

Favorable product mix drives impressive margin show

Life Insurance ▶ Result Update ▶ April 25, 2025

CMP (Rs): 1,608 | TP (Rs): 1,950

SBI Life reported an impressive performance for Q4FY25/FY25 with VNB margin at 30.5%/27.8%, respectively, clocking in 7.2% VNB growth for FY25. While APE remained largely in-line, the strong margin delivery for Q4FY25 was driven by 1) lower share of ULIPs, 2) increased share of Non-Par and Protection products (led by higher term and rider attachments), and 3) lower share of Group Savings business. Ahead, the management will continue to focus on the agency channel for distribution, and targets ~20-25% Retail APE growth; at the company level, Retail APE growth guidance is 13-14% for FY26. Lower contribution from ULIPs, offset by higher share of Par products, will keep margin stable at ~28%. To bake in the Q4 developments, we increase our APE and VNB margin which results in ~2% increase in FY26-27E VNB. We reiterate BUY and revise up our Mar-26E TP by 5.4% to Rs1,950 (from Rs1,850 earlier), implying 2.0x FY27E P/EV.

Favorable product mix drives strong VNB and margin beat

SBI Life reported FY25 APE at Rs214.2bn (+8.6% YoY) while Q4FY25 APE at Rs54.5bn grew 2.3%, both largely in line with our estimates. However, the favorable product mix led by higher share of non-par and protection amid slow ULIP demand resulted in Q4FY25 VNB margin at 30.5% and FY25 VNB margin at 27.8%, both significantly above our estimates. For FY25, VNB at Rs59.5bn grew 7.2% YoY and was 2.3% above our estimate, whereas Q4FY25 VNB at Rs16.6bn (+9.9% YoY) was ~9% higher than our estimate. EV at Rs702.5bn grew 21% YoY, beating our estimate by 1.1%. Operating RoEV stood at 20.2%. PAT for FY25 at Rs24.1bn grew 27% YoY, at a ~1% beat to our estimates, whereas Q4FY25 PAT at Rs8.1bn was flat YoY and ~3% higher than our estimates.

Faster agency growth to drive ~13-14% retail APE growth; stable margins

Over recent quarters, SBI Life has invested heavily in the agency channel, leading to higher agent activation and increased productivity. Going forward, the management would continue to invest in the agency led by investments in both, agent and branch additions. Against this backdrop, the management remains confident of delivering ~20-25% Retail APE growth in the agency channel, whereas the banca channel should track single digit Retail APE growth resulting in overall ~13-14% retail APE growth for the company in FY26. The management expects a stable margin outlook, given 1) lower contribution from ULIP to be offset by growth in Par, both tracking similar margins, 2) increase in share of non-par and protection products, 3) investments in the agency channel and opening of new branches leading to higher fixed costs.

Increase VNB estimates; reiterate BUY with revised up TP of Rs1,950

To reflect the Q4 developments, we increase our APE estimates by ~1% and our VNB margin estimates by ~50bps, resulting in ~2% increase in FY26-27E VNB. We introduce FY28 estimates. SBI Life has demonstrated a strong EV compounding over the years, with the EV doubling every four years. Given its strong brand, distribution strength, and low cost, we reiterate BUY on SBI Life, while revising up our Mar-26E TP by 5.4% to Rs1,950 (from Rs1,850 earlier), implying FY27E P/EV of 2.0x.

Target Price – 12M	Mar-26
Change in TP (%)	5.4
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	21.3

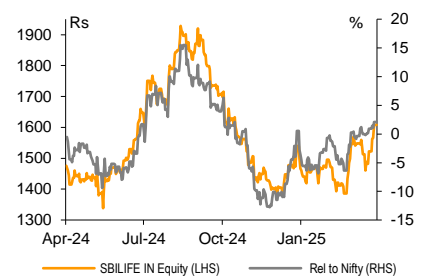
Stock Data	SBILIFE IN
52-week High (Rs)	1,936
52-week Low (Rs)	1,307
Shares outstanding (mn)	1,002.1
Market-cap (Rs bn)	1,612
Market-cap (USD mn)	18,900
Net-debt, FY25E (Rs mn)	NA
ADTV-3M (mn shares)	2
ADTV-3M (Rs mn)	1,724.0
ADTV-3M (USD mn)	20.2
Free float (%)	44.6
Nifty-50	24,246.7
INR/USD	85.3

Shareholding, Mar-25

Promoters (%)	55.4
FPIs/MFs (%)	21.9/18.7

Price Performance

(%)	1M	3M	12M
Absolute	2.4	11.6	10.1
Rel. to Nifty	0.0	6.3	1.8

1-Year share price trend (Rs)**SBI Life: Financial Snapshot (Standalone)**

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
GWP	814,306	849,846	957,874	1,077,230	1,211,096
APE	197,200	214,200	242,143	272,894	307,577
VNB	55,500	59,500	67,563	76,310	86,193
VNB margin (%)	28.1	27.8	27.9	28.0	28.0
APE growth (%)	17.3	8.6	13.0	12.7	12.7
VNB growth (%)	9.5	7.2	13.6	12.9	13.0
Adj. EPS (Rs)	18.9	24.1	27.9	31.7	36.0
EV	582,579	702,479	825,129	966,431	1,126,329
EVOP	100,580	117,800	126,650	143,302	161,898
Op. RoEV (%)	27.0	20.9	17.7	17.4	16.8
EVPS (INR)	581.9	701.2	823.6	964.7	1,124.3
P/EV (x)	2.8	2.3	2.0	1.7	1.4
P/EVOP (x)	16.0	13.7	12.7	11.2	10.0

Source: Company, Emkay Research

Avinash Singh
 avinash.singh@emkayglobal.com
 +91-22-66121327
Mahek Shah
 mahek.shah@emkayglobal.com
 +91-22-66121218

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Exhibit 1: SBI Life – Q4 / FY25 Financial Performance

(Rs bn)	FY25	FY24	% YoY	FY25E	% Var	Q4FY25	Q4FY24	% YoY	Q4FY25E	% Var
APE	214.2	197.2	8.6	214.4	-0.1	54.5	53.3	2.3	54.7	-0.4
--o/w Savings	207.8	170.1	22.2			83.6	45.9	82.1		
--o/w Protection	20.5	21.0	-2.4			5.3	5.8	-8.6		
Protection APE (% of total APE)	10.6	10.6	-0.1ppts			9.72	10.88	-1.2ppts		
Value of New Business	59.5	55.5	7.2	58.2	2.3	16.6	15.1	9.9	15.3	8.9
New Business Margin (%)	27.8	28.1	-0.4ppts	27.1	0.7ppts	30.5	28.3	2.1ppts	27.9	2.6ppts
Embedded Value	702.5	582.6	20.6	695.1	1.1	-	-	0.0		
EV Operating Profit	117.8	100.5	N.M.	-		-	-	0.0		
Operating RoEV (%)	20.2	21.8	-1.6ppts	-		-	-	0.0ppts		
Individual WRP	193.5	172.3	12.3			48.0	44.4	8.1		
New Business Premium	355.8	382.4	-7.0			93.2	122.4	-23.8		
Renewal premium	494.1	431.9	14.4			146.8	130.0	12.9		
Gross written premium	849.8	814.3	4.4			240.0	252.4	-4.9		
PAT	24.1	18.9	27.4	23.9	1.1	8.1	8.1	0.3	7.9	3.3
AUM	4,480	3,889	15.2	4,444	0.8					
SH Equity	169.9	149.1	13.9							
13 th month persistency (%)	87.4	86.8	0.6ppts							
49 th month persistency (%)	68.0	72.7	-4.7ppts							
61 st month persistency (%)	62.7	58.6	4.1ppts							
Solvency ratio (%)	196.0	196.0	0ppts							

Source: Company, Emkay Research

Exhibit 2: Appraisal methodology-based valuation for SBI Life

Parameter (Rs bn)	Value
FY25-39E APE CAGR	8.5%
FY25-39E VNB CAGR	8.5%
Terminal growth rate	4.0%
Cost of Equity	13.0%
FY26 EV	825
Present value of future new business	1,144
Appraisal value - Mar-26E	1,974
Share count (mn)	1,002
Appraisal value per share - Mar-26E (Rs)	1,969
Target price - Mar-26E (Rs)	1,950

Source: Company, Emkay Research

Exhibit 3: Implied valuation multiples for SBI Life

Appraisal value multiple on FY27 estimates	Rs1,950
P/EV	2.0x
RoEV (%)	17.4
P/EVOP	13.6x
Implied FY27E VNB multiple	14.8x

Current price multiple on FY27 estimates	Rs1,608
P/EV	1.7x
RoEV (%)	17.4
P/EVOP	11.2x
Implied FY27E VNB multiple	10.3x

Source: Company, Emkay Research

Exhibit 4: Changes in estimates

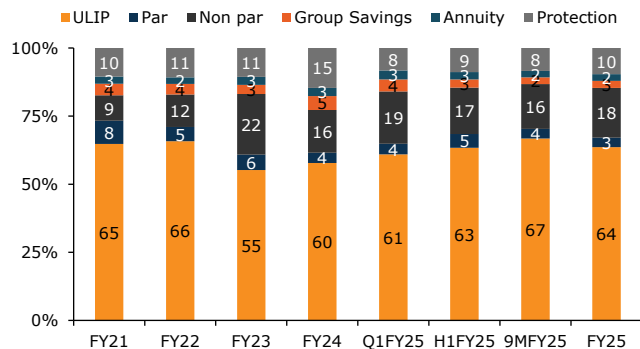
Rs bn	FY26E			FY27E			FY28E		
	Old	Revised	% Change	Old	Revised	% Change	Old	Revised	% Change
APE	240.7	242.1	0.6	271.2	272.9	0.6	NA	307.6	NM
VNB	66.1	67.6	2.3	74.5	76.3	2.4	NA	86.2	NM
VNB Margin (%)	27.4	27.9	0.5ppts	27.5	28.0	0.5ppts	NA	28.0	NM
EVOP	119.3	126.6	6.1	134.3	143.3	6.7	NA	161.9	NM
EV	810.4	825.1	1.8	942.7	966.4	2.5	NA	1,126.3	NM
PAT	26.8	28.0	4.3	30.4	31.7	4.5	NA	36.0	NM

Source: Company, Emkay Research

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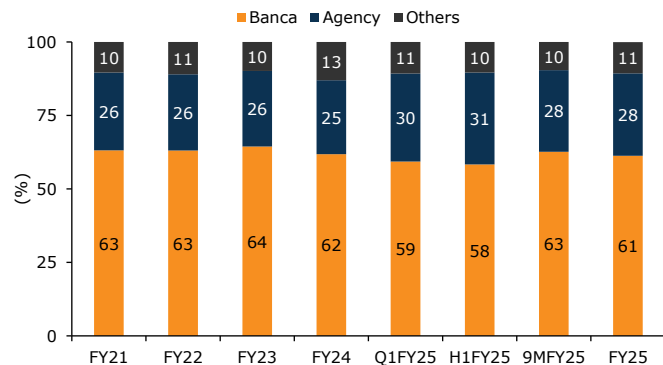
Story in charts

Exhibit 5: Contribution of non-par savings increases sequentially



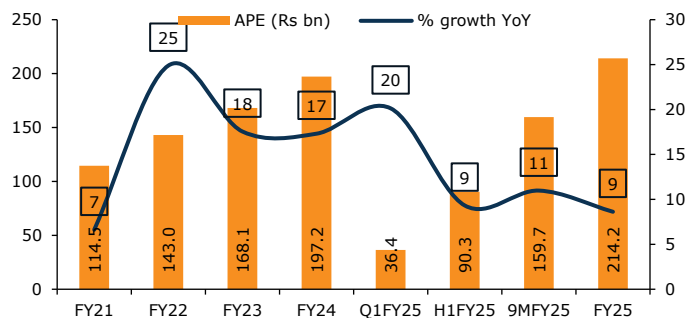
Source: Company, Emkay Research

Exhibit 6: Focus remains on driving growth in the agency channel



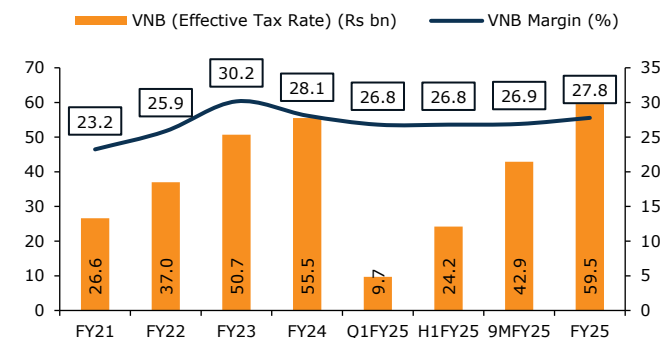
Source: Company, Emkay Research

Exhibit 7: SBI Life reports ~9% APE growth for FY25



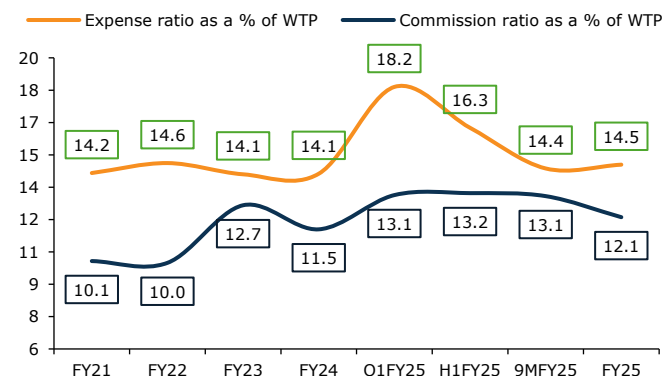
Source: Company, Emkay Research

Exhibit 8: Favorable product mix drives healthy margins



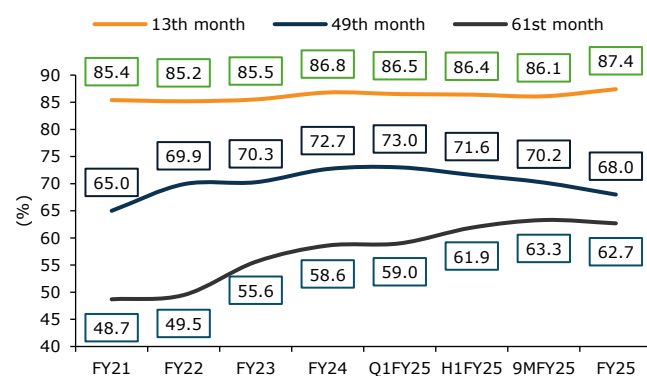
Source: Company, Emkay Research

Exhibit 9: Commission ratios moderate sequentially

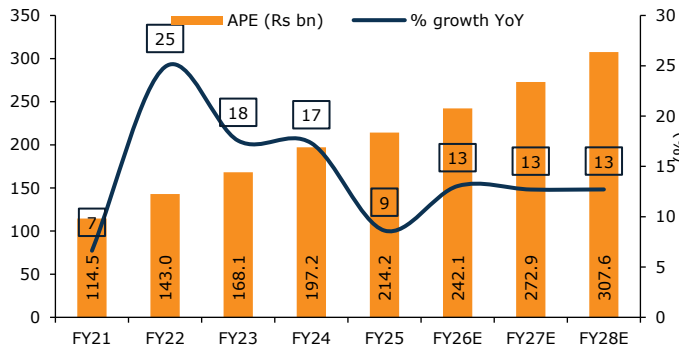


Source: Company, Emkay Research

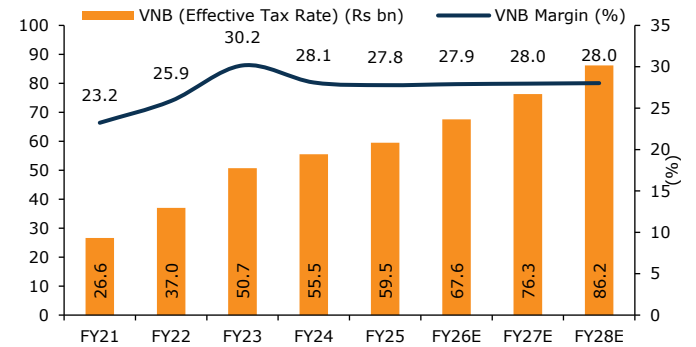
Exhibit 10: 13th month persistency witnesses improvement



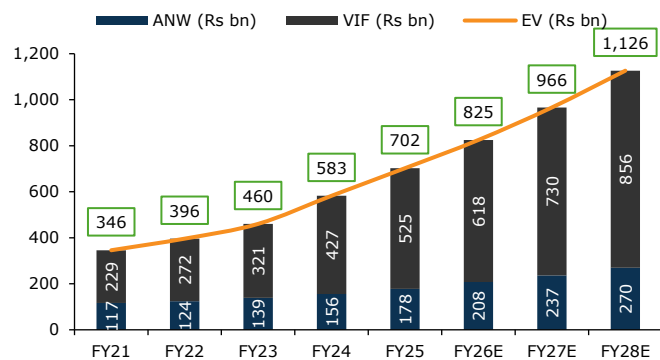
Source: Company, Emkay Research

Exhibit 11: We expect SBI Life's APE to grow at around 13% over FY26-28E

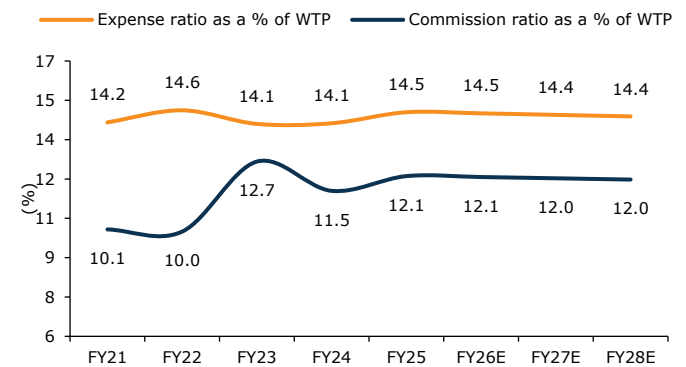
Source: Company, Emkay Research

Exhibit 12: VNB margin likely to be stable going forward

Source: Company, Emkay Research

Exhibit 13: SBI Life expected to report EV of Rs1,126bn by FY28E

Source: Company, Emkay Research

Exhibit 14: Cost ratios likely to be stable going forward

Source: Company, Emkay Research

Earnings Conference Call Highlights

- During Q4FY25, SBI Life launched 4 new products across different categories, including a non-par product and a child protection plan. The newly launched products have gained healthy traction.
- The management expects retail APE for the company to grow in the 13-14% range, which will be driven by ~20-25% growth led by the agency channel whereas banca channel would grow in a single digit.
- The management remains confident of the growth trajectory in the agency channel given the investments made over the last few quarters and the expansion in tier 2/3 cities. Further, the agency activation and agent productivity have also improved, thus driving growth in Q4FY25. Agents will focus on selling traditional non-par products.
- Going forward in FY26, the management expects the ULIP to non-ULIP share to remain in the 65:35 ratio on Individual APE basis. The shift in the product mix will be broad-based, led by the launch of four new products. While the interest rate environment remains conducive, a long term guaranteed rate and increased equity market volatility bode well for growth of non-par products.
- The company reported healthy VNB margin during Q4FY25 on the back of lower ULIPs and higher share of non-par and protection products. Further, the management expects a stable outlook for VNB margins going forward. While ULIP will see slow demand, it will be offset by par products having similar margins, thus leading to a stable margin. Further, the increased share of non-par and protection products will lead to margin improvement, but this will be offset by increased investments in the agency channel and branch expansion.
- The management mentioned that the growth in the SBI channel was driven by an improvement in the branch level of productivity. Further, the increase in number of SBI branches will drive growth for the company.
- The management stated that the commission structures in the agency channel were similar to the banca channel's. However, on a total cost basis, the agency channel will see higher costs on account of investments in branches.
- Credit Protection business saw healthy growth traction since Q3FY25, being largely driven by the Home loan segment. While the Group Term Insurance business witnessed sluggish growth amid tough competition, the management mentioned that the company underwrites only the positive VNB business.
- The individual protection business tracked healthy growth since Q3FY25 on the back of launch of new products. Further, the share of pure protection business increased to 20% from 10%; consequently, ROP products contributed to ~80% of the Retail Protection business.
- Assumption change in EV is largely on account of Mortality and persistence. The company has been continuously making a surplus on both.
- The management said that no Draft Paper has been floated on the concerns in the Banca channels. There is no formal discussion on the restrictions in the banca channel. If anything comes up, it will work towards it.
- Solvency requirement for Protection products is higher and hence solvency has been flat YoY.

SBI Life: Standalone Financials and Valuations

Profit & Loss					
Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Gross premium	814,306	849,846	957,874	1,077,230	1,211,096
Net premium	805,871	840,598	948,295	1,066,457	1,198,985
Investment income	503,666	317,141	305,595	372,547	422,675
Other income	16,777	13,448	9,922	7,096	5,117
Total revenue	1,326,314	1,171,187	1,263,813	1,446,101	1,626,777
Commission expense	32,553	37,388	42,178	47,433	53,328
Operating expense	39,819	44,908	50,662	56,974	64,054
Benefits paid (net)	431,074	489,018	561,498	635,176	721,302
Change in reserves	784,313	557,001	567,308	663,158	742,206
Total expenses	1,298,399	1,141,242	1,236,353	1,419,282	1,599,485
Surplus/Deficit	27,915	29,945	27,460	26,819	27,291
Trf from policyholders acct	25,977	27,397	26,459	25,818	26,290
Shareholders' results	(6,555)	(2,450)	2,524	7,060	11,066
PBT	19,421	24,947	28,983	32,878	37,356
Extraordinary items	-	-	-	-	-
Tax expense	483	814	1,014	1,151	1,307
Minority interest	-	-	-	-	-
Income from JV/Associates	-	-	-	-	-
Reported PAT	18,938	24,133	27,969	31,727	36,049
PAT growth (%)	10.1	27.4	15.9	13.4	13.6
Adjusted PAT	18,938	24,133	27,969	31,727	36,049
Diluted EPS (Rs)	18.9	24.1	27.9	31.7	36.0
Diluted EPS growth (%)	10.0	27.4	15.9	13.4	13.6
DPS (Rs)	2.7	2.7	2.7	2.7	2.7
Dividend payout (%)	14.3	11.2	9.7	8.5	7.5
Effective tax rate (%)	2.5	3.3	3.5	3.5	3.5
Shares outstanding (mn)	1,001	1,002	1,002	1,002	1,002

Source: Company, Emkay Research

Miscellaneous Metrics					
Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
APE	197,200	214,200	242,143	272,894	307,577
VNB	55,500	59,500	67,563	76,310	86,193
VNB margin (%)	28.1	27.8	27.9	28.0	28.0
APE growth (%)	17.3	8.6	13.0	12.7	12.7
VNB growth (%)	9.5	7.2	13.6	12.9	13.0
Operating ratios (%)					
NB commission/APE	10.5	10.4	10.1	10.1	10.1
Commissions/TWRP	5.2	5.3	5.3	5.3	5.2
Total exp ratio/TWRP	6.3	6.4	6.4	6.3	6.3
Conservation ratio	81.6	81.4	81.4	81.4	81.4
Solvency ratio	196.0	196.0	197.4	199.9	202.8
ROE	14.0	13.6	15.1	15.4	15.3
Historical metrics					
APE mix (%)	FY24	FY25	FY26E	FY27E	FY28E
A. Retail protection	4.8	3.9	0	0	0
B. Group protection	4.7	1.2	0	0	0
C. Savings - individual	-	-	-	-	-
Par	4.0	3.5	0	0	0
Non-Par	16.4	18.3	0	0	0
ULIP	60.5	63.6	0	0	0
D. Group Savings	5.4	2.6	0	0	0
Persistency ratios (%)	-	-	-	-	-
13th Month	86.8	87.4	0	0	0
49th Month	72.7	68.0	0	0	0

Source: Company, Emkay Research

Balance Sheet					
Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	10,015	10,021	10,021	10,021	10,021
Reserves & Surplus	135,900	157,907	181,568	210,590	243,933
Net worth	149,086	169,854	193,514	222,536	255,878
Borrowings	0	0	0	0	0
Policy liabilities	1,558,085	1,798,832	2,069,217	2,374,508	2,717,606
Provision for linked liab	2,045,746	2,333,582	2,697,939	3,109,959	3,573,613
FFA	13,366	15,914	19,096	22,916	27,499
Current liab and provision	55,158	61,723	68,587	76,353	84,640
Total liabilities & Equity	3,927,830	4,509,232	5,103,383	5,799,382	6,579,513
Shareholders' Investment	130,364	146,045	166,389	191,342	220,011
Policyholder Investment	1,565,436	1,852,268	2,095,315	2,379,426	2,697,404
Assets to cover linked liab.	2,160,103	2,476,357	2,801,294	3,181,132	3,606,246
Current assets	117,628	85,565	96,840	110,047	124,850
Total Assets	3,927,830	4,509,232	5,103,383	5,799,382	6,579,513
BV/Share (INR)	148.9	169.5	193.1	222.1	255.3
EV/share (INR)	581.9	701.2	823.6	964.7	1,124.3
EVOP/share (INR)	100.5	117.6	126.4	143.0	161.6
Embedded value	582,579	702,479	825,129	966,431	1,126,329
ANW	155,922	177,936	207,514	236,536	269,878
VIF	426,657	524,543	617,615	729,895	856,451
VIF share in EV (%)	73.2	74.7	74.9	75.5	76.0
Total AUM	3,918,372	4,498,512	5,091,250	5,785,594	6,563,871
Investment yield (%)	14.9	7.9	6.7	7.1	7.1
Yield on PH funds (%)	15.1	7.9	6.6	7.1	7.1
Yield on SH funds (%)	8.5	8.1	7.7	7.7	7.7

Source: Company, Emkay Research

Valuation & key ratios					
Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	85.0	66.8	57.6	50.8	44.7
P/B (x)	10.8	9.5	8.3	7.2	6.3
P/EV (x)	2.8	2.3	2.0	1.7	1.4
P/EVOP (x)	16.0	13.7	12.7	11.2	10.0
Implied P/VNB (x)	20.7	17.3	13.5	10.3	7.5
Dividend yield (%)	0.2	0.2	0.2	0.2	0.2
EV account and RoEV					
Opening EV	460,369	582,579	702,479	825,129	966,431
Premium unwind	38,100	48,800	57,087	64,992	73,705
VNB	55,500	59,500	67,563	76,310	86,193
Operating variance	6,980	9,500	2,000	2,000	2,000
EVOP	100,580	117,800	126,650	143,302	161,898
Investment variance	23,930	4,200	(2,000)	0	0
Capital movement	(2,300)	(2,100)	(2,000)	(2,000)	(2,000)
Other changes	0	0	0	0	0
Closing EV	582,579	702,479	825,129	966,431	1,126,329
Change in EV	122,210	119,900	122,650	141,302	159,898
RoEV (%)	27.0	20.9	17.7	17.4	16.8
Operating RoEV (%)	27.0	20.9	17.7	17.4	16.8
EVOP growth (%)	(4.3)	(7.4)	(10.8)	(3.7)	(3.5)
EV growth (%)	26.5	20.6	17.5	17.1	16.5
Core operating RoEV (%)	21.8	20.2	18.0	17.4	16.8
Unwind rate (%)	8.3	8.4	8.1	7.9	7.6
VNB-to-opening EV (%)	12.1	10.2	9.6	9.2	8.9

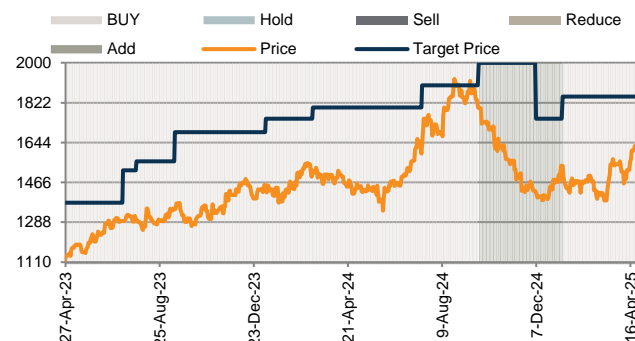
Source: Company, Emkay Research

RECOMMENDATION HISTORY – DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
03-Apr-25	1,542	1,850	Buy	Avinash Singh
12-Feb-25	1,452	1,850	Buy	Avinash Singh
19-Jan-25	1,541	1,850	Buy	Avinash Singh
12-Jan-25	1,478	1,750	Add	Avinash Singh
16-Dec-24	1,422	1,750	Add	Avinash Singh
24-Oct-24	1,635	2,000	Add	Avinash Singh
13-Oct-24	1,735	2,000	Add	Avinash Singh
04-Oct-24	1,798	2,000	Add	Avinash Singh
09-Sep-24	1,902	1,900	Buy	Avinash Singh
15-Aug-24	1,692	1,900	Buy	Avinash Singh
24-Jul-24	1,633	1,900	Buy	Avinash Singh
04-Jul-24	1,508	1,800	Buy	Avinash Singh
10-Jun-24	1,432	1,800	Buy	Avinash Singh
05-Jun-24	1,390	1,800	Buy	Avinash Singh
01-Jun-24	1,386	1,800	Buy	Avinash Singh
10-May-24	1,432	1,800	Buy	Avinash Singh
27-Apr-24	1,415	1,800	Buy	Avinash Singh
19-Apr-24	1,448	1,800	Buy	Avinash Singh
03-Apr-24	1,461	1,800	Buy	Avinash Singh
26-Mar-24	1,486	1,800	Buy	Avinash Singh
09-Mar-24	1,510	1,800	Buy	Avinash Singh
07-Mar-24	1,510	1,800	Buy	Avinash Singh
26-Jan-24	1,381	1,750	Buy	Avinash Singh
09-Jan-24	1,449	1,750	Buy	Avinash Singh
07-Jan-24	1,454	1,750	Buy	Avinash Singh
28-Dec-23	1,435	1,690	Buy	Avinash Singh
18-Dec-23	1,447	1,690	Buy	Avinash Singh
07-Dec-23	1,456	1,690	Buy	Avinash Singh
30-Nov-23	1,435	1,690	Buy	Avinash Singh
07-Nov-23	1,341	1,690	Buy	Avinash Singh
29-Oct-23	1,303	1,690	Buy	Avinash Singh
09-Oct-23	1,277	1,690	Buy	Avinash Singh
04-Oct-23	1,271	1,690	Buy	Avinash Singh
13-Sep-23	1,346	1,690	Buy	Avinash Singh
08-Sep-23	1,341	1,560	Buy	Avinash Singh
21-Aug-23	1,279	1,560	Buy	Avinash Singh
09-Aug-23	1,349	1,560	Buy	Avinash Singh
26-Jul-23	1,293	1,560	Buy	Avinash Singh
09-Jul-23	1,294	1,520	Buy	Avinash Singh
10-Jun-23	1,232	1,375	Buy	Avinash Singh
01-Jun-23	1,208	1,375	Buy	Avinash Singh
16-May-23	1,181	1,375	Buy	Avinash Singh
27-Apr-23	1,137	1,375	Buy	Avinash Singh

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

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