

Q2FY25

SBI Life Insurance Company Ltd



SBI Life Insurance Ltd.

Product mix and slowdown in bancassurance impacts growth in margins and growth

CMP*	Target	Potential Upside	Market Cap (INR Mn)	Recommendation	Sector
INR 1,635	INR 1,901	16.2%	16,39,047	BUY	Life Insurance

Result Highlights Q2FY25:

- The Gross Written Premium (GWP) for Q2FY25 stood at INR 204,132 Mn, a growth of 1.2% YoY (+31.1% QoQ), primarily led by a 15.8% YoY growth in the renewal premium. GWP missed our estimates. The Value of the New Business (VNB) declined by 2.7% YoY (+49.5% QoQ) to INR 14,500 Mn. PAT for Q2FY25 was INR 5,294 Mn, a growth of 39.3% YoY (+1.9% QoQ). As of September 30, 2024, AUM stood at INR 4,389.5 Bn, a growth of 27.2% YoY (+5.8% QoQ), with a debt-equity mix of 60:40.
- The embedded value for the quarter ended September 2024 stood at INR 660.7 Bn, a growth of 28.9% YoY and an operating return on embedded value (ROEV) of 19.5%, indicating that SBILIFE is efficiently generating returns on its existing business. SBILIFE's solvency ratio as of September 30, 2024, stood at 2.04x, which is significantly above the regulatory requirement of 1.5x.
- We revise our target price to INR 1,901 per share (earlier INR 2,160), assigning a multiple of 2.2x (earlier 2.5x) for its FY26E embedded value. Accordingly, we maintain our "BUY" rating.

MARKET DATA

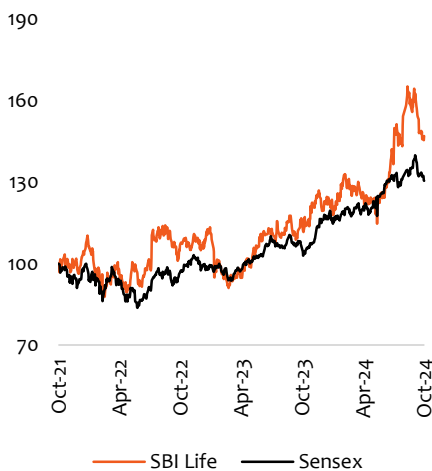
Shares outs (Mn)	1,002
Mkt Cap (INR Mn)	16,39,047
52 Wk H/L (INR)	1,936/ 1,291
Volume Avg (3m K)	1,498
Face Value (INR)	10
Bloomberg Code	SBILIFE IN

KEY FINANCIALS

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
GWP	673,156	814,306	913,094	1,050,697	1,211,626
PAT	17,206	18,938	23,637	27,941	33,334
EPS (INR)	17.2	18.9	23.6	27.9	33.3
NBP-APE	168,100	195,520	224,312	261,365	304,588
VNB	50,700	55,500	60,564	72,137	85,285
VNB Margin (%)	30.1%	28.1%	27.0%	27.6%	28.0%
EVPS (INR)	460.4	582.5	719.8	865.7	1,035.3

Source: Company, KRChoksey Research

SHARE PRICE PERFORMANCE



ULIPS continues to dominate growth; subdued growth in the banca segment:

- New Business Premium (NBP) declined by 13.6% YoY (+23.6%QoQ). This decline was attributable to the fall of 30.3% YoY (-2.8% QoQ) in the single premium segment during the quarter. The first-year premium segment reported a growth of 6.1% YoY/ 56.2% QoQ, while the renewal segment grew by 15.8% YoY(+37.3%QoQ), taking the gross written premium to INR 204,132 Mn (+1.2% YoY/ 31.1% QoQ).
- The contribution of ULIPs to the individual new business premium was 61.0%, reflecting a 19.0% growth YoY. This growth was largely attributed to favourable equity market conditions, which have driven customer interest in investment-linked insurance products. The company expects continued demand for ULIPs, driven by customers seeking a combination of investment opportunities and protection in a rising equity market environment.
- For Q2FY25, the APE growth stood at 3.1% YoY (48.1% QoQ), while for H1FY24 the growth stood at 9.3% YoY. ULIP APE saw a healthy growth of 24.1% YoY in H1FY25, reaching INR 57.2 Bn, while for Q2FY25, the growth was reported at 16.3% YoY (+57.7% QoQ). The protection APE for H1FY25 saw a sharp decline of 25.2% YoY, while for Q2FY25, the decline was 28.6% YoY (+66.7% QoQ). Protection products remain key to SBILIFE's strategy, contributing significantly to higher margins. The company has focused on increasing its share of protection products, which includes launching pre-approved protection plans through the YONO platform.
- In terms of distribution mix, bancassurance remains the leading channel for SBI Life, contributing 58.4% of the total APE in H1FY25 (57.7% in Q2FY25). However, the growth for Q2FY25 was merely 3.3% YoY. The agency APE for the quarter stood at INR 17.3 Bn, an increase of 24.5% YoY. This growth is attributed to SBI Life's strategic focus on the Agency 2.0 initiative, which improved agent productivity and expanded the number of active agents.

MARKET INFO

SENSEX	80,065
NIFTY	24,399

SHARE HOLDING PATTERN (%)

Particulars	Sep-24	Jun-24	Mar-24
Promoters	55.4	55.4	55.4
FIIIs	25.2	24.7	25.2
DIIIs	15.3	15.9	15.4
Others	4.1	4.0	4.0
Total	100	100	100

*Based on previous closing

Note: All the market data is as of previous closing

15.8%

APE CAGR between FY24 and FY26E

14.0%

VNB CAGR between FY24 and FY26E

SBI Life Insurance Ltd.

VNB margins sees slight improvement on a sequential basis:

- VNB margin stood at 26.9% for Q2FY25, a decline from 28.5% in Q2FY24. For the quarter, the fall in VNB margins was 159 bps YoY but saw a slight improvement of 10 bps QoQ.
- For H1FY25, SBI Life reported VNB margins of 26.8%. The company experienced a 2.5% adverse effect from the shift in business mix H1FY25, which was partially mitigated by a 0.8% adjustment in operating variance.
- The company expects to maintain a VNB margin in the range of 26.0% to 27.0% for the full year FY25E, balancing the product mix between higher-margin protection and non-PAR products and the dominant ULIPs.
- While margins remain healthy, the company's focus is on growing VNB by optimizing APE growth. FY25E guidance is for VNB growth in the range of 12.0%-15.0% YoY.
- The cost ratio for SBILIFE in H1FY25 stood at 10.6% vs 10.0% a year ago due to higher operating expenses. The increase in the operating ratio was largely driven by investments in digital platforms, especially the development of SBI Life's YONO platform. Additionally, the company has been enhancing its agency channel under the "Agency 2.0" program, which has involved onboarding new agents and improving their productivity through training and development programs.
- The commission ratio stood at 4.7% for H1FY25 compared to 4.6% in H1FY24, which was relatively stable and led by a steady commission structure.
- The 13th-month persistency ratio improved to 86.4% (an improvement of 98 bps YoY). In comparison, the 61st-month persistency ratio rose to 61.9%, showing a significant improvement of 438 bps, reflecting stronger customer loyalty, leading to higher renewal premiums, and contributing positively to operating performance.

Key Concall highlights:

- The company maintains private market leadership with a share of 21.3%. SBILIFE's total market share stands at 8.3% for new business premiums, while individual new business premium has a private market share of 25.7%.
- Continued focus on adapting product offerings to regulatory requirements and market trends is expected to drive growth. The company remains proactive in ensuring product launches are aligned with evolving customer needs.
- SBILIFE is focusing on shifting part of its business to digital channels, particularly through SBI's YONO platform. The aim is to enable customer-initiated journeys for purchasing insurance products with minimal manual intervention.
- A pre-approved protection product was launched on YONO, utilizing data analytics to offer personalized insurance options to customers. In its first month, over 33,000 policies were sold through this platform, showcasing early success in driving digital insurance sales.
- A strong emphasis was placed on the digital transformation journey, with 99.0% of individual proposals being submitted digitally, and 44.0% being processed through automated underwriting.
- SBILIFE emphasized its proactive approach to meet evolving customer needs and regulatory requirements. It relaunched 15 existing products and introduced nine new products, expanding its portfolio to 24 products. This included new offerings in the unit-linked insurance, term insurance, endowment, and annuity segments, aiming to cater to a wider range of customer preferences and market demands.
- The IRDAI (Insurance Regulatory and Development Authority of India) introduced new guidelines for surrender values, mandating higher minimum surrender values for certain products. SBILIFE has complied with these regulatory changes by repricing products, particularly in the non-PAR savings category, to align with the new surrender value rules.
- The company navigated a declining interest rate environment by repricing non-PAR products and managing bond investments. Falling bond yields slightly affected the company's returns, but it remains focused on managing interest rate risks through a balanced investment portfolio.
- SBILIFE has maintained a strong investment performance through prudent management of both its equity and bond portfolios in response to market conditions.
- The company is confident that launching new protection products and emphasizing digital sales will help sustain margins within the guided range of 26.0-27.0%.
- SBILIFE continues to offer flexible retirement solutions that cater to customers' long-term financial needs, contributing to its broad portfolio of offerings.
- The annuity business, aimed at retirement planning, remains a significant focus. The total annuity and pension new business underwritten was INR 32.8 Bn. Although annuity growth was slower in Q2FY25, the company expects a recovery in this market.

Valuation and view:

SBILIFE reported a weak performance in Q2FY25 on the back of slower growth in business premiums. Margins continued to see contraction but on a sequential basis, the repricing of the non-par segment aided in a slight improvement. The company expects a 15.0-17.0% growth in Individual Rated Premium (IRP) for FY25E, supported by both traditional channels (bancassurance and agency) and the emerging digital distribution network. SBILIFE aims to strengthen its private market share, which is currently at 21.3%, and maintain its leading position in NBP. The company's strategy to grow protection and non-PAR products, which offer higher margins than ULIPs, is expected to enhance profitability and VNB margins. Despite slower growth in the bancassurance channel against the previous quarters (due to a high base effect), SBILIFE expects stronger performance in H2FY25E, particularly with the integration of digital initiatives such as YONO. We expect the GWP to grow at 13.6% CAGR over FY24-26E with a VNB growth of 14.0% CAGR. PAT is anticipated to expand at 21.5% CAGR over FY24-26E, maintaining its cost leadership. We have cut our P/EV multiple given industrywide headwinds leading to pressure on the VNB margins and slower growth. **We have applied a 2.2x P/EV (earlier 2.5x) on FY26E EVPS of INR 865.7 and a VNB multiple of 14.4x to arrive at a weighted average TP of INR 1,901 per share (earlier INR 2,160) for SBI Life (50:50 weights on the P-EV and appraisal value methodology); implying a potential upside of 16.2% from the CMP. Accordingly, we maintain our "BUY" rating on the shares of SBILIFE.**

SBI Life Insurance Ltd.

Result Snapshot Q2FY25

In INR Mn	Q2FY25	Q1FY25	Q2FY24	QoQ	YoY	H1FY25	H1FY24	YoY
Key Financial & Actuarial Metrics								
First Year Premium	49,157	31,464	46,333	56.2%	6.1%	80,621	72,707	10.9%
Single Premium	37,763	38,870	54,214	-2.8%	-30.3%	76,633	89,910	-14.8%
New Business Premium (Individual + Group)	86,920	70,334	100,547	23.6%	-13.6%	157,253	162,618	-3.3%
Renewal Premium (Individual+ Group)	117,212	85,387	101,211	37.3%	15.8%	202,599	174,691	16.0%
Gross Written Premium	204,132	155,721	201,758	31.1%	1.2%	359,853	337,309	6.7%
Profit After Tax	5,294	5,195	3,802	1.9%	39.3%	10,489	7,612	37.8%
Assets Under Management (AUM)	4,389,500	4,147,700	3,451,500	5.8%	27.2%	4,389,500	3,451,500	27.2%
Value of new business (VNB)	14,500	9,700	14,900	49.5%	-2.7%	24,200	23,600	2.5%
Net Worth	162,600	155,700	139,700	4.4%	16.4%	162,600	139,700	16.4%
Total APE	53,900	36,400	52,300	48.1%	3.1%	90,300	82,600	9.3%
Key Financial Ratios								
Solvency Ratio	204%	201%	212%	300bps	-800bps	204%	212%	-800bps
Persistency Ratio								
13th Month	86.4%	86.5%	85.4%	-10bps	100bps	86.4%	85.4%	100bps
61st Month	61.9%	59.0%	57.5%	290bps	440bps	61.9%	57.5%	440bps
Overall New Business Margin %	26.9%	26.8%	28.5%	10bps	-159bps	26.8%	28.6%	-177bps

Source: Company, KRChoksey Research

Key Financials:

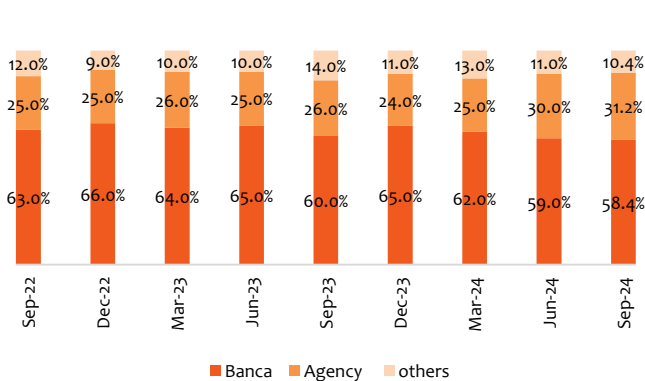
Particulars (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Total premium	673,156	814,306	913,094	1,050,697	1,211,626
Net premium earned	665,810	805,871	903,963	1,040,190	1,199,510
NBP-APE	168,100	195,520	224,312	261,365	304,588
Combined Ratio	9.6%	7.2%	8.0%	8.0%	8.0%
Surplus/(Deficit)	28,562	27,915	31,100	35,517	42,409
VNB margin (%)	30.1%	28.1%	27.0%	27.6%	28.0%
PAT	17,206	18,938	23,637	27,941	33,334
EPS (Rs.)	17.2	18.9	23.6	27.9	33.3
EVPS (Rs.)	460.4	582.5	719.8	865.7	1,035.3
RoEV (%)	22.9%	21.8%	20.0%	19.7%	19.3%
RoE (%)	14.0%	13.6%	15.7%	18.0%	20.6%

Source: Company, KRChoksey Research

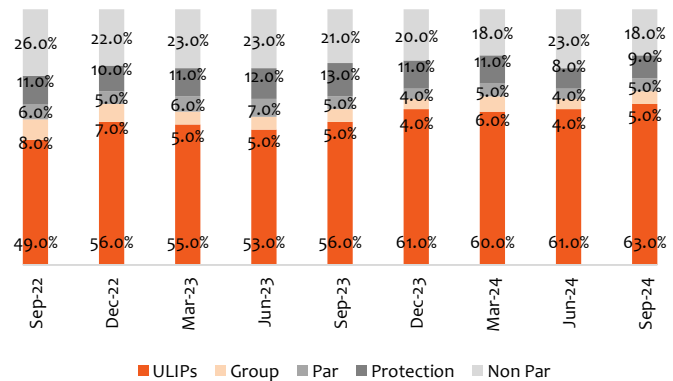
EV Calculation (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Opening EV	396,300	460,400	582,500	719,812	865,693
Unwind	34,100	38,100	48,348	59,744	71,852
VNB (or NBAP)	50,700	55,500	60,564	72,137	85,285
Operating variance	5,800	6,900	7,500	10,000	10,000
EV Operating Profit (EVOP)	90,600	100,500	116,412	141,881	167,137
Non-operating variance	-24,200	23,900	23,400	6,500	5,000
EV Profit	66,400	124,400	139,812	148,381	172,137
Net capital injection	-2,300	-2,300	-2,500	-2,500	-2,500
Closing EV	460,400	582,500	719,812	865,693	1,035,330

Source: Company, KRChoksey Research

Channel mix on APE basis (%)
Banca segment slowdown resulted in decline in mix



Product mix (%) (on APE basis): ULIP mix increases



Source: Company, KRChoksey Research

SBI Life Insurance Ltd.

Financials:

Exhibit 1: Revenue Account

Revenue Account (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Gross premiums	673,156	814,306	913,094	1,050,697	1,211,626
Reinsurance ceded	7,346	8,435	9,131	10,507	12,116
Net premiums	665,810	805,871	903,963	1,040,190	1,199,510
Net income from investments	132,601	503,666	259,555	301,547	349,761
Total income	815,985	1,326,314	1,163,518	1,341,737	1,549,270
Commission expenses	29,360	31,051	38,806	44,655	51,494
Operating expenses	35,360	41,321	52,959	60,940	70,274
Service tax on linked charges	8,194	9,476	11,651	11,651	11,651
Operating profit	743,071	1,244,466	1,060,101	1,224,491	1,415,851
Benefits paid (net)	302,875	431,074	492,660	551,301	611,750
Change in reserves	410,031	784,313	534,000	635,000	758,500
Provision For Tax & Others	1,603	1,164	2,341	2,673	3,192
Surplus / (Deficit) After tax	28,562	27,915	31,100	35,517	42,409

Exhibit 2: Profit and Loss Statement

Profit & Loss Account (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Transfer from Technical account	27,072	25,977	30,100	34,517	41,409
Income from investments & other income	7,953	10,341	14,565	17,606	20,775
Total income	35,024	36,317	44,665	52,123	62,184
Total expenses	17,440	16,896	20,546	23,612	28,169
PBT	17,584	19,421	24,119	28,511	34,014
Provision for tax	379	483	482	570	680
PAT	17,206	18,938	23,637	27,941	33,334

Exhibit 4: Premium

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
First year premiums	151,971	174,757	202,719	237,181	277,501
Single premiums	143,915	207,626	215,931	241,842	270,864
New business premium (NBP)	295,886	382,383	418,649	479,023	548,365
NBP growth (%)	16.2%	29.2%	9.5%	14.4%	14.5%
Renewal premiums	377,270	431,923	494,445	571,674	663,261
Renewal premiums growth (%)	13.3%	14.5%	14.5%	15.6%	16.0%
Total premiums	673,156	814,306	913,094	1,050,697	1,211,626
Total premium growth (%)	14.6%	21.0%	12.1%	15.1%	15.3%
NBP - APE	168,100	195,520	224,312	261,365	304,588
NBP - APE growth (%)	17.6%	16.3%	14.7%	16.5%	16.5%

Exhibit 3: Balance Sheet

Particulars (INR Mn)	FY23	FY24	FY25E	FY26E	FY27E
Sources of funds					
Share capital	10,009	10,015	10,019	10,019	10,019
Reserves and surplus	119,237	135,900	140,627	146,216	152,882
Fair value change account - net	929	3,169	2,000	2,000	2,000
Shareholders' fund	130,175	149,086	152,647	158,235	164,902
Liabilities (Policyholder's Funds)					
Fair value change account - net	20,389	47,191	60,148	76,661	97,709
Policy liabilities	1,301,319	1,558,085	1,807,379	2,096,559	2,432,009
Provision for linked liabilities	1,407,214	1,667,408	1,967,541	2,262,672	2,602,073
Credit/[debit] fair value change account	128,712	378,338	482,214	614,609	783,355
Discontinued due to non-payment of premium	96,630	114,357	145,754	185,772	236,778
Sub-Total	2,954,263	3,765,379	4,463,035	5,236,275	6,151,924
Funds for future Appropriations	11,427	13,366	13,366	13,366	13,366
Total Sources of Funds	3,095,866	3,927,830	4,629,048	5,407,875	6,330,191
Application of Funds					
Investments					
- Shareholders'	112,087	130,364	153,829	181,518	214,192
- Policyholders'	1,298,702	1,565,436	1,909,832	2,329,995	2,842,594
Asset held to cover linked liabilities	1,632,555	2,160,103	2,484,118	2,807,053	3,171,970
Loans	3,889	3,888	5,500	5,500	5,500
Fixed assets - net block	5,215	5,570	5,820	6,070	6,320
Net current assets	43,417	62,470	69,949	77,738	89,615
Total Applications of Funds	3,095,866	3,927,830	4,629,048	5,407,875	6,330,191

Source: Company, KRChoksey Research

RESEARCH ANALYST

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SBI Life Insurance Ltd.

SBI Life Insurance			
Date	CMP (INR)	TP (INR)	Recommendation
25-Oct-24	1,635	1,901	BUY
04-Oct-24	1,806	2,160	BUY
31-Jul-24	1,721	1,985	BUY
04-May-24	1,443	1,705	BUY
29-Jan-24	1,418	1,705	BUY
02-Nov-23	1,344	1,630	BUY

Rating Legend (Expected over a 12-month period)	
Our Rating	Upside
Buy	More than 15%
Accumulate	5% – 15%
Hold	0 – 5%
Reduce	-5% – 0
Sell	Less than – 5%

ANALYST CERTIFICATION:

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