SBI Life Insurance | BUY

Margin beat despite GST 2.0 hit, growth guidance maintained

SBI Life reported 2Q VNB of INR 16.6bn, +14.5% YoY, +3% JMFe, with a growth of 7%/10% in individual APE/total APE and a 100bps expansion in margins (against JMFe 56bps expansion). Margin expansion was led by a favourable product mix – non-par, annuity and individual protection grew 41%/50%/24%, countering an 80bps impact from GST 2.0. Of the 80bps, only a 20bps impact was due to the post-22nd September policies, implying a 174bps impact on full-year basis, with the major chunk due to change in assumptions for policy renewals. Management expects to counter this VNB impact without changing distribution or customer benefits, and maintained its previous guidance of 13-14% growth in individual APE and 26-28% VNB margins. We hardly change our estimates, continue to value the insurer at 2.3x Mar'27 EVPS of INR 972 to get an unchanged target price of INR 2,222. We maintain BUY.

- **FY26 growth has been volatile so far, but management maintained its growth guidance:** SBI Life has seen weak inconsistent growth in FY26 so far – with 14%/15% growth in June/September being the only decent months. With the strong September, individual APE of 7% was 2pps ahead of JMFe, while group business growth, while strong at 48%, was below JMFe 55%. Agency disappointed with a 3% growth in 2Q, while other channels grew 33% on a low base, banca growth was in line with company level growth of 7% in individual APE. Management maintained its growth targets for the year at 13-14% individual APE growth. Given the strong track record of delivery and a business tilted towards 3Q, we expect SBI Life to achieve the targeted 13% growth, which implies a manageable 18% growth in 2H.

- **Margins 40bps above JMFe, EV grows 2.3% QoQ:** The 7% growth came with a favourable product mix shift towards, as non-par, annuity and individual protection grew 41%/50%/24%. As a result, product mix shift drove a 110bps margin expansion. As a result, margins improved (100bps YoY, 40bps QoQ) to 27.9%. Management also called out an 80bps impact on 1H margins due to GST 2.0. Of the 80bps, only a 20bps impact was due to the policies underwritten post-22nd September, implying a 174bps impact on full-year basis. The remaining impact, of ~60bps, was attributed to the unavailability of ITC on renewals of policies underwritten during FY26 but before 22nd September. Also, against the exchange disclosure of 0.2% impact on its EV due to GST 2.0, the insurer called out an impact of 0.4%. WIth increased rider attachment and an uptick in protection, the company expects to counter the entire impact of GST 2.0 on its margins, within FY26 itself. **The company maintained its guidance of 26-28% VNB margins for the year** – we expect it to deliver at the upper end at ~28%.

- **Expect the stock to compound with EV:** We do not change our growth and margin estimates - we expect 13%/14% YoY growth in individual APE/total APE over FY25-FY28e, and stable margin at ~28% levels. At CMP, the stock trades at 2.2x/1.8x FY26e/FY27e EVPS, implying 17x/15x on FY26e/FY27e EVOP. We believe these are inexpensive for 17%+ EV CAGR, which the insurer has consistently delivered. We maintain our target price at INR 2,222 valuing SBI Life at 2.3x Mar'27 EVPS of INR 972. We maintain BUY.

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Recommendation and Price Target	
Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	2,222
Upside/(Downside)	20.8%
Previous Price Target	2,222
Change	0.0%

Key Data – SBILIFE IN	
Current Market Price	INR1,840
Market cap (bn)	INR1,844.5/US$21.0
Free Float	40%
Shares in issue (mn)	1,001.0
Diluted share (mn)	1,001.0
3-mon avg daily val (mn)	INR1,734.6/US$19.7
52-week range	1,912/1,373
Sensex/Nifty	84,212/25795
INR/US$	87.9

Price Performance

%	1M	6M	12M
Absolute	1.2	14.4	12.5
Relative*	-1.8	8.4	7.0

** To the BSE Sensex*

Financial Summary (INR bn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Total APE	197.2	214.2	244.7	278.0	316.5
Growth YoY (%)	17%	9%	14%	14%	14%
Individual APE	175.1	196.3	222.2	252.4	287.3
NBP	382.4	355.8	341.2	398.0	462.5
(Opex + Commission) ratio	8.9%	9.7%	10.5%	10.5%	10.9%
VNB	55.5	59.5	68.3	78.1	90.0
Growth YoY (%)	9.5%	7.2%	14.8%	14.4%	15.1%
VNB margins	28.1%	27.8%	27.9%	28.1%	28.4%
P/EVx	3.1	2.5	2.1	1.8	1. 6

Source: Company data, JM Financial. Note: Valuations as of 24/Oct/2025

Key concall takeaways:

- **GST 2.0 Impact**
  - Total impact of 0.80% on 1H margins – without GST 2.0; 1H margins would be 28.5%;
  - GST 2.0 came on 22nd Sep, those 9 days constitute only 11-11.5% , if extrapolated the impact would be of only 1.74% on margins;
  - The company will not hit customer benefits or distribution payouts with GST 2.0;
  - Not negotiating with distributors, the company will manage the impact of GST 2.0 by improving product mix, raising product-level margins and operational levers;
  - The company expects to absorb the entire margin impact within FY26 itself.
- **FY26 growth & margin targets maintained**

  The company maintained its growth targets for the year,
  - Individual APE growth of 13-14% for FY26,
  - Margins of 26% to 28% in FY26,
  - Protection segment would be the focus area with introducing product lines, to contribute 10% of total APE in the near term.
- **Channel growth**
  - SBI group productivity on APE growth: INR 4.6 mn , reported 6% growth,
  - Added 64,000 agents on a gross basis in 1H,
  - Opened 44 new branches in 1H.
- **Protection business**
  - Credit life business grew +25% and stood at INR 1.3bn for 1H,
  - Pure protection (ex-ROP) category saw exceptional growth of 143% on APE basis,
  - Rider attachment for the protection stood at 38%.
- **New Products**
  - Smart Shield Plus – individual protection product
    - 11% to the total protection sum assured;
  - Smart Moneyback Plus - participating product
    - 8500+ opted for the product in 15 days of launch
- **Others**
  - 13th Month persistency stands at 87.1% , an improvement of 70 bps
    - Peer insurers have seen a drop here in the last two quarters as the strong cohorts from Mar'23 pre-sales is no longer reflecting that,
    - SBI life did not have any bumper sales in Mar'23, so, no fall in persistency.

Exhibit 1. SBI Life 2Q26: Key quarterly trends

INR mn	2Q25	1Q26	2Q26	YoY %	QoQ %	JMFe	Var %
Total APE (Quarterly)	**53,900**	**39,700**	**59,500**	**10.4%**	**50%**	**58,795**	**1.2%**
Individual Savings	46,600	32,300	49,000	5.2%	52%		
- ULIPs	35,000	22,800	34,400	-1.7%	51%		
- Par	3,200	1,800	2,800	-12.5%	56%		
- Non-par	8,400	7,700	11,800	40.5%	53%		
Annuity	1,200	1,300	1,800	50.0%	38%		
Individual protection	1,700	1,600	2,100	23.5%	31%		
Individual APE	**49,500**	**35,200**	**52,900**	**6.9%**	**50%**	**51,975**	**1.8%**
Group APE	4,400	4,500	6,500	47.7%	44%	6,820	-4.7%
- Group protection	3,300	3,000	3,800	15.2%	27%		
- Group savings	1,100	1,500	2,700	145.5%	80%		
Total Savings + Annuity	48,900	35,100	53,500	9.4%	52%		
Total protection	5,000	4,600	5,900	18.0%	28%		
EV	660,700	742,600	760,000	15.0%	2.3%	773,019	-1.7%
VNB margin (Quarterly)	26.9%	27.5%	27.9%	1.0%	0.4%	27.5%	1.6%
VNB growth, % (YoY)	-2.7%	12.4%	14.5%	17.2%	2.1%		
VNB (quarterly)	14,500	10,900	16,600	14.5%	52%	16,147	2.8%
Channel mix - Ind APE (Quarterly)							
Banca	30,200	22,400	32,300	7.0%	44%		
Agency	17,300	10,800	17,800	2.9%	65%		
Others	2,100	1,800	2,800	33.3%	56%		

Source: Company, JM Financial

Exhibit 2. SBI Life 1HFY26: Key trends

YTD	1H25	1Q26	2H26	YoY (%)
Total APE	**90,300**	**39,700**	**99,200**	**9.9%**
Individual Savings	77,200	32,300	81,300	5.3%
- ULIPs	57,200	22,800	57,200	0.0%
- Par	4,600	1,800	4,600	0.0%
- Non-par	15,400	7,700	19,500	26.6%
Annuity	2,400	1,300	3,100	29.2%
Individual protection	3,200	1,600	3,700	15.6%
Individual APE	**82,800**	**35,200**	**88,100**	**6.4%**
Group APE	7,500	4,500	11,000	46.7%
- Group protection	4,800	3,000	6,800	41.7%
- Group savings	2,700	1,500	4,200	55.6%
Total Savings + Annuity	82,300	35,100	88,600	7.7%
Total protection	8,000	4,600	10,500	31.3%
EV	**660,700**	**742,600**	**760,000**	**15.0%**
VNB	24,200	10,900	27,500	13.6%
VNB margins (%)	**26.8%**	**27.5%**	**27.7%**	**0.9%**
Savings mix (%)				
- ULIPs	74.1%	70.6%	70.4%	-3.7%
- Par	6.0%	5.6%	5.7%	-0.3%
- Non-par	19.9%	23.8%	24.0%	4.0%
Channel mix - Ind APE (YTD)				
Banca	61.5%	64.0%	62.2%	0.7%
Agency	33.9%	30.9%	32.5%	-1.3%
Others	4.6%	5.1%	5.2%	0.6%
Channel growth (%) - YTD				
Banca	7.4%	8.2%	7.5%	0.1%
Agency	35.9%	0.9%	2.1%	-33.8%
Others	11.8%	5.9%	21.1%	9.3%
Channel mix - Ind APE (YTD)	**82,700**	**35,000**	**87,900**	
Banca	50,900	22,400	54,700	7.5%
Agency	28,000	10,800	28,600	2.1%
Others	3,800	1,800	4,600	21.1%

Source: Company, JM Financial

Exhibit 3. EV walk

EV walk (INR bn)	FY23	FY24	FY25	FY26e	FY27e	FY28e
Opening EV	396.3	460.4	582.6	702.5	829.5	972.4
Unwind	34.1	38.1	48.8	56.2	65.5	76.8
VNB	50.7	55.5	59.5	68.3	78.1	90.0
Core EVOP	**84.8**	**93.6**	**108.3**	**124.5**	**143.7**	**166.8**
Operating variance	5.8	6.9	9.5	3.0	1.5	1.5
Op EVOP	90.6	100.5	117.8	127.5	145.2	168.3
Economic variance	-24.2	23.9	4.2	2.5	1.3	-
EV, before capital changes	462.7	584.8	704.6	832.5	975.9	1140.7
Dividends, ESOPs & capital raise	-2.1	-2.3	-2.1	-3.0	-3.5	-4.0
Closing EV	**460.6**	**582.5**	**702.5**	**829.5**	**972.4**	**1136.7**

Source: Company, JM Financial

Exhibit 4. Key ratios in EV walk: expect consistent 17%+ EV growth

As a %age of opening EV	FY23	FY24	FY25	FY26e	FY27e	FY28e
Unwind	8.6%	8.3%	8.4%	8.0%	7.9%	7.9%
VNB	12.8%	12.1%	10.2%	9.7%	9.4%	9.3%
Core EVOP	**21.4%**	**20.3%**	**18.6%**	**17.7%**	**17.3%**	**17.2%**
Operating variance	1.5%	1.5%	1.6%	0.4%	0.2%	0.2%
Op EVOP	22.9%	21.8%	20.2%	18.1%	17.5%	17.3%
Economic variance	-6.1%	5.2%	0.7%	0.4%	0.2%	0.0%
EV growth, before capital changes	**16.8%**	**27.0%**	**20.9%**	**18.5%**	**17.6%**	**17.3%**
Dividends, ESOPs & capital raise	-0.5%	-0.5%	-0.4%	-0.4%	-0.4%	-0.4%
EV growth	16.2%	26.5%	20.6%	18.1%	17.2%	16.9%

Source: Company, JM Financial

Exhibit 5. Change in estimates – JMFe – we hardly change our estimates

SBI Life (INR bn)	FY26E old	FY26A new	Change %	YoY growth	FY27 old	FY27 new	Change %	YoY growth	FY28 old	FY28 new	Change %	YoY growth
Total APE	244.6	244.7	0.0%	14.2%	277.9	278.0	0.0%	13.6%	316.3	316.5	0.0%	13.8%
Ind APE	222.2	222.2	0.0%	13.2%	252.4	252.4	0.0%	13.6%	287.3	287.3	0.0%	13.8%
VNB	68.5	68.3	-0.2%	14.8%	78.4	78.1	-0.3%	14.4%	90.3	90.0	-0.3%	15.1%
VNB margin %	28.0%	27.9%	-0.1%	0.1%	28.2%	28.1%	-0.1%	0.2%	28.5%	28.4%	-0.1%	0.3%
EV	829.7	829.5	0.0%	18.1%	972.9	972.4	0.0%	17.2%	1137.5	1,136.7	-0.1%	16.9%

Source: Company, JM Financial

Exhibit 6. We expect growth in Individual APE at 18% in 2HFY26e

	2HFY24	2HFY25	2HFY26e	Implied 2HFY26 growth	Growth in 2HFY25	Implied 2 year CAGR
Total APE	**114,600**	**123,900**	**145,483**	**17.4%**	**8%**	**13%**
Individual Savings	94,800	105,500	125,130	18.6%	11%	15%
- ULIPs	73,200	79,000	91,430	15.7%	8%	12%
- Par	3,500	2,800	4,070	45.4%	-20%	8%
- Non-par	18,000	23,700	29,630	25.0%	32%	28%
Annuity	3,200	2,900	2,995	3.3%	-9%	-3%
Individual protection	5,200	5,100	5,928	16.2%	-2%	7%
Individual APE	**103,200**	**113,500**	**134,053**	**18.1%**	**10%**	**14%**
Group APE	**11,500**	**10,300**	**11,530**	**11.9%**	**-10%**	**0%**
- Group protection	5,100	7,400	8,450	14.2%	45%	29%
- Group savings	6,400	2,900	3,080	6.2%	-55%	-31%
Total Savings + Annuity	104,400	111,300	131,205	17.9%	7%	12%
Total protection	**10,300**	**12,500**	**14,378**	**15.0%**	**21%**	**18%**

Source: Company, JM Financial

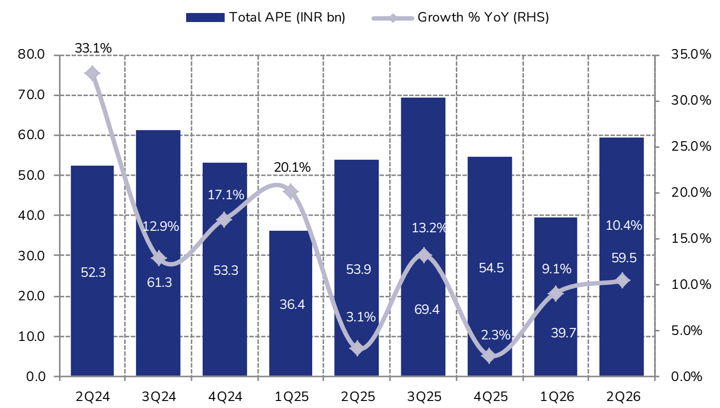
Exhibit 7. Individual APE : 2 year CAGR in 1H was at 11%

	1HFY24	1HFY25	1HFY26	Growth in 1HFY26	Growth in 1HFY25	2 year CAGR
Total APE	**82,600**	**90,300**	**99,200**	**10%**	**9%**	**10%**
Individual Savings	64,800	77,200	81,300	5%	19%	12%
- ULIPs	46,100	57,200	57,200	0%	24%	11%
- Non linked savings	4,300	4,600	4,600	0%	7%	3%
Non-par	14,400	15,400	19,500	27%	7%	16%
Annuity	2,900	2,400	3,100	29%	-17%	3%
Individual protection	4,200	3,200	3,700	16%	-24%	-6%
Individual APE	**71,900**	**82,800**	**88,100**	**6%**	**15%**	**11%**
Group APE	**10,700**	**7,500**	**11,000**	**47%**	**-30%**	**1%**
- Group protection	6,500	4,800	6,800	42%	-26%	2%
- Group savings	4,200	2,700	4,200	56%	-36%	0%
Total Savings + Annuity	71,900	82,300	88,600	8%	14%	11%
Total protection	**10,700**	**8,000**	**10,500**	**31%**	**-25%**	**-1%**

Source: Company, JM Financial

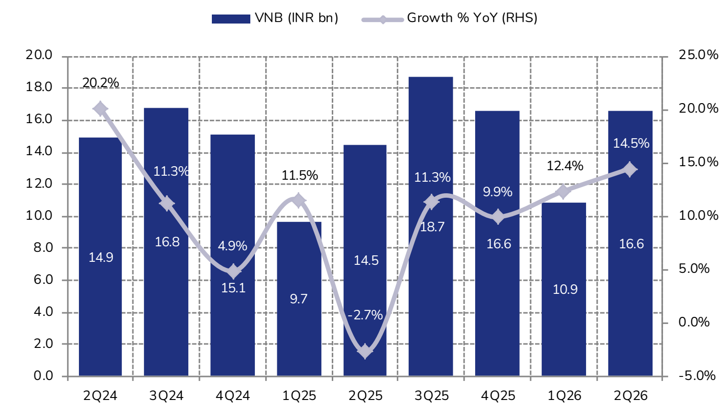
Quarterly Charts

Exhibit 8. APE: 10.4% YoY growth in total APE for 2QFY26



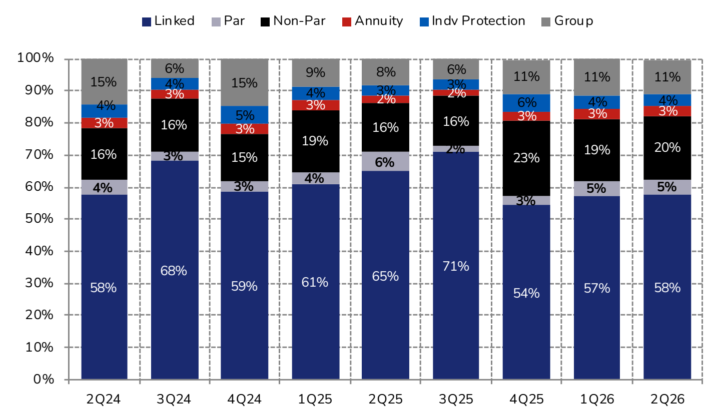
Source: Company, JM Financial

Exhibit 9. VNB growth improved to 14.5% YoY for 2QFY26



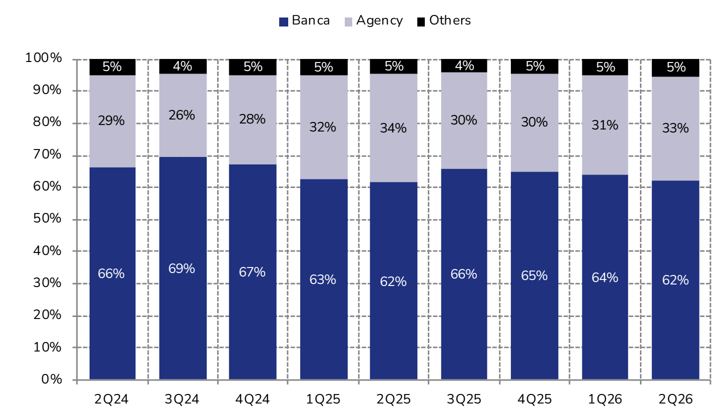
Source: Company, JM Financial

Exhibit 10. Par share increased in 2QFY26



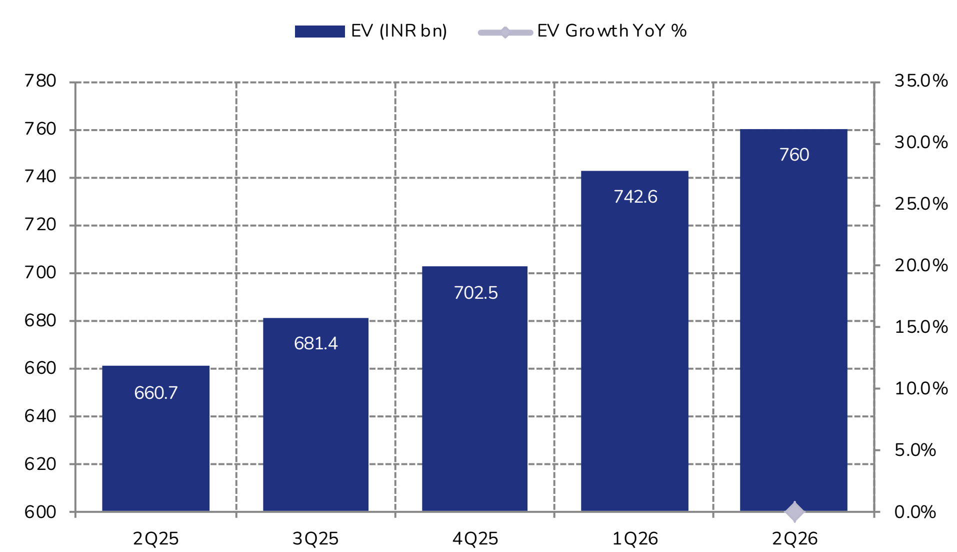
Source: Company, JM Financial

Exhibit 11. Banca share moderated to 62% in 2QFY26



Source: Company, JM Financial

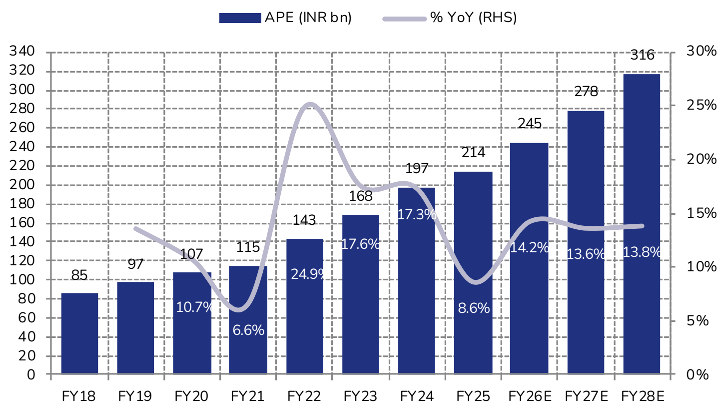
Exhibit 12. EV stood at INR760bn in 2QFY26



Source: Company, JM Financial

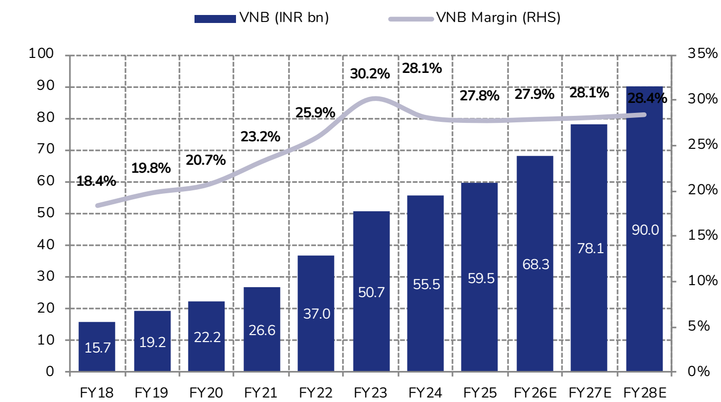
Yearly Charts

Exhibit 13. APE growth down to just 8.6% YoY for FY25



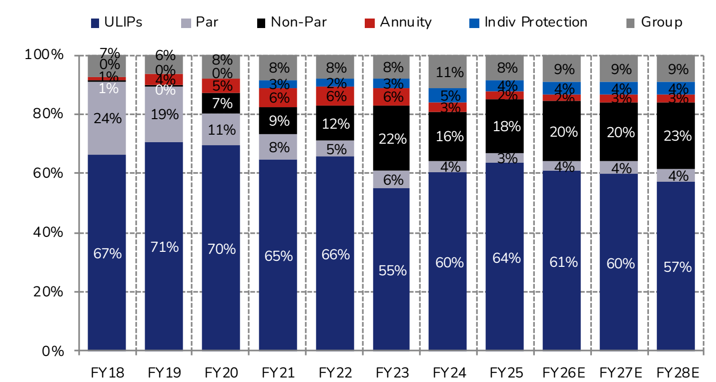
Source: Company, JM Financial

Exhibit 14. VNB margins are strong at 27.8% in FY25



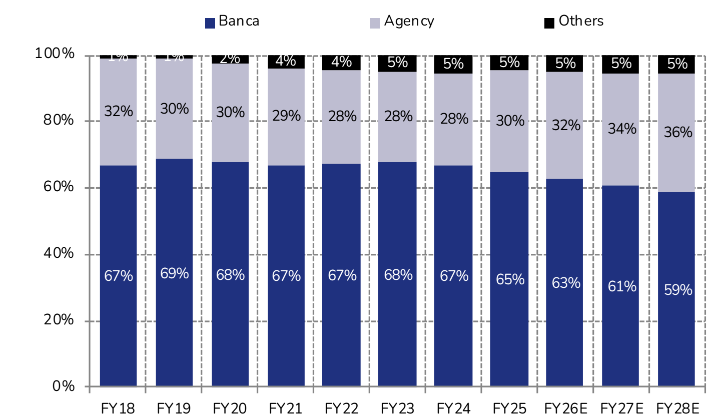
Source: Company, JM Financial

Exhibit 15. ULIP share has been high – FY25 at 64%



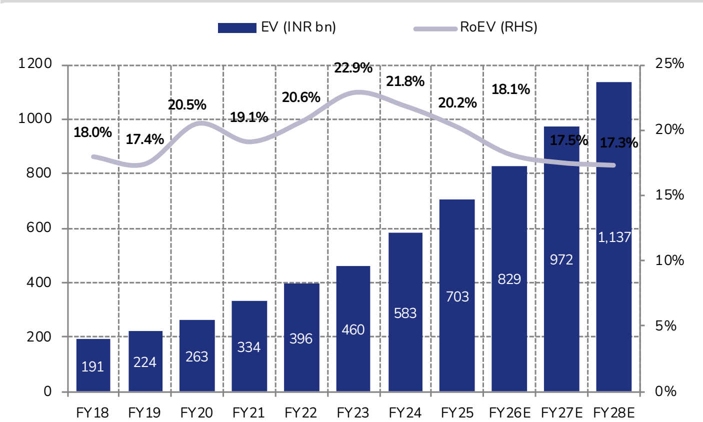
Source: Company, JM Financial

Exhibit 16. Share of banca to go down, agency to grow faster



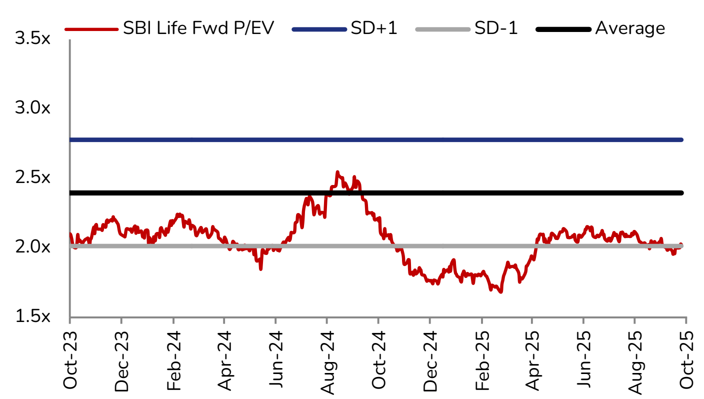
Source: Company, JM Financial

Exhibit 17. Consistent RoEV of 17%+ since FY18



Source: Company, JM Financial

Exhibit 18. Stock trades ~1SD below its historical P/EV mean



Source: Company, Bloomberg, JM Financial

Financial Tables (Standalone)

Technical Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Gross premiums	814,306	849,846	904,789	1,039,641	1,202,397
Net premiums	805,871	840,598	895,741	1,029,245	1,190,373
Investment income	503,666	317,141	370,454	370,639	438,483
Other Income	16,777	13,448	20,171	22,188	26,626
Total Income	**1,326,314**	**1,171,187**	**1,286,366**	**1,422,072**	**1,655,482**
Commissions	32,553	37,388	42,996	49,445	59,334
Operating expenses	39,819	44,908	51,644	59,391	71,269
Provisions & Taxes	10,640	12,927	14,866	17,096	20,515
Total expenses	**83,012**	**95,223**	**109,506**	**125,932**	**151,118**
Benefits paid	431,074	489,018	528,140	580,954	673,906
Change in valuation of life reserves	784,313	557,001	609,916	670,908	778,253
Total Benefits	**1,215,388**	**1,046,020**	**1,138,056**	**1,251,862**	**1,452,160**
Surplus/(Deficit) for the year	**27,915**	**29,944.6**	**38,804**	**44,278**	**52,204**
Funds for Future Appropriations	1,938	2,548	2,803	3,139	3,516

Source: Company, JM Financial

Shareholder’s Statement					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Transfer from the Policyholders' Account	25,977	27,397	36,001	41,139	48,688
Investment income	10,341	11,145	13,934	16,440	19,424
Other income	-	13.80	-	-	-
Total income	**36,317**	**38,555**	**49,935**	**57,579**	**68,113**
Operating expenses	620	150	156	163	170
Contribution to the policyholders A/C	16,276	13,459	19,768	21,745	26,094
Profit before tax	**19,421**	**24,947**	**30,011**	**35,671**	**41,849**
Tax	483	814	747	888	1,041
Profit after tax	**18,938**	**24,133**	**29,264**	**34,783**	**40,808**

Source: Company, JM Financial

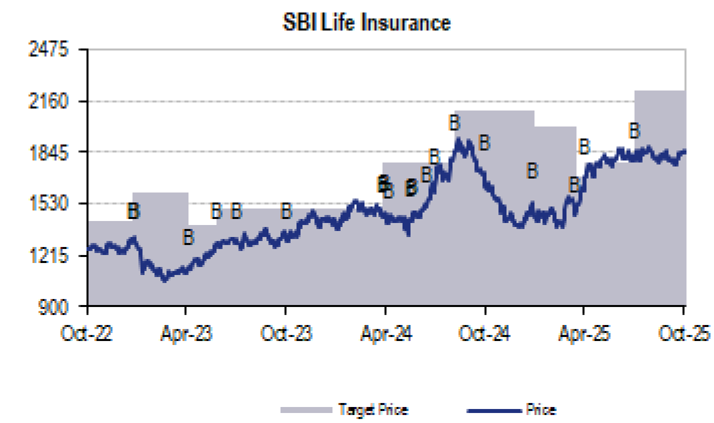
Balance Sheet					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders’ Investments	130,364	146,045	172,309	203,592	240,400
Policyholders’ Investments	1,565,436	1,852,268	2,130,108	2,449,624	2,817,068
Unit linked Investments	2,160,103	2,476,357	2,847,810	3,274,982	3,766,229
Loans	3,888	4,817	5,539	6,370	7,326
Fixed assets	5,570	5,903	6,789	7,807	8,978
Net Current Assets / (Liab)	62,470	23,843	51,243	48,406	45,143
Total Assets	**3,927,830**	**4,509,232**	**5,213,798**	**5,990,781**	**6,885,143**
Borrowings	-	-	-	-	-
Fair Value Change Account	47,191	48,276	48,276	48,276	48,276
Policy Liabilities	1,558,085	1,798,832	2,119,457	2,437,376	2,802,982
Linked Liabilities	2,160,103	2,476,357	2,833,571	3,258,607	3,747,398
FFA	13,366	15,914	18,301	21,046	24,203
Total Liabilities	**3,778,744**	**4,339,378**	**5,019,605**	**5,765,304**	**6,622,859**
Share Capital	10,015	10,021	10,021	10,021	10,021
Reserves and surplus	135,902	157,908	184,172	215,455	252,263
Fair Value Change Account	3,169	1,924.20	-	-	-
Shareholder's equity	**149,086**	**169,854**	**194,193**	**225,477**	**262,285**

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
1-May-22	Buy	1,430	
16-Jan-23	Buy	1,600	11.9
21-Jan-23	Buy	1,600	0.0
27-Apr-23	Buy	1,400	-12.5
20-Jun-23	Buy	1,500	7.1
25-Jul-23	Buy	1,500	0.0
27-Oct-23	Buy	1,500	0.0
17-Apr-24	Buy	1,783	18.9
22-Apr-24	Buy	1,783	0.0
29-Apr-24	Buy	1,783	0.0
10-Jun-24	Buy	1,783	0.0
13-Jun-24	Buy	1,783	0.0
9-Jul-24	Buy	1,783	0.0
24-Jul-24	Buy	1,783	0.0
29-Aug-24	Buy	2,100	17.8
23-Oct-24	Buy	2,100	0.0
19-Jan-25	Buy	2,000	-4.8
7-Apr-25	Buy	1,700	-15.0
25-Apr-25	Buy	1,777	4.5
24-Jul-25	Buy	2,222	25.0

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

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New Rating System: Definition of ratings	
Rating	**Meaning**
BUY	Expected return >= 15% over the next twelve months.
ADD	Expected return >= 5% and < 15% over the next twelve months.
REDUCE	Expected return >= -10% and < 5% over the next twelve months.
SELL	Expected return < -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	**Meaning**
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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