

January 17, 2025

RESULT REPORT Q3 FY25 | Sector: Insurance (Life)

SBI Life Insurance

SBI Life gazes into a new long-term regime

Our view – Agency channel expected to drive growth going forward

APE growth – Growth improved in 3Q, with management guiding for robust agency channel growth: New business APE grew 28.8%/13.2% QoQ/YoY. For 3Q, Banca channel grew 9.1% YoY whereas the Agency channel jumped 23.2% YoY. For FY25, individual APE growth is expected to be 14% whereas overall APE growth is expected to be 11%. Overall APE growth is slower than individual APE growth due to slowdown in the group fund business. The overall growth guidance is 15-17% in the medium term. With the kind of base the company has, 10% growth going forward from the Banca channel is satisfactory, as per management. The agency channel is expected to grow at 30% plus in the medium term. Management is confident of this growth since the company is not dependent on large agents, which have to be pursued via high commission payouts.

VNB margin – Calculated VNB margin has inched up sequentially, while management guided for stable to positive margin: Calculated VNB margin for 3QFY25 rose 4bps QoQ but fell -46bps YoY to 26.9%. Management stated that, while it is a bit early to comment on the impact of surrender rule changes, the impact is expected to be minimal. Protection has seen higher double-digit growth sequentially in 3Q and the good growth is expected to continue in 4Q as well. There is significant focus on pure protection and the share of pure protection has risen to 37% in 3Q, with the remaining 63% being ROP (Return of Premium). There is not much change in ULIP margin but going forward, protection rider will be launched for attachment with ULIP. VNB growth will be slightly less than APE growth for FY25 as a whole and is likely to be single digit or 10%. There is potential for sequential margin expansion in 4Q due to improved product mix due to the new Non-Par product launched. From a medium-term perspective, the company will try to maintain VNB margin in a 27-29% range.

We maintain 'BUY' rating on SBIL with a revised price target of Rs 1920: We value SBIL at 2.4x FY26 P/EV for an FY25/26/27E RoEV profile of 18.7%/18.6/18.5%.

(See Comprehensive con call takeaways on page 2 for significant incremental colour.)

Other Highlights (See "Our View" above for elaboration and insight)

- **VNB growth:** VNB growth was at 29.0%/11.3% QoQ/YoY where the QoQ growth was driven by growth in APE
- **Expense control:** Expense ratio de-grew -7/-91bps QoQ/YoY to 9.7%, where the opex ratio grew 1bp YoY but commission ratio de-grew -8bps YoY
- **Persistency:** 37th month ratio was flat YoY but grew 16bps QoQ to 72.4% whereas 61st month ratio grew 137/521 bps QoQ/YoY to 63.3%

Exhibit 1: Result table

Rs mn	Q3FY25	Q3FY24	% yoy	Q2FY25	% qoq
NBP	105,303	97,387	8.1%	86,920	21.1%
Renewal premium	144,676	127,200	13.7%	117,212	23.4%
Income from investments	(62,817)	164,686	-138.1%	197,531	-131.8%
Surplus/(Deficit)	3,470	3,375	2.8%	4,661	-25.5%
APAT	5,508	3,218	71.2%	5,294	4.0%
Expense ratio	9.7%	9.8%	-7bps	10.6%	-91bps
37th mo. Persistency*	72.4%	72.4%	0bps	72.2%	16bps
Total APE	69,400	61,300	13.2%	53,900	28.8%
VNB (effective tax basis)	18,700	16,800	11.3%	14,500	29.0%
VNB Margin (effective tax basis)	26.9%	27.4%	-46bps	26.9%	4bps

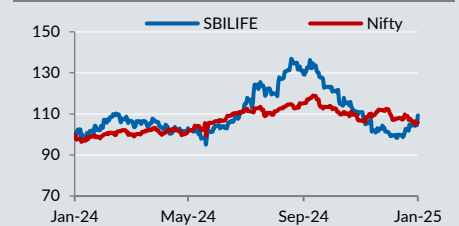
Source: Company, YES Sec-Research, *N.B. Regular and Limited Pay under individual category

Recommendation	: BUY
Current price	: Rs 1,541
Target price	: Rs 1920
Potential return	: +25%

Stock data (as on January 17, 2025)

Nifty	23,203
52 Week h/l (Rs)	1936 / 1308
Market cap (Rs/USD mn)	1475827 / 17045
Outstanding Shares (mn)	1,002
6m Avg t/o (Rs mn):	2,506
Div yield (%):	0.2
Bloomberg code:	SBILIFE IN
NSE code:	SBILIFE

Stock performance



	1M	3M	1Y
Absolute return	9.3%	-9.5%	8.4%

Shareholding pattern (As of Dec'24 end)

Promoter	55.4%
FII+DII	40.4%
Others	4.2%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	1,920	1,925

Financial Summary

Rs. Mn	FY25E	FY26E	FY27E
APE	218,274	251,744	290,381
% yoy	10.7%	15.3%	15.3%
VNB	58,934	69,230	81,307
% yoy	6.2%	17.5%	17.4%
VNB Margin	27.0%	27.5%	28.0%
PAT	25,069	29,188	33,880
EPS (Rs)	25.0	29.1	33.8
EV/Share (Rs)	687.9	812.5	958.9
VNBPS (Rs)	58.8	69.1	81.2
P/EV (x)	2.2	1.9	1.6
P/VNB (x)	26.2	22.3	19.0
ROEV (%)	18.7%	18.6%	18.5%

Δ in earnings estimates

Rs bn	FY25E	FY26E	FY27E
VNB (New)	58.9	69.2	81.3
VNB (Old)	61.2	71.9	83.0
% change	-3.8%	-3.8%	-2.1%

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COMPREHENSIVE CON-CALL TAKEAWAYS

Overall revenue growth

- **Key general comments**
 - Growth in 9M has been broadly in line with guidance made as of 2Q, which is that the company would grow 15% on IRP basis.
 - Agency and Banca growth have been broadly in line with expectations with Banca growth almost 10% and Agency channel growth has been 29-30%.
- **Guidance for FY25**
 - Individual APE growth is expected to be 14% whereas overall APE growth is expected to be 11%.
 - Overall APE growth is slower than individual APE growth due to slowdown in the group fund business.
 - There will be focus on individual APE growth.
- **Medium term guidance**
 - The overall growth guidance is 15-17% in the medium term.
- **Growth outcomes**
 - **New Business growth figures for 9MFY25**
 - New business premium is up 1% YoY to Rs 262.6bn.
 - New business premium private market share was 22.4%.
 - Individual new business premium is up 12% YoY to Rs 198.6bn.
 - Individual New business premium private market share was 27.8%.
 - **Gross Written Premium growth figures for 9MFY25**
 - Gross written premium was up 9% YoY to Rs 609.8bn.
 - **APE growth figures for 9MFY25**
 - Total APE was up by 11% YoY to Rs 159.7 bn.
 - Individual APE was up by 14% YoY to Rs 147.3 bn.

Channel growth and mix

- **Channel mix on APE basis in 9MFY25**
 - Banca was 63%
 - Agency 28%
 - Others 10%
- **Branch Network**
 - The company has opened 46 new branches in 9MFY25 and targets to open 40 more in 4QFY25.
- **Agency channel**
 - The Agency APE has grown 28% YoY in 9M.
 - **Agent count**
 - The company has around 241,251 agents.
 - In 9MFY25, the company added more than 75,000 agents on gross basis.
 - **Agent deletion**
 - Due to the stricter activation guideline, there has been a deletion of 42-45000 of agents during the quarter.
 - This was a one-time exercise and net addition will be better going forward.

(Con call takeaways continue on the next page)

- **Strategy**
 - To drive agency channel growth, the company will focus on branch openings, employing more agents and enhancing agent productivity.
- **Productivity**
 - The agent productivity was at Rs 0.29mn on individual NBP for 9MFY25, up 27% YoY.
 - The active agent productivity has improved to Rs 1.7mn, which has risen 16% YoY.
- **Agency channel guidance**
 - The agency channel is expected to grow at 30% plus in the medium term.
 - Management is confident of this growth since the company is not dependent on large agents, which have to be pursued via high commissions.
- **Bancassurance channel**
 - The banca APE has grown 7% YoY in 9M.
 - Total numbers of CIFs are more than 57,000.
 - On Individual APE basis, the Banca channel contributed 97.2bn, up 8% YoY.
 - The digital initiative under the State Bank of India channel is garnering good result and in 3QFY25 attracted more than 50,000 customers opting for policy through self-initiated journey.
 - **Mis-selling concerns**
 - The company has not heard from the regulator on this subject.
 - The IRDA has a consultative approach but there is nothing under discussion at this stage.
 - **Bancassurance guidance**
 - With the kind of base the company has, 10% growth going forward from the Banca channel is satisfactory.
 - Swiss Re expects the Indian life insurance industry to grow at 7% for the next 5 years and hence, the 10% figure is reasonable.
- **Non Agency Non Banca channel**
 - Other APE has de-grown -4% YoY in 9M.

Product growth and mix

- **Protection**
 - Protection has seen higher double digit growth sequentially in 3Q and the good growth is expected to continue in 4Q as well.
 - **Focus on pure term**
 - There is significant focus on pure protection and the share of pure protection has risen to 37% in 3Q, with the remaining 63% being ROP (Return of Premium).
 - Pure protection has risen 53% YoY.
 - The share of pure protection is expected to stabilize at 40%.
 - **Product launch on Yono**
 - The individual protection product launched over Yono has seen good traction and the company has been able to sell about 73000 policies during the quarter.
 - While the sum assured has improved due to this, the revenue impact is lesser since the ticket size of this product is lesser than ROP.
 - ROP option is also available on Yono but customers are preferring pure term.
 - **Credit life**
 - Credit life has grown 16% YoY and 17% QoQ with an absolute APE of Rs 1.71bn.

(Con call takeaways continue on the next page)

- **Non-Par savings**
 - **Product launch**
 - A new Smart Platina product has launched with good response.
 - The momentum is expected to continue in 4Q depending on rate action from the RBI (assuming the will not cut in 4Q).
 - The APE garnered from the product amounts to Rs 2.5bn in 3Q.
- **ULIP product**
 - The ULIP sales has not been impacted by the market correction.
 - In the past also, much impact has not been seen due to market correction.
- **Product mix**
 - The share of Guaranteed non-par savings products was 18% in Individual APE.
 - **Product Mix on APE basis for 9MFY25**
 - Par saving 4%
 - Non par saving 16%
 - ULIP 67%
 - Protection 8%
 - Annuity 2%
 - Group Savings 2%
- **Protection NBP growth outcomes**
 - **Overall Protection**
 - Protection NBP was down -6% YoY to Rs 27.9 bn in 9M.
 - Protection APE is down -12% YoY to Rs 13.5 bn in 9M.
 - **Individual Protection**
 - There was a -22% de-growth in individual protection in 9M, on NBP.
 - For 3QFY25, individual Protection NBP has grown by 12% QoQ
 - Individual Protection APE is down -19% YoY to Rs 5.3 bn in 9M.
 - **Group Protection**
 - Group protection NBP was at Rs 22.7bn in 9M, down -1% YoY.
 - Group Protection APE is down -6% YoY to Rs 8.1 bn in 9M.
 - Group Credit Life NBP was Rs 17.3bn in 9M, up 8% YoY.
- **Group Saving NBP**
 - The group savings new business premium was down -29% YoY in 9M.
 - The company continues to witness headwinds in its group business.
- **Annuity NBP**
 - The total annuity and pension business underwritten was Rs 53.1bn in 9M
 - Annuity NBP was Rs 37.7bn for 9MFY25, down -15% YoY.

VNB margin

- **VNB and VNB margin level**
 - VNB for 9MFY25 is up by 6% YoY to Rs 42.9bn.
 - VNB margin stood at 26.9% for 9M, down -120bps YoY.
 - Margin was impacted largely due to increase in share of ULIP business.
- **Surrender rule changes**
 - While it is a bit early and the company would like to observe the impact over a year, management expects the impact to be minimal.
 - The benefit structure has changed but not the commission structure and there is no clawback.

(Con call takeaways continue on the next page)

- **Product level margin**
 - **ULIP margin**
 - There is not much change in ULIP margin.
 - Going forward, protection rider will be launched for attachment with ULIP.
 - **Non-Par margin**
 - The company had not been able to pass on the interest rate decline to the customer in 1Q but did so in 2Q, the full impact of which was felt in 3Q.
 - The margin of the new Smart Platina product is better than the overall company margin and its share is expected to rise in the near term.
 - **Protection**
 - Protection riders are getting attached better to savings product.
 - Also, pure protection margin is better (than ROP).
 - Better terms from reinsurers will also aid margin.
- **VNB margin guidance**
 - VNB growth will be slightly less than APE growth for FY25 as a whole and likely to be single digit or 10%.
 - There is potential for sequential margin expansion in 4Q due to improved product mix due to the new Non-Par product.
 - From a medium-term perspective, the company will try to maintain VNB margin in a 27-29% range.
- **Agency channel margin**
 - Management does not see agency channel margin going down but rather sees it improving on the back of improving product mix and cost control.

Embedded Value

- Embedded Value as of December 2024 was at Rs 681.4bn, up by 17% from March 2024.
- The EV risen 3.4% QoQ.
- **Economic variance**
 - Equity markets have declined impacting EV in line with prior disclosed sensitivity.
- **Operating variance**
 - All operating variance pertaining to mortality, persistency and expenses have been positive since the company believes in keeping long-term sustainable assumptions.

Operating expenses

- The commission structure of the agency channel is similar to bancassurance and hence, the thrust on agency channel will not impact expense ratio.
- Product mix and persistency will keep cost efficiency good for the agency channel.
- **Cost outcomes**
 - Total Cost ratio for 9MFY25 is 10.2% as against 9.9% for 9MFY24.
 - Commission ratio for 9MFY25 is 4.9% as against 4.8% for 9MFY24.
 - Operating Expense ratio for 9MFY25 is 5.3% as against 5.1% in 9MFY24.

Solvency

- The solvency ratio stood at 204% in 9MFY25 Vs 209% in 9MFY24.

AUM

- AUM is up 19% YoY to Rs 4.42 tn.

(Con call takeaways continue on the next page)

Other ratios

- The death claim settlement ratio was at 99.3%, up 44bps YoY.
- The company's miss-selling ratio is only 0.03%, one of the lowest in the industry.

Persistency

- On Individual Regular premium and limited premium paying policy
 - 13th month persistency was 86.1%, an improvement of 83bps YoY.
 - 61st Month persistency was at 63.3%, an improvement of 521bps YoY.

Exhibit 2: Quarterly Actuals Vs Estimates

Q3 FY25 (Rs. mn)	Actuals	Estimates	Diff, %
New Business Premium	105,303	94,243	11.7
Total APE	69,400	64,687	7.3
VNB	18,700	17,077	9.5

Source: Company, YES Sec - Research

Exhibit 3: Other Business Parameters

Rs mn	Q3FY25	Q3FY24	% yoy	Q2FY25	% qoq
APE by Product (Rs mn)					
Individual Savings	61,400	53,800	14.1%	46,600	31.8%
Par	1,100	1,800	-38.9%	3,200	-65.6%
Non par	10,900	10,100	7.9%	8,400	29.8%
ULIP	49,400	41,900	17.9%	35,000	41.1%
Total Protection	5,400	4,500	20.0%	5,000	8.0%
Individual Protection	2,100	2,300	-8.7%	1,700	23.5%
Group Protection	3,300	2,200	50.0%	3,300	0.0%
Total Annuity	1,400	1,600	-12.5%	1,200	16.7%
Group Savings	1,200	1,400	-14.3%	1,100	9.1%
Total APE	69,400	61,300	13.2%	53,900	28.8%
Product Mix (% in APE)					
Individual Savings	88%	88%	71bps	86%	202bps
Par	2%	3%	-135bps	6%	-435bps
Non par	16%	16%	-77bps	16%	12bps
ULIP	71%	68%	283bps	65%	625bps
Total Protection	8%	7%	44bps	9%	-150bps
Individual Protection	3%	4%	-73bps	3%	-13bps
Group Protection	5%	4%	117bps	6%	-137bps
Total Annuity	2%	3%	-59bps	2%	-21bps
Group Savings	2%	2%	-55bps	2%	-31bps
APE by Channel (Rs mn)					
Banca	47,300	43,350	9.1%	31,100	52.1%
Agency	16,200	13,150	23.2%	17,300	-6.4%
Others	5,900	4,800	22.9%	5,500	7.3%
Channel mix (% in APE)					
Banca	68%	71%	-256bps	58%	1046bps
Agency	23%	21%	189bps	32%	-875bps
Others	9%	8%	67bps	10%	-170bps
Persistency*					
13 th month	86.1%	85.3%	83bps	86.4%	-30bps
61 st month	63.3%	58.1%	521bps	61.9%	137bps
Expense ratio					
Commission ratio	5.1%	5.1%	1bps	5.0%	6bps
Opex ratio	4.7%	4.7%	-8bps	5.6%	-97bps
Solvency					
Solvency ratio	204%	209%	-500bps	204%	0bps

Source: Company, YES Sec – Research, *N.B. Regular and Limited Pay under individual category

ANNUAL FINANCIALS

Exhibit 4: Policyholder account

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net premium	665,810	805,871	873,987	1,009,494	1,167,439
Income from investments	132,601	503,666	518,249	640,457	781,590
Other income	499	501	551	606	667
Contri from shareholders A/C	17,075	16,276	17,903	19,694	21,663
Total income	815,985	1,326,314	1,410,691	1,670,251	1,971,359
Commission	30,625	32,553	35,305	40,778	47,159
Employee expenses	20,464	23,983	26,010	30,043	34,743
Other opex	13,631	15,836	17,175	19,837	22,941
Benefits paid	302,875	431,074	541,323	665,947	810,506
Change in valuation of liability	410,031	784,313	744,549	861,004	996,208
Others	8,323	9,283	10,084	11,677	13,534
Provision for Tax	1,474	1,357	1,441	1,709	2,020
Surplus/(Deficit)	28,562	27,915	34,804	39,255	44,248
Transfer to shareholders A/C	27,072	25,977	32,388	36,530	41,176

Source: Company, YES Sec – Research

Exhibit 5: Shareholder account

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Transfer from Policyholders' account	27,072	25,977	32,388	36,530	41,176
Income from Investments	7,945	10,341	11,781	13,708	15,904
Total A	35,017	36,317	44,169	50,238	57,080
Expenses (apart from insurance)	372	515	566	623	685
Contribution to Policyholders' Acc	17,075	16,276	17,903	19,694	21,663
Others	(8)	106	0	0	0
Total B	17,440	16,896	18,469	20,316	22,348
Profit/(Loss) before tax	17,584	19,421	25,709	29,933	34,745
Provision for Taxation	379	483	640	745	865
Profit/(Loss) after tax	17,206	18,938	25,069	29,188	33,880

Source: Company, YES Sec – Research

Exhibit 6: Balance sheet

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Shareholders' Funds:					
Share Capital	10,009	10,015	10,015	10,015	10,015
Reserve and surplus	119,237	135,902	157,211	182,021	210,819
Policyholders' Funds					
Policy Liabilities	1,321,708	1,605,276	1,874,910	2,193,516	2,570,146
Provision for Linked Liabilities	1,535,926	2,045,746	2,647,334	3,339,160	4,134,760
Funds for future appropriation	11,427	13,366	13,366	13,366	13,366
Sources of Funds	3,095,866	3,927,830	4,842,727	5,904,808	7,138,043
Investments - Shareholders	112,087	130,364	153,151	178,853	207,824
Investments Policyholders	2,931,258	3,725,539	4,604,823	5,614,401	6,784,719
Fixed Assets	5,215	5,570	5,720	5,870	6,020
Net Current Assets	43,417	62,470	75,145	101,797	135,593
Misc. Expenditure	0	0	0	0	0
Application of funds	3,095,866	3,927,830	4,842,727	5,904,808	7,138,043

Source: Company, YES Sec - Research

Exhibit 7: EV Walk

Y/e 31 Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Opening EV	396,300	460,400	582,500	688,878	813,737
Unwind of Discount	34,100	38,100	48,204	57,007	67,340
Value of New Business	50,700	55,500	58,934	69,230	81,307
Operating Assumption Changes	700	800	0	0	0
Operating Experience Variance	4,900	6,100	2,000	2,000	2,000
EV Operating Profit (EVOP)	90,400	100,500	109,138	128,237	150,647
Economic Variance	(24,200)	23,900	1,000	1,000	1,000
EV Profit	66,200	124,400	110,138	129,237	151,647
Net Capital Inflow / Outflow	(2,100)	(2,300)	(3,760)	(4,378)	(5,082)
Closing EV	460,400	582,500	688,878	813,737	960,301

Source: Company, YES Sec - Research

Exhibit 8: Change in annual estimates

Y/e 31 Mar (Rs mn)	Revised Estimate			Earlier Estimate			% Revision		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Annual Premium Equivalent	218,274	251,744	290,381	222,694	256,933	296,475	(2.0)	(2.0)	(2.1)
Value of new business	58,934	69,230	81,307	61,241	71,941	83,013	(3.8)	(3.8)	(2.1)
Embedded Value	688,878	813,737	960,301	691,098	818,778	967,408	(0.3)	(0.6)	(0.7)

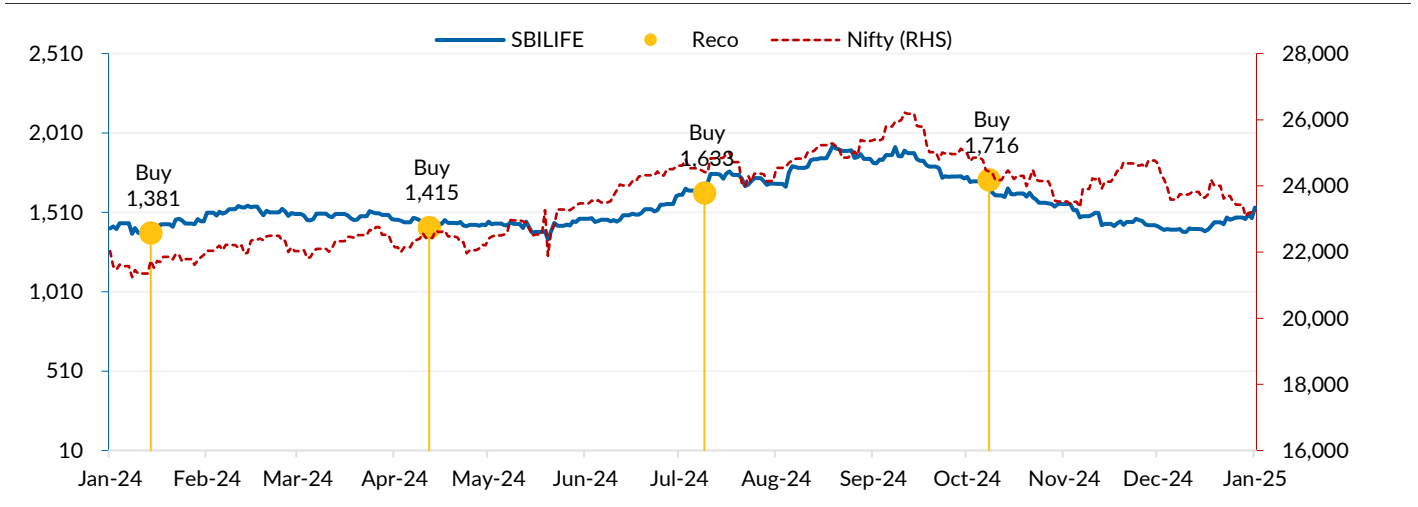
Source: Company, YES Sec - Research

Exhibit 9: Ratio analysis

Y/e 31 Mar	FY23	FY24	FY25E	FY26E	FY27E
Growth (%) - P&L					
New business premium	16.3%	29.2%	1.3%	16.8%	16.9%
Renewal premium	13.3%	14.5%	14.6%	14.2%	14.4%
Net premium	13.9%	21.0%	8.5%	15.5%	15.6%
PAT	14.2%	10.1%	32.4%	16.4%	16.1%
VNB	37.0%	9.5%	6.2%	17.5%	17.4%
Growth (%) - Balance Sheet					
Total AUM	14.9%	26.7%	23.4%	21.8%	20.7%
Total Assets	15.4%	26.9%	23.3%	21.9%	20.9%
Embedded value	16.2%	26.5%	18.3%	18.1%	18.0%
Profitability ratios (%)					
VNB Margins	30.1%	28.1%	27.0%	27.5%	28.0%
Commission ratio	4.6%	4.0%	4.0%	4.0%	4.0%
Opex ratio	5.1%	4.9%	4.9%	4.9%	4.9%
Expense ratio	9.7%	9.0%	9.0%	9.0%	9.0%
Conservation Ratio	81.6%	81.6%	81.6%	81.6%	81.6%
Return ratios (%)					
ROE	13.3%	13.0%	15.0%	15.2%	15.3%
RoEV	22.8%	21.8%	18.7%	18.6%	18.5%
RoA	0.6%	0.5%	0.6%	0.5%	0.5%
Investment Return (%)					
Invest. Yield - Sh.	7.5%	8.5%	8.3%	8.3%	8.2%
Invest. Yield - Ph.	4.8%	15.1%	12.4%	12.5%	12.6%
Solvency					
Solvency Ratio	215%	196%	205%	200%	200%
Underwriting					
Claims ratio	45.5%	53.5%	61.9%	66.0%	69.4%
Claims / AUM	10.0%	11.2%	11.4%	11.5%	11.6%
Per share data (Rs)					
EPS	17.2	18.9	25.0	29.1	33.8
VNBPS	50.7	55.4	58.8	69.1	81.2
BVPS	129.1	145.7	167.0	191.8	220.5
EVPS	460.0	581.6	687.9	812.5	958.9
Valuation (x)					
P/E	89.6	81.5	61.5	52.9	45.5
P/VNB	30.4	27.8	26.2	22.3	19.0
P/BV	11.9	10.6	9.2	8.0	7.0
P/EV	3.3	2.6	2.2	1.9	1.6

Source: Company, YES Sec – Research

Recommendation Tracker



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