 150% of the requirement by IRDAI.
Sum Assured	SA	The amount that an insurer agrees to pay on the occurrence of a stated contingency.

Source: DRHP, Industry data, Emkay Research

Key Financials (Standalone)**Income Statement**

Policyholders Account-Y/E (Rs mn)	FY18	FY19	FY20	FY21E	FY22E
Net earned premium	2,51,601	3,28,904	4,03,240	4,65,366	5,38,201
Income from investments	84,563	1,12,081	29,968	1,46,707	1,75,475
Contribution from the shareholders fund	756	989	4,763	0	0
Miscellaneous income	686	0	0	772	850
Total income	3,37,605	4,41,973	4,37,971	6,12,845	7,14,526
Commissions	11,209	13,463	15,662	17,041	19,475
Operating expenses	17,188	21,235	24,718	28,755	33,146
Provisions	3,527	5,505	6,776	6,735	7,925
Total expenses	31,924	40,203	47,156	52,531	60,546
Benefits paid (net)	1,17,123	1,52,938	1,62,509	2,12,066	2,56,712
Change in liabilities (net)	1,75,950	2,35,917	2,06,049	3,32,607	3,79,259
Total	2,93,073	3,88,855	3,68,558	5,44,673	6,35,971
Surplus	12,609	12,915	22,257	15,642	18,009
Tax	2,380	2,687	3,767	4,253	5,001
Net surplus	10,229	10,228	18,490	11,389	13,008
Transfer to shareholders account	8,294	9,985	14,627	8,607	10,238

Shareholders Account-Y/E (Rs mn)	FY18	FY19	FY20	FY21E	FY22E
Transfer from policyholders account	8,294	9,985	14,627	8,607	10,238
Income from investments	4,521	5,057	4,767	6,536	7,440
Other income	113	135	68	78	90
Total income	12,928	15,177	19,461	15,221	17,768
Expenses	319	300	483	555	639
Provisions	7	159	80	0	0
Contribution to policyholders account	756	989	4,763	0	0
Profit before tax	11,845	13,729	14,135	14,665	17,129
Tax	341	461	(86)	697	793
Net profit	11,504	13,268	14,222	13,969	16,337

Balance Sheet

Y/E Year End	FY18	FY19	FY20	FY21E	FY22E
Sources of funds					
Share capital	10,000	10,000	10,000	10,000	10,000
Reserve and surplus	53,745	64,601	78,839	87,600	1,00,919
Fair value change account credit/(debit)	1,534	1,162	(1,408)	(1,408)	(1,408)
Net worth (including fair value change)	65,278	75,764	87,431	96,191	1,09,510
Policyholders funds	11,14,345	13,51,399	15,31,011	19,42,482	23,37,612
Funds for future appropriations	1,935	2,816	7,137	9,918	12,689
Total liabilities	11,81,558	14,29,978	16,25,579	20,48,591	24,59,811
Application of funds					
Shareholders investments	50,143	57,232	68,280	75,121	85,523
Policyholders investments	5,44,857	6,44,724	7,34,199	8,67,246	10,20,166
Assets to cover linked liabilities	5,49,359	6,91,291	7,85,653	10,48,206	12,74,544
Loans	1,709	1,725	3,645	3,645	3,645
Fixed assets	5,813	5,952	5,812	5,812	5,812
Net current assets (A-B)	29,677	29,054	27,990	48,562	70,122
Miscellaneous expenditure	0	0	0	0	0
Debit balance in p&l	0	0	0	0	0
Total assets	11,81,558	14,29,978	16,25,579	20,48,591	24,59,811

Key Ratio (%)

Y/E Year End	FY18	FY19	FY20	FY21E	FY22E
Conservation ratio %	84.2	85.2	85.1	78.1	80.4
Commissions ratio %	4.5	4.1	3.9	3.7	3.6
Opex ratio %	6.8	6.5	6.1	6.2	6.2
ROA %	1.1	1.0	0.9	0.8	0.7
ROE %	19.0	18.8	17.4	15.2	15.9
Dividend payout ratio %	17.4	15.1	14.1	16.5	15.3

EV Data	FY18	FY19	FY20	FY21E	FY22E
Embedded value (Rs mn)	1,90,834	2,24,144	2,62,900	3,05,995	3,56,610
Value of new business (Rs mn)	13,855	17,200	20,100	23,521	27,619
EVOP (Rs mn)	29,655	33,220	45,900	45,868	53,629
ROEV %	17.9	17.4	20.5	17.4	17.5
VNB margin %	16.2	17.7	18.7	19.1	19.6

Source: Company, Emkay Research

Per Share Data (Rs)	FY18	FY19	FY20	FY21E	FY22E
EPS	11.5	13.3	14.2	14.0	16.3
DPS	2.0	2.0	2.0	2.3	2.5
BVPS	65.3	75.8	87.4	96.2	109.5

Valuation (x)	FY18	FY19	FY20	FY21E	FY22E
P/E	62.0	53.7	50.1	51.0	43.6
P/B	10.9	9.4	8.2	7.4	6.5
P/EV	3.7	3.2	2.7	2.3	2.0
P/VNB	51.5	41.5	35.5	30.3	25.8
Dividend yield (%)	0.3	0.3	0.3	0.3	0.4

Source: Company, Emkay Research

Growth (%)	FY18	FY19	FY20	FY21E	FY22E
GWP	20.6	30.1	29.3	14.9	15.7
New business premium (NBP)	8.1	25.8	34.6	22.1	16.2
Annualized premium equivalent (APE)	27.6	13.2	21.9	17.4	14.4
Retail APE	31.1	15.0	22.7	17.9	14.6
Commissions	43.1	20.1	22.1	8.8	14.3
Operating expenses	4.4	23.5	24.1	16.3	15.3
Net income	20.5	15.3	(3.9)	(1.8)	17.0

Quarterly (Rs mn)	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Net earned premium	1,13,330	66,550	1,01,115	1,16,945	1,18,630
Total income	1,56,409	98,164	1,28,898	1,59,547	51,892
Total expenses	1,51,590	94,386	1,27,706	1,55,597	41,914
Net income	4,577	3,719	1,298	3,898	5,307
EPS (Rs)	4.58	3.72	1.30	3.90	5.31

Source: Capitaline

Shareholding Pattern (%)	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20
Promoters	69.8	67.3	62.8	62.8	62.8
FIIIs	14.1	19.4	23.7	26.4	25.9
DIIIs	4.4	6.2	6.9	5.5	5.7
Public and Others	11.8	7.1	6.6	5.3	5.6

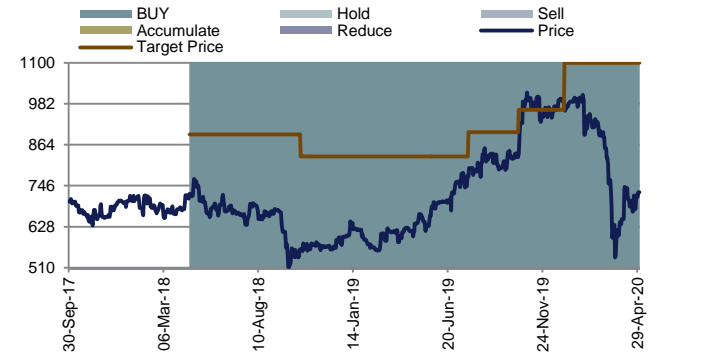
Source: Capitaline

RECOMMENDATION HISTORY TABLE

Date	Closing Price	TP	Period (months)	Rating	Analyst
07-Feb-20	947	1,100	12m	Buy	Neeraj Toshniwal
23-Jan-20	986	1,100	12m	Buy	Neeraj Toshniwal
30-Dec-19	976	1,100	12m	Buy	Neeraj Toshniwal
09-Dec-19	942	965	12m	Buy	Neeraj Toshniwal
08-Nov-19	982	965	12m	Buy	Neeraj Toshniwal
15-Oct-19	838	965	12m	Buy	Neeraj Toshniwal
11-Oct-19	840	900	12m	Buy	Neeraj Toshniwal
03-Oct-19	831	900	12m	Buy	Neeraj Toshniwal
11-Sep-19	800	900	12m	Buy	Neeraj Toshniwal
13-Aug-19	771	900	12m	Buy	Neeraj Toshniwal
24-Jul-19	773	900	12m	Buy	Neeraj Toshniwal
13-May-19	620	830	12m	Buy	Neeraj Toshniwal
26-Apr-19	637	830	12m	Buy	Neeraj Toshniwal
22-Apr-19	616	830	12m <td Buy	Neeraj Toshniwal	
13-Mar-19	615	830	12m	Buy	Neeraj Toshniwal
19-Jan-19	620	830	12m	Buy	Neeraj Toshniwal
19-Oct-18	564	830	12m	Buy	Neeraj Toshniwal
26-Jul-18	673	894	12m	Buy	Neeraj Toshniwal
18-Apr-18	721	894	12m	Buy	Neeraj Toshniwal

Source: Company, Emkay Research

RECOMMENDATION HISTORY CHART



Source: Bloomberg, Company, Emkay Research

Emkay Alpha Portfolio – BFSI-Insurance



Analyst: Jignesh Shial

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Sector

NBFCs/AFCs

Analyst bio

Jignesh Shial is a CA and has total 12 years of research experience. His team currently covers 11 NBFCs/AFCs.

EAP sector portfolio

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight (Normalised)
BFSI-Insurance	1.40	1.40	0%	0	100.00
HDFC Life	0.49	0.49	0%	0	34.97
ICICI Pru Life	0.29	0.26	-7%	-2	18.89
Max Financial	0.16	0.18	13%	2	13.14
SBI Life	0.46	0.46	0%	0	33.00
Cash	0.00	0.00	NA	0	0.01

Source: Emkay Research

* Not under coverage: Equal Weight

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

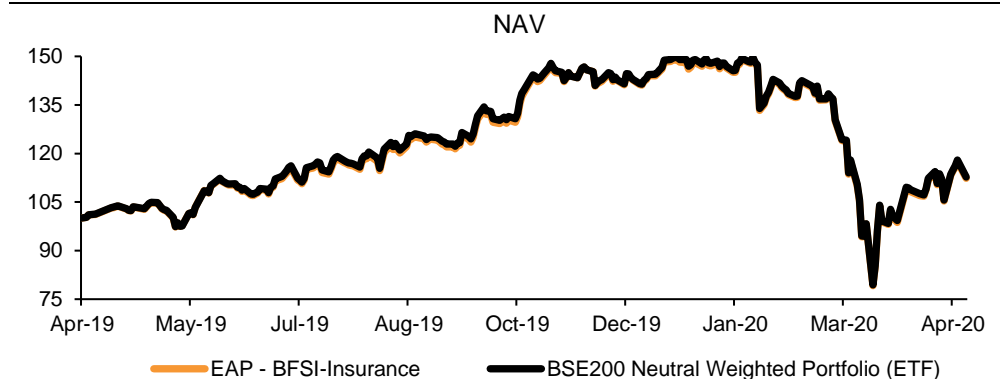
Sector portfolio NAV

	Base					Latest
	01-Apr-19	02-Aug-19	05-Nov-19	03-Feb-20	03-Apr-20	04-May-20
EAP - BFSI-Insurance	100.0	116.2	142.2	135.1	98.7	112.3
BSE200 Neutral Weighted Portfolio (ETF)	100.0	116.8	142.5	135.6	99.3	112.7

*Performance measurement base date 1st April 2019

Source: Emkay Research

NAV chart



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 06 May 2020 04:24:42 (SGT)

Dissemination Date: 06 May 2020 04:25:42 (SGT)

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