

SBI Life Insurance Co Ltd (SBILIFE)

Muted premium growth; Traction in ULIPs and Par products

SBI Life Insurance reported premium income lower than our estimates by 6% mainly due to weakness in the group insurance and muted growth in the bancassurance channel. In terms of APE, growth was muted at 3% YoY, lower than our estimates by 4%. VNB declined by 3% YoY due to increased sale of ULIP products and high base of last FY while VNB margin reported a de-growth of 159bps. The company continues to launch new products to diversify its product offerings and is working on Agency 2.0 to strengthen its agency network.

Although, the quarter remained muted in terms of APE/VNB growth, the company remains optimistic about the path going ahead and expects APE growth of 15-17% YoY.

ULIPs and Par products gained momentum in APE

SBI Life continues to see growth in the ULIPs segment which now forms 65% of the total APE mix. During the quarter, Par product reported strong growth of 129% QoQ/39% YoY, which is 6% of their total APE mix. Traction in the par segment was mainly seen in the bancassurance channel which reported a growth of 114% YoY during the quarter. The company remains comfortable with respect to the product mix and wants to focus on products which has consumer demand. The company remains optimistic of its growth outlook on the back of new product launches and relaunch of existing products which will provide better value proposition to the policyholders. During the quarter, group insurance remained muted due to competitive pressure and irrational pricing.

Muted growth in the banca channel while agency remains robust

Banca channel reported muted growth during the quarter as the company is working towards digitizing the process and integrating YONO app to enhance the overall customer experience. Agency network remains strong for SBI Life as the company launched Agency 2.0 which is aimed to improve agents onboarding, improving agents productivity and better collaboration. In line with the banca channel, the agency channel saw higher ULIPs and par products sales while non-par remained muted across channels.

Margins expected to see slight improvement

SBILIFE's VNB saw a decline of 3% YoY while margin reported a de-growth of 159bps YoY to 26.9%. The muted margin was mainly attributable to higher ULIP sales and higher base of last FY. Going forward, the VNB margin is expected to see improvement in the recent launches have relatively higher margin (HNI Protection plan). The company expects its commission structure to remain unaltered by the new regulation and also expects minimal change due to the new surrender value norms. SBI Life has also made re-pricing of its non-par and ULIP products last month which shall also aid margin.

Valuation and outlook

We continue to remain positive on the company on the back its strong agency network and leadership position in the insurance industry. SBI Life continues to have high margin as compared to its peers and has grown at a healthy pace in terms of APE/NBP. We expect its APE/NBP to grow at 17%/21% CAGR over FY24-27E. The company is currently trading at P/EV multiple of 2.3/2.0/1.7x of its FY25/26/27E embedded value. We maintain 'Buy' on SBI Life Insurance with a target price of Rs 2,015; valuing the company at 2.5x on its FY26E embedded value.

YE March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net premium	6,65,810	8,05,871	9,49,145	11,16,352	13,19,744
Total Income	8,15,985	13,26,314	13,50,133	15,15,664	17,43,424
Total Benefits	7,12,906	12,15,388	12,27,330	13,72,035	15,82,273
Surplus/(Deficit) for the period	28,562	27,915	25,750	27,493	32,175
APE	1,68,100	1,97,200	2,30,383	2,71,904	3,19,882
VNB	50,700	55,500	63,573	73,267	86,637
New business premium (NBP)	2,95,900	3,82,400	4,65,627	5,60,506	6,77,286
Embedded value (EV)	4,60,600	5,82,600	6,99,111	8,23,171	9,61,737
EV per share (Rs)	460.1	582.0	698.4	822.3	960.8
P/EV (x)	3.8	3.0	2.5	2.1	1.8

Source: Company, ACMIIL Research

BUY
Target: Rs 2,015

Key Data

Bloomberg code:	SBILIFE:IN
Target price (Rs)	2,015
CMP (Rs)	1,640
Upside/ (Downside)	23%
Rating:	Buy
Shares outstanding (mn):	1,002
Mcap (Rs bn) :	1,646
52-week H/L (Rs):	1,936/1,291

Price Performance (%)

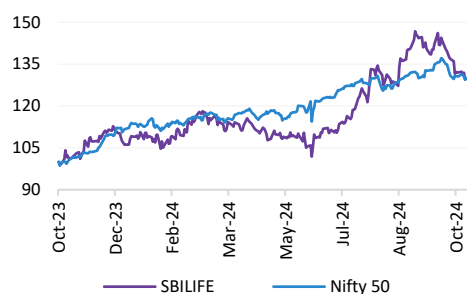
1 month	(12.0)
3 months	(0.4)
12 months	(24.8)

Shareholding Pattern (%)

	Mar'24	Jun'24	Sep'24
Promoter	55.4	55.4	55.4
FII's	25.2	24.7	25.2
DII's	15.4	15.9	15.3
Public/other	4.0	4.0	4.1
Pledge	-	-	-

Source: BSE

Price Performance: SBILIFE vs Nifty 50



Source: NSE

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SBI Life Insurance Co Ltd (SBILIFE)

Technical account - Consolidated

Muted premium growth,
missed estimates by 6%

Y/E March (Rs mn)	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	ACMIIL Est.	Var (%)
First year premium	49,157	46,333	6.1	31,464	56.2		
Renewal premium	1,17,212	1,01,211	15.8	85,387	37.3		
Single premium	37,763	54,214	(30.3)	38,870	(2.8)		
Net premium income	2,02,661	2,00,497	1.1	1,51,055	34.2	2,14,926	(5.7)
Income from investments (Net)	1,97,531	85,074	132.2	1,92,835	2.4		
Net Commission	8,372	7,959	5.2	5,689	47.1		
Expenses of Management	21,569	19,121	12.8	16,404	31.5		
Provision	(22)	98	-	(167)	-		
Goods and Service Tax (GST) on charges	2,764	2,303	20.0	2,271	21.7		
Provision for taxes	545	371	46.9	615	(11.4)		
Benefits Paid (Net)	1,40,102	1,00,445	39.5	98,292	42.5		
Change in actuarial liability	2,30,532	1,59,708	44.3	2,20,325	4.6		
Surplus/(Deficit)	4,661	3,639	28.1	6,181	(24.6)		

Sources: Company, ACMIIL Research

Profit & loss account - Consolidated

Y/E March (Rs mn)	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	ACMIIL Est.	Var (%)
Transferred to Shareholders A/c	2,545	1,665	52.8	2,752	(7.5)		
Investment Income	2,826	2,476	14.1	2,648	6.7		
Expenses other than insurance business	85	251	(66.0)	84	1.5		
Profit/ (loss) before tax	5,469	3,870	41.3	5,355	2.1		
Provisions for tax	175	68	157.9	160	9.6		
Profit after tax	5,294	3,802	39.3	5,195	1.9	4,895	8.2

Sources: Company, ACMIIL Research

Business parameters- Consolidated

APE missed estimates by 4%,
growth remained flat at 3%
YoY.

Y/E March (Rs mn)	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)	ACMIIL Est.	Var (%)
New Business Premium (NBP)	87,000	1,00,500	(13.4)	70,300	23.8		
Renewal Premium (RP)	1,17,200	1,01,200	15.8	85,400	37.2		
Gross Written Premium (GWP)	2,04,200	2,01,700	1.2	1,55,700	31.1		
Annualized Premium Equivalent (APE)	53,900	52,300	3.1	36,400	48.1	55,954	(3.7)
Individual Rated Premium (IRP)	48,800	43,900	11.2	32,200	51.6		
Profit after Tax (PAT)	5,294	3,802	39.3	5,195	1.9		
Value of New Business (VoNB)	14,500	14,900	(2.7)	9,700	49.5	15,580	(6.9)
New Business Margin (%)	26.9	28.5	-159bps	26.8	10bps	27.8	-94bps

Sources: Company, ACMIIL Research

SBI Life Insurance Co Ltd (SBILIFE)

Product Mix

Par products showed healthy growth, increasing 129%/39% on QoQ/YoY basis.

Particulars	Q2FY25	Q2FY24	YoY (%)	Q1FY25	QoQ (%)
Product mix - APE basis (Rs mn)					
Par	3,200	2,300	39.1	1,400	128.6
Non Par	8,400	8,600	(2.3)	7,000	20.0
ULIP	35,000	30,200	15.9	22,200	57.7
Protection	5,000	7,000	(28.6)	3,000	66.7
Annuity	1,200	1,600	(25.0)	1,200	-
Group Savings	1,100	2,700	(59.3)	1,600	(31.3)
Product mix - APE basis (%)					
Par	5.9	4.4	154bps	3.8	209bps
Non Par	15.6	16.4	-86bps	19.2	-365bps
ULIP	64.9	57.7	719bps	61.0	395bps
Protection	9.3	13.4	-411bps	8.2	103bps
Annuity	2.2	3.1	-83bps	3.3	-107bps
Group Savings	2.0	5.2	-312bps	4.4	-235bps
Product mix - NBP basis (Rs mn)					
Par	3,300	2,300	43.5	1,400	135.7
Non Par	8,300	8,500	(2.4)	6,800	22.1
ULIP	42,900	35,200	21.9	27,500	56.0
Protection	9,900	12,200	(18.9)	7,200	37.5
Annuity	12,300	15,500	(20.6)	11,500	7.0
Group Savings	10,100	27,000	(62.6)	16,000	(36.9)
Product mix - NBP basis (%)					
Par	3.8	2.3	150bps	2.0	180bps
Non Par	9.5	8.5	108bps	9.7	-13bps
ULIP	49.3	35.0	1429bps	39.1	1019bps
Protection	11.4	12.1	-76bps	10.2	114bps
Annuity	14.1	15.4	-128bps	16.4	-222bps
Group Savings	11.6	26.9	-1526bps	22.8	-1115bps

Sources: Company, ACMIIL Research

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Con-Call Key Take Away

- **Adhering to the new norms** – SBI Life announced relaunch of 15 existing products, ensuring they align with the regulatory requirement, current market trends and customer expectations. It also introduced nine new products that cater to the emerging needs of our customers, five unit-linked insurance products, two term insurance products, one endowment product and one annuity product. The company has 24 products in its portfolio.
- **Slow growth in premium income** – The company experienced slower growth in premium due to the high base from last year, however, it is optimistic that the new product launches and approach in reaching out to the customers will drive growth moving forward.
- **Headwinds in the group insurance segment** – The insurer witnessed headwinds in group business, particularly with group savings product due to unsustainable rates offered by a few in the market.
- **Healthy growth in ULIP products**- The growth in ULIP can be attributed to the positive movement in equity markets and evolving customer preferences. This trend is evident across the industry as more customers seek products that blend investment opportunities with protection.
- **Slower growth in banca channel** - In the first half of the year, the company witnessed slower growth in the bancassurance channel as it is prioritizing on the development of robust digital platforms and advanced data analytics with a clear goal to reinvigorate the business model and enabling the bancassurance channel to better service specific customer needs. The focus will be on customer-initiated journey on YONO platform of the State Bank of India with little or no manual intervention. By enhancing these capabilities, they are laying the groundwork for sustainable growth and improved customer engagement in the long run.
- **Seeing benefits of Agency 2.0** – The increased focus on agency channel and strategic launch of Agency 2.0, it has witnessed improvement in agent activation, agency channel productivity and onboarding of new agents and better collaboration between agents. During H1FY25, the company added more than 50,000 agents, a fair mix of both urban and rural areas. The share of agency channel in individual rated premium has increased from 29% in Q1FY25 to 33% in Q2FY25.
- **Growth and guidance** – In FY25E, SBI Life expects to grow at 15-17% on IRP basis. In terms of margin, the company expects its margin to improve mainly due to the new product launches done by the company which are higher margin products. VNB growth is expected in the range of 12-15%.
- **Expect margins to improve** – The company has repriced its non-par and ULIP products last month and thus expects margin to improve going forward.
- **No change in surrender value** – Unlike other private insurers, the company has not changed its commission structure. With regards to the surrender value, SBI Life's surrender have always remained high surrender due to which it is least affected to the change surrender value forms.
- **Developing YONO platform** – SBI is developing YONO as a marketplace and is working towards YONO 2.0. SBI Life seeing huge opportunity as the penetration in State Bank account is only around 2% of the actual coverable accounts. They are developing this YONO channel as an eye on the digital transaction, and digital is the future in coming years.
- **HNI protection plan** – During the quarter, SBI Life launch the HNI Protection plan which has profitability similar to the retail and also competitive in nature. SBI Life expected this product to gain traction going forward as it offers great value proposition for the insurers.

Margin expected to grow at 15-17% due to new product launches of higher margins.

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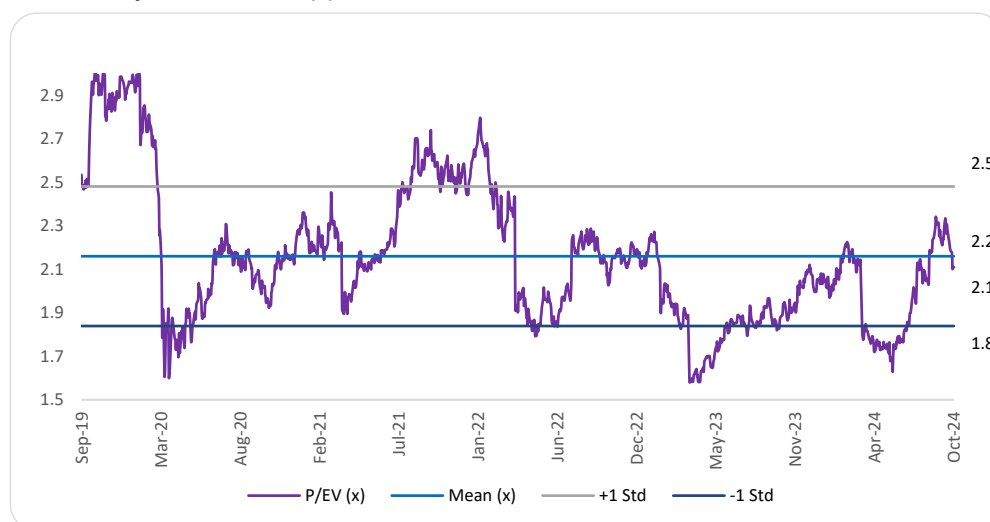
Valuation Chart

We maintain 'Buy' on SBI Life Insurance with a target price of Rs 2,015; valuing the company at 2.5x on its FY26E embedded value.

SBI Life Insurance top-line growth remained muted on the back of high base in the previous FY. The company continues to see higher sale of ULIP products while Par products saw traction during the quarter while annuity/protection/group savings remained muted. The company expects its banca channel to remain muted in the next 1-2 quarters as it ramps up this channel while agency 2.0 shall see healthy results going forward. Margin is expected to see slight improvement on the back of high margin product launches and re-pricing of non-par and ULIP products.

We continue to remain positive on the company on the back its strong agency network and leadership position in the insurance industry. SBI Life continues to have high margin as compared to its peers and has grown at a healthy pace in terms of APE/NBP. We expect its APE/NBP to grow at 17%/21% CAGR over FY24-27E. The company is currently trading at P/EV multiple of 2.3/2.1/1.7x of its FY25/26/27E embedded value. We maintain 'Buy' on SBI Life Insurance with a target price of Rs 2,015; valuing the company at 2.5x on its FY26E embedded value.

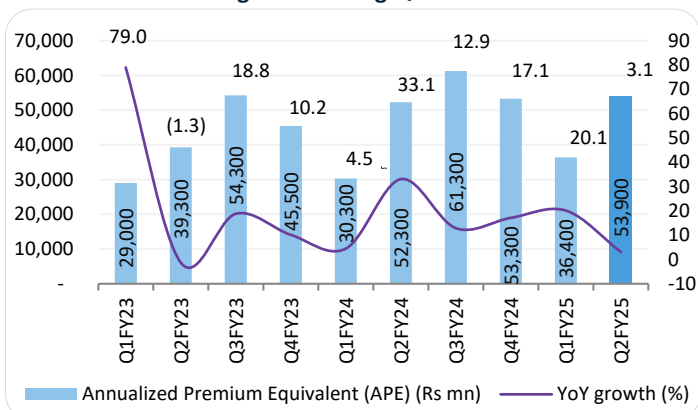
Exhibit 1: 1 yr forward P/EV (x)



Source: Company, ACMIIL Research

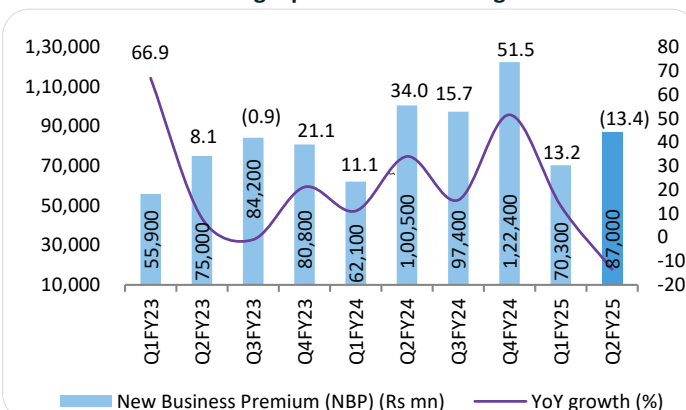
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Exhibit 2: Muted APE growth during Q2FY25



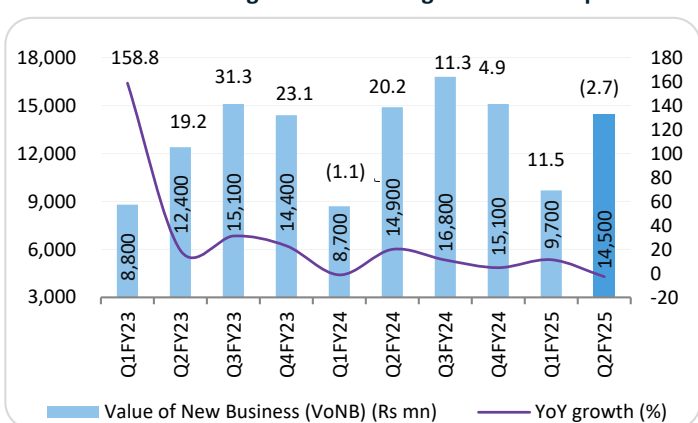
Source: Company, ACMIIL Research

Exhibit 3: Decline in single premium led to de-growth in NBP



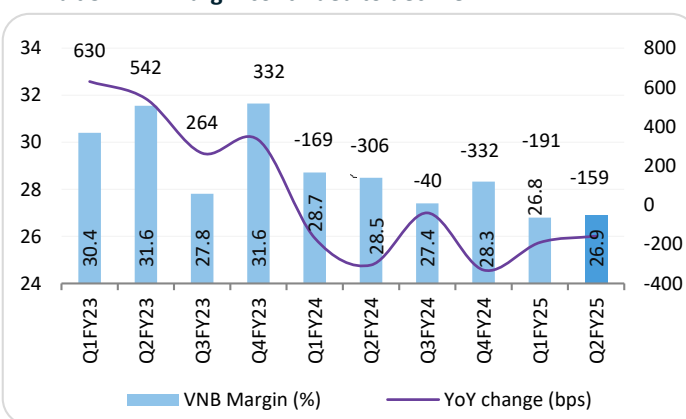
Source: Company, ACMIIL Research

Exhibit 4: VNB saw de-growth due to high base in last quarter



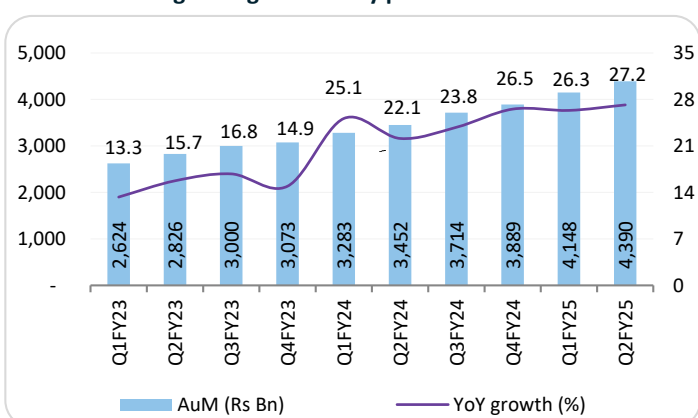
Source: Company, ACMIIL Research

Exhibit 5: VNB Margin continued to decline



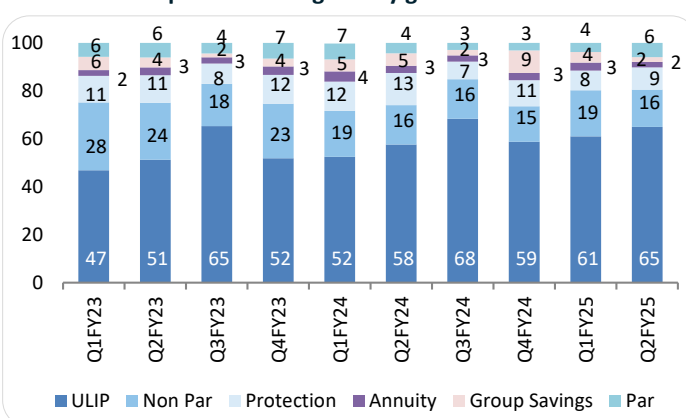
Source: Company, ACMIIL Research

Exhibit 6: AUM growing at a steady pace



Source: Company, ACMIIL Research

Exhibit 7: ULIP product seeing steady growth in the APE mix



Source: Company, ACMIIL Research

Financials (Consolidated)

Technical Account Statement

Y/E March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Gross premium	6,73,156	8,14,306	9,59,108	11,26,731	13,34,762
Net premium	6,65,810	8,05,871	9,49,145	11,16,352	13,19,744
Investment income	1,32,601	5,03,666	3,83,865	3,81,156	4,04,241
Contribution from the Shareholders' A/c	17,075	16,276	16,614	17,631	18,887
Other Income	499	501	509	524	552
Total Income	8,15,985	13,26,314	13,50,133	15,15,664	17,43,424
Commissions	30,625	32,553	36,218	42,539	49,962
Operating expenses	40,422	43,193	49,425	58,706	66,267
Total expenses	74,517	83,012	97,053	1,16,136	1,28,976
Benefits paid	3,02,875	4,31,074	5,16,545	6,27,321	7,32,871
Change in valuation of life reserves	4,10,031	7,84,313	7,10,785	7,44,714	8,49,401
Total Benefits	7,12,906	12,15,388	12,27,330	13,72,035	15,82,273
Surplus/(Deficit) for the period	28,562	27,915	25,750	27,493	32,175

Source: Company, ACMIIL Research

Shareholder's account

Y/E March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Transfer from policyholder's a/c	27,071	25,976	23,175	24,743	28,958
Investment income	7,945	10,341	14,848	19,701	22,704
Other income	7	0	0	0	0
Operating expenses	372	506	464	438	425
Contribution to the policyholders a/c	17,075	16,276	16,614	17,631	18,887
Profit before tax	17,584	19,429	20,881	26,337	32,326
Tax	379	483	519	655	804
Profit after tax	17,206	18,946	20,362	25,682	31,522

Source: Company, ACMIIL Research

Key metrics

Y/E March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
VNB	50,700	55,500	63,573	73,267	86,637
VNB growth (%)	36.9	9.5	14.5	15.2	18.2
VNB margin (%)	30.2	28.1	27.6	26.9	27.1
APE	1,68,100	1,97,200	2,30,383	2,71,904	3,19,882
APE growth (%)	17.6	17.3	16.8	18.0	17.6
NBP	2,95,900	3,82,400	4,65,627	5,60,506	6,77,286
NBP growth (%)	16.2	29.2	21.8	20.4	20.8
Embedded Value (EV)	4,60,600	5,82,600	6,99,111	8,23,171	9,61,737

Sources: Company, ACMIIL Research

Balance Sheet

Y/E March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	10,009	10,015	10,015	10,015	10,015
Reserves and surplus	1,19,237	1,35,900	1,53,188	1,75,727	2,04,033
Fair value change account	929	3,169	3,545	4,034	4,649
Shareholder's equity	1,30,175	1,49,084	1,66,748	1,89,776	2,18,697
Borrowings	-	-	-	-	-
Fair value change account	20,389	47,191	66,663	87,012	99,908
Policy liabilities	13,01,319	15,58,085	17,96,333	20,72,078	22,95,114
Linked liabilities	16,32,555	21,60,103	24,90,405	30,82,694	36,24,511
Funds for future appropriations	11,427	13,366	15,453	18,606	21,367
Total liabilities	29,65,691	37,78,744	43,68,854	52,60,390	60,40,899
Total liabilities and shareholders equity	30,95,866	39,27,830	45,35,602	54,50,166	62,59,597
Shareholders investments	1,12,087	1,30,364	1,49,634	1,68,304	1,90,963
Policyholders investments	12,98,702	15,65,436	17,95,278	23,24,470	26,60,664
Unit linked investments	16,32,555	21,60,103	24,90,405	28,82,694	33,24,511
Loans	3,889	3,888	3,932	4,055	4,222
Fixed assets	5,215	5,570	5,934	6,241	6,587
Net current assets/(liabilities)	43,416	62,470	90,419	64,401	72,649
Total assets	30,95,866	39,27,830	45,35,602	54,50,166	62,59,597

Source: Company, ACMIIL Research

EV movement

Y/E March (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Opening EV	3,96,300	4,60,600	5,82,600	6,99,111	8,23,171
VoNB	50,700	55,500	63,573	73,267	86,637
Unwinding	34,100	38,100	22,721	22,372	26,341
Operating experience variance	5,100	6,100	6,516	6,619	6,593
Change in operating assumptions	700	700	885	1,062	1,251
Economic assumption change & variance	(24,200)	23,900	25,230	23,276	20,407
Dividend paid	(2,100)	(2,300)	(2,415)	(2,536)	(2,663)
Closing EV	4,60,600	5,82,600	6,99,111	8,23,171	9,61,737

Source: Company, ACMIIL Research

Valuation

FYE March (x)	FY23	FY24	FY25E	FY26E	FY27E
P/EV	3.7	3.0	2.5	2.1	1.8
P/VNB	34.1	31.1	27.2	23.6	19.9
P/B	13.3	11.6	10.4	9.1	7.9
P/E	100.4	91.2	84.8	67.2	54.8

Sources: Company, ACMIIL Research

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	$\geq 15\%$
SELL	$< -10\%$
HOLD	$> -10\%$ to 15%

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Research Analyst Registration Number:
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