

**VNB Margins Expansion Led By Product Mix Shift, Focus on Agency Channel Continues**

**Est. Vs. Actual for Q1FY26: NBP – MISS; APE – INLINE; VNB/VNB Margins (%) – MISS**  
**Changes in Estimates post Q1FY26**

**FY26E/FY27E (in %): NBP -9.2/-9.1; APE -2.8/-4.7; VNB -2.3/-5.4**

**Recommendation Rationale**

- **Focus on Improving Branch Partner Distribution:** Despite the growth in the agency channel being a tad muted in Q1, the management remains confident of delivering a strong performance over the rest of FY26. **The management has retained its guidance for a strong ~25% growth through the agency channel in FY26.** The banca channel saw an uptick in Jun'25 vs Apr-Mat'25, with the company having mobilised field officers. The management is confident of strong growth in the coming quarters. The banca channel growth is expected at 10% in FY26. SBILIFE will look to drive higher branch activation from its partner banks. Currently, the company works with 14,000+ partner banks, with a monthly active rate of 10-20%. Over the medium term, the company intends to drive higher growth from this segment, driven by improved branch activation.
- **VNB Margins to Remain Range-Bound:** In Q1FY26, VNB margins of 27.4% were aided by a shift towards higher margin products, with strong growth in the non-PAR, Protection and PAR business along with improved rider rates. The company has launched a protection product, and the repricing of non-PAR products supported margins. The management indicated that the SBILIFE will look to further extend rider products to existing customers. Currently, rider attachment is offered only to new customers. Hereon, focus continues to remain on higher growth in profitable products and maintaining a balanced product mix. The management has continued to guide APE growth of mid-teens, led by non-PAR products and new launches in the protection business. VNB margins are likely to be maintained between 26-28%.
- **Persistency Trends:** SBILIFE has witnessed a healthy improvement in the 13<sup>th</sup>/61<sup>st</sup> Month Persistency ratio, which stood at 87.1/62.8% vs 86.5/61.9% YoY. However, the company has been facing challenges from a certain cohort which has been underperforming, driving lower 49th-month persistency. The management indicated that SBILIFE is likely to see a drop in the 61st-month persistency ratio in the upcoming period, owing to this cohort.
- **Opex Ratios to Remain Range-bound:** SBILIFE added 36 branches during the quarter and continued to invest in the digital infrastructure and strengthen its employee count. Despite these investments, the Opex ratio inched up only marginally, 6.3% vs 6.1% YoY. The management remains confident that despite investments towards branch and tech infrastructure, Opex ratios are likely to remain range-bound between 6-6.5% in FY26.

**Sector Outlook: Positive**

**Company Guidance and Outlook:** The management has guided for individual APE growth of ~13-14% for FY26. VNB Margins are expected to remain range-bound between 26-28% and move with a positive bias, supported by product mix shift towards non-PAR and new launches in the protection business. Focus on the agency channel continues to remain unabated, and the company will hereon look at improving the activation of partner bank branches to drive healthy growth. We expect SBILIFE to deliver a healthy 15/13/12% CAGR NBP/APE/VNB growth over FY25-28E.

**Current Valuation: 2.25x FY27E EV Earlier Valuation: 2.1x FY27E EV**

**Current TP: Rs 2,150/share. Earlier TP: Rs 1,900/share**

**Recommendation:** We maintain our **BUY** recommendation on the stock

**Financial Performance**

- In Q1FY26, SBILIFE's NBP grew by 2/-22% YoY/QoQ. Gross Premium (GWP) stood at Rs 178.1 Bn, largely in line with our expectations, registering a 14% YoY growth. GWP growth was driven by 12/24% YoY growth in the First year/Renewal premiums, respectively. Commission ratio stood at 3.9% vs 4.6% in Q1FY25. Total opex ratio was steady at 10.2% vs 10.7% YoY.
- APE grew by 9% YoY. VNB stood at Rs 10.9 Bn during the quarter, with VNB Margin at 27.4% vs 26.8% YoY. Improvement in VNB margin was driven by product mix shift towards non-linked products. EV stood at Rs 742.6 Bn (+20% YoY).
- In Q1FY26, the APE channel mix for bancassurance channel was 58%, agency channel at 27% & other channels at 15%. The agency channel growth was flat, owing to the high base effect. SBILIFE added 31,000 agents on a gross basis during the quarter, with unabated focus on productivity improvement.

**Valuation & Recommendation:**

We value SBILIFE at 2.25x FY27E EV vs its current valuations of 1.9x FY27E EV, to arrive at a target price of Rs 2,150/share. This implies an upside of 17% from the CMP. **We recommend a BUY on the stock.**

**Key Financials**

(Rs Bn)	Q1FY26	QoQ (%)	YoY (%)	Axis Est.	Variance
Gross Premium Earned	178.1	-25.8	+14.4	177.2	+0.5
New Business Premium	72.7	-22.0	+3.3	79.5	-8.6
VNB	10.9	-34.3	+12.4	11.3	-3.7
VNB Margin (%)	27.4	-310 bps	+60 bps	28.8	-135 bps
APE	39.1	-28.2	+7.5	39.4	-0.6

Source: Company, Axis Securities Research

(CMP as of 25<sup>th</sup> July, 2025)

CMP (Rs)	1,833
Upside /Downside (%)	17%
High/Low (Rs)	1,935/1,373
Market cap (Cr)	1,83,992
Avg. daily vol. (6m) Shrs.	12,11,853
No. of shares (Cr)	100.2

**Shareholding (%)**

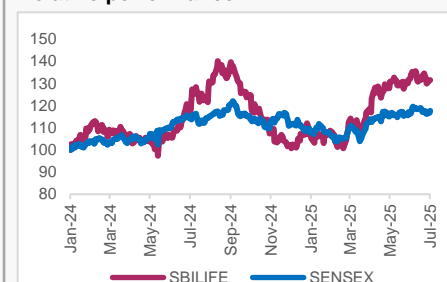
	Dec-24	Mar-25	Jun-25
Promoter	55.4	55.4	55.4
FII's	22.5	21.9	22.3
MFs / UTI	14.8	15.0	14.6
Others	7.3	7.7	7.7

**Financial & Valuations**

Y/E Mar (Rs Bn)	FY26E	FY27E	FY28E
NBP	406.2	466.8	536.5
APE	236.2	268.3	304.8
VNB	65.8	74.1	83.5
VNB Margin (%)	27.8	27.6	27.4
PAT	32.8	36.5	27.4
EV	823.8	956.9	1,111.5
P/EV (x)	2.2	1.9	1.7
RoEV (%)	18.3	17.3	17.0

**Change in Estimates (%)**

Y/E Mar	FY26E	FY27E
NBP	-9.2	-9.1
APE	-2.8	-4.7
VNB	-2.3	-5.4

**Relative performance**


Source: Ace Equity, Axis Securities Research

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## Key Risks to Our Estimates and TP

- Slowdown in APE growth or an unfavourable change in the product mix could impact VNB margins and resultantly our estimates

## Change in Estimates

(Rs Bn)

	Revised Estimates			Old Estimates			% Change		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
NBP	406.2	466.8	536.5	447.1	513.8	-	-9.2	-9.1	-
APE	236.2	268.3	304.8	243.0	281.7	-	-2.8	-4.7	-
VNB	65.8	74.1	83.5	67.3	78.3	-	-2.3	-5.4	-

Source: Axis Securities Research

**Results Review**
**(Rs Bn)**

Financials	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
NBP	72.7	70.3	3.3	93.2	(22.0)
Net premium	171.8	151.1	13.7	238.6	(28.0)
Investment & other income	215.3	192.8	11.6	-10.4	(2168.1)
Total income	<b>387.0</b>	<b>343.9</b>	<b>12.5</b>	<b>228.2</b>	<b>69.6</b>
Net commission	6.7	5.7	17.1	10.0	(33.3)
Opex	11.3	9.5	18.6	12.4	(8.8)
Total mgmt expenses	<b>18.0</b>	<b>15.2</b>	<b>18.1</b>	<b>22.4</b>	<b>(19.7)</b>
GST	2.6	2.3	15.0	2.9	(10.0)
Provision for taxes	0.5	0.6	(26.4)	0.6	(24.6)
Claims	101.2	98.3	2.9	125.3	(19.2)
Change in actuarial liability	259.0	220.3	17.6	77.1	236.1
Total cost	<b>381.8</b>	<b>337.1</b>	<b>13.3</b>	<b>225.5</b>	<b>69.4</b>
Surplus/(deficit)	5.2	6.8	(23.0)	2.7	90.4
T/f to s/hs' account	3.2	2.8	16.9	19.5	(83.5)
Investment & other income	2.9	2.6	10.5	2.5	16.5
Total income	6.1	5.4	13.8	22.0	(72.1)
Non-insurance expenses	0.1	0.1	(10.0)	0.1	(27.4)
PBT	6.1	5.4	14.1	8.4	(27.3)
Taxes	0.2	0.2	3.8	0.3	(38.8)
PAT	5.9	5.2	14.4	8.1	(26.9)
AUM	4,751	4,118	15.4	4,475	6.2

Source: Company, Axis Securities Research

Key metrics	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Commission ratio (%)	3.9	4.6	-68bps	4.2	-30bps
Opex ratio (%)	6.3	6.1	23bps	5.2	118bps
Total expense ratio (%)	10.2	10.7	-46bps	9.3	87bps
Claims ratio (%)	58.9	65.1	-617bps	52.5	640bps
<b>Persistency (%)</b>					
13th month	87.1	86.5	62bps	87.4	-28bps
37th month	72.0	71.7	26bps	72.1	-14bps
61st month	62.8	59.0	380bps	62.7	10bps
Conservation ratio (%)	90.3	85.5	474bps	83.7	652bps

## Financials

### Revenue Account

(Rs Bn)

Y/E March	FY25	FY26E	FY27E	FY28E
<b>Gross premium</b>	<b>849.8</b>	<b>965.2</b>	<b>1,098.1</b>	<b>1,250.2</b>
(-) Reinsurance ceded	9.2	10.5	11.9	13.6
<b>Net premiums</b>	<b>840.6</b>	<b>954.7</b>	<b>1,086.1</b>	<b>1,236.6</b>
Income from investments and other income	330.6	362.8	386.6	414.8
<b>Total income</b>	<b>1,171.2</b>	<b>1,317.5</b>	<b>1,472.8</b>	<b>1,651.4</b>
- Commission expenses	34.2	39.4	44.8	50.8
- Operating expenses	44.9	51.7	58.5	66.6
- Provision for doubtful debts and taxes	10.9	13.3	15.1	17.3
<b>Operating surplus</b>	<b>1,077.9</b>	<b>1,213.0</b>	<b>1,354.4</b>	<b>1,516.7</b>
- Benefits paid (net)	483.3	498.7	553.6	623.5
- Interim & terminal bonuses paid	5.7	5.6	5.8	6.0
- Change in reserves	557.0	669.2	753.2	858.7
<b>Pre-tax surplus / (deficit)</b>	<b>31.9</b>	<b>39.5</b>	<b>41.8</b>	<b>28.5</b>
Provisions for tax	2.0	2.6	2.7	1.9
<b>Post-tax surplus / (deficit)</b>	<b>29.9</b>	<b>36.9</b>	<b>39.1</b>	<b>26.7</b>

Source: Company, Axis Securities Research

### Profit & Loss Account

(Rs Bn)

Y/E March	FY25	FY26E	FY27E	FY28E
Transfer from technical a/c	27.4	33.8	35.8	24.4
Investment and other income	11.2	0.0	0.0	0.0
<b>Total income</b>	<b>38.6</b>	<b>46.6</b>	<b>50.2</b>	<b>40.5</b>
<b>Total expenses</b>	<b>13.6</b>	<b>12.6</b>	<b>12.3</b>	<b>12.1</b>
PBT	24.9	34.0	37.8	28.4
Provision for tax	0.8	1.2	1.3	1.0
<b>PAT</b>	<b>24.1</b>	<b>32.8</b>	<b>36.5</b>	<b>27.4</b>

Source: Company, Axis Securities Research

### Balance Sheet

(Rs Bn)

Y/E March	FY25	FY26E	FY27E	FY28E
<b>Source of Funds</b>				
<b>Shareholders' fund</b>	<b>170</b>	<b>203</b>	<b>239</b>	<b>268</b>
Policy liabilities	4,323	5,011	5,731	6,518
Funds for future appropriations	16	19	22	25
<b>Total</b>	<b>4,509</b>	<b>5,233</b>	<b>5,992</b>	<b>6,811</b>
<b>Application of Funds</b>				
Shareholders' investments	146	168	188	211
Policyholders' investments	1,852	2,189	2,571	3,008
Asset held to cover linked liabilities	2,476	2,774	3,108	3,482
Net other and current assets	35	102	125	110
<b>Total</b>	<b>4,509</b>	<b>5,233</b>	<b>5,992</b>	<b>6,811</b>

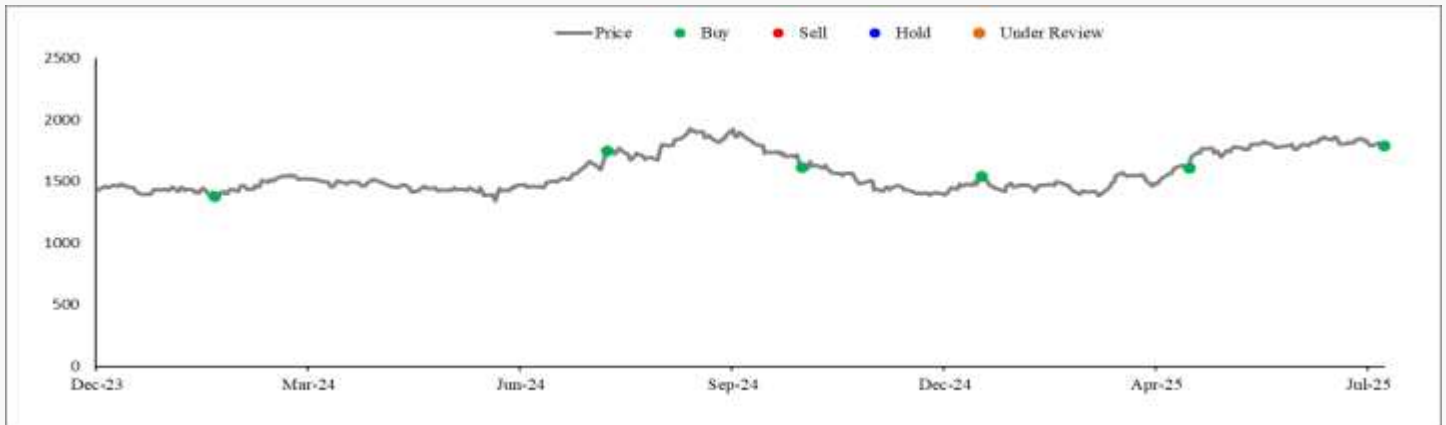
Source: Company, Axis Securities Research

**Ratio Analysis**
**(%)**

Y/E March	FY25	FY26E	FY27E	FY28E
<b>Growth (%)</b>				
New business premium	-7.0	14.2	14.9	14.9
Renewal premium	14.4	13.1	12.9	13.1
Net premium	4.3	13.6	13.8	13.8
PAT	27.4	36.0	11.2	-24.8
Total AUM	16.0	14.7	14.4	14.2
Total Assets	14.8	16.0	14.5	13.7
<b>Expense analysis (%)</b>				
Commission ratio	4.0	4.1	4.1	4.1
Opex ratio	5.3	5.4	5.3	5.3
Claims ratio	57.5	52.2	51.0	50.4
P/hs' opex / Avg P/hs' AUM	1.9	2.0	2.0	2.0
<b>Profitability analysis (%)</b>				
RoA	0.6	0.7	0.7	0.4
RoE	15.1	17.6	16.5	10.8
RoEV	20.2	18.3	17.3	17.0
VNB margin	28.3	27.8	27.6	27.4
<b>Per share data (Rs)</b>				
EPS	24.1	32.8	36.4	27.4
BVPS	167.7	200.4	236.9	264.3
EVPS	701.5	822.6	955.5	1109.9
<b>Valuation data (x)</b>				
P/E	76.1	55.9	50.3	66.9
P/BV	10.8	9.1	7.7	6.8
P/EV	2.6	2.2	1.9	1.7

Source: Company, Axis Securities Research

## SBI Life Insurance Price Chart and Recommendation History



Date	Reco	TP	Research
29-Jan-24	BUY	1,630	Result Update
29-Jul-24	BUY	1,955	Result Update
28-Oct-24	BUY	2,050	Result Update
20-Jan-25	BUY	1,850	Result Update
25-Apr-25	BUY	1,900	Result Update
28-Jul-25	BUY	2,150	Result Update

Source: Axis Securities Research

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NO STANCE	We do not have any forward-looking estimates, valuation or recommendation for the stock

Note: Returns stated in the rating scale are our internal benchmark.