

VNB Margins Surprise Positively, Focus on Agency Channel Continues

Est. Vs. Actual for Q4FY25: NBP – **MISS**; APE – **INLINE**; VNB/VNB Margins (%) – **BEAT**
 Changes in Estimates post Q4FY25

FY26E/FY27E (in %): NBP -9.0/-9.6; APE -4.4/-5.3; VNB -3.0/-5.1

Recommendation Rationale

- **Agency channel ramp-up to continue:** In line with the company's renewed focus on the agency channel, the focus during the quarter was on improving agency activation through traditional and protection products, which have been selling ULIP products until now. SBILIFE remains committed to strengthening the agency channel, with plans to open 87 new branches, expand into Tier 2/3 cities, onboard more agents, and enhance agent productivity and activation. The company is streamlining its agency network by weeding out underperforming agents. **The management has guided for a strong ~25% growth through the agency channel in FY26.** Driven by strong growth in the agency channel and sustained growth in the banca channel, SBILIFE expects to deliver a 13-14% individual APE growth, marginally better than industry growth, which is pegged at 12-13%.
- **VNB margins to remain range-bound:** In Q4FY25, VNB margins (calc.) surprised positively and stood at 30.5%, significantly higher than our expectations. This improvement was driven by a favourable product mix coupled with an improvement in product-level margins. The share of ULIP business was lower primarily owing to volatile equity markets. The management has highlighted that SBILIFE is making a conscious effort to diversify its product mix away from ULIP. Going forward, SBILIFE will look to maintain ULIP vs Traditional product mix (in terms of IRP) at 65:35 vs 70:30 currently. The management has guided for VNB margins to be maintained between 27-28% in FY26. SBILIFE highlighted that the shift in the product mix towards Par from ULIP may not have a meaningful bearing on blended margins, as the margin profile for both these categories is identical.
- **Banca Channel growth to complement agency growth:** Along with growth in the agency channel, the management expects the banca channel to deliver a ~10% (low-double digit) growth in FY26. The management also highlighted that the banca channel offers a fairly large growth opportunity and SBILIFE will continue to harness these opportunities from the parent as well as other banca partners. Currently, activation rates in SBI are better vs other banca partners.
- **No clarity on banca restrictions:** SBILIFE has stated that it has not been informed of any restrictions on the banca channel business either from the regulator or government agencies.

Sector Outlook: Positive

Company Guidance and Outlook: The management has guided for individual APE growth of ~13-14% for FY26, mainly driven by strong growth in the agency channel. The renewed focus on the agency channel could act as a key growth driver, especially given that growth in the banca channel is expected to remain modest. Despite the product mix shift towards non-ULIP products, the management has guided for VNB margins of 27-28%. We factor in healthy APE/VNB growth of 16/15% CAGR over FY25-27E, with VNB margins remaining within the guided range of 27-28%.

Current Valuation: 2.1x FY27E EV Earlier Valuation: 2.1x FY26E EV

Current TP: Rs 1,900/share, Earlier TP: Rs 1,850/share

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

Financial Performance

- In Q4FY25, SBILIFE's NBP growth was weak at -24/-11% YoY/QoQ and stood at Rs 93.2 Bn. APE stood at Rs 54.5 Bn (+2%/-22% YoY/QoQ), mainly driven by non-par and group protection business. In FY25, APE stood at Rs 214.2 Bn (+9% YoY). APE product mix (%) for PAR/Non-PAR/ULIP stood at 3/33/64% vs 4/29/67% in FY24.
- VNB stood at Rs 16.6 Bn for Q4FY25 and Rs 59.5 Bn in FY25. VNB Margin for FY25 was at 27.8%. In Q4FY25, VNB Margin (calc.) stood at 30.5%, owing to a favourable product mix as the share of ULIP declined, while non-par growth was healthy.
- The agency channel delivered a healthy growth of 21% YoY in FY25. Banca channel growth was modest at 8% YoY during the year. During Q4FY25, the banca growth was better than agency growth, primarily due to weaker ULIP sales in the agency channel.
- Gross Premium earned was in line with estimates at Rs 240 Bn (-5/-4% YoY/QoQ). Commission ratio stood at 4.2% vs 4.1% QoQ. Total Opex ratio stood at 9.3% vs 6.7/8.7% YoY/QoQ.

Valuation & Recommendation:

We value SBILIFE at 2.1x FY27E EV vs its current valuations of 1.6x FY27E EV, to arrive at a target price of Rs 1,900/share. This implies an upside of 18% from the CMP. **We recommend a BUY on the stock.**

Key Financials

(Rs Bn)	Q4FY25	QoQ (%)	YoY (%)	Axis Est.	Variance
Gross Premium Earned	240.0	-4.0	-4.9	253.7	-5.4
New Business Premium	93.2	-11.5	-23.8	96.8	-3.7
VNB	53.0	-23.6	-0.5	53.2	-0.4
APE	16.6	-11.2	+9.9	14.5	14.5

Source: Company, Axis Securities Research

(CMP as of 24th April, 2025)

CMP (Rs)	1,609
Upside /Downside (%)	18%
High/Low (Rs)	1,935/1,307
Market cap (Cr)	1,61,229
Avg. daily vol. (6m) Shrs.	15,56,641
No. of shares (Cr)	100.2

Shareholding (%)

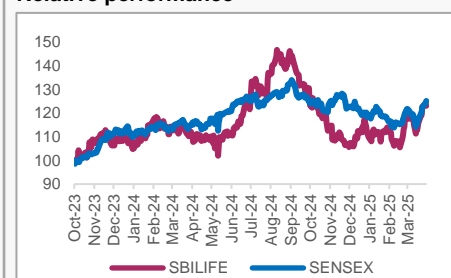
	Sep-24	Dec-24	Mar-25
Promoter	55.4	55.4	55.4
FII's	24.7	22.5	21.9
MFs / UTI	12.8	14.8	15.0
Others	7.1	7.3	7.7

Financial & Valuations

Y/E Mar (Rs Bn)	FY25	FY26E	FY27E
NBP	355.8	447.1	513.8
APE	209.9	243.0	281.7
VNB	59.5	67.3	78.3
VNB Margin (%)	27.8	27.7	27.8
PAT	24.1	42.1	51.6
EV	702.5	830.3	985.4
P/EV (x)	2.3	1.9	1.6
RoEV (%)	20.2	20.3	20.7

Change in Estimates (%)

Y/E Mar	FY26E	FY27E
NBP	-9.0	-9.6
APE	-4.4	-5.3
VNB	-3.0	-5.1

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	FY26E	FY27E	FY26E	FY27E
NBP	447.1	513.8	491.1	568.6	-9.0	-9.6
APE	243.0	281.7	254.2	297.5	-4.4	-5.3
VNB	67.3	78.3	69.4	82.5	-3.0	-5.1
VNB Margin (%)	27.7	27.8	27.3	27.8	1.5	0.2

Source: Axis Securities Research

Results Review
(Rs Bn)

Financials (Rs Bn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)
NBP	93.2	122.4	(23.8)	105.3	(11.5)
Net premium	238.6	251.2	(5.0)	248.3	(3.9)
Investment & other income	-10.4	108.1	(109.6)	-62.8	(83.4)
Total income	228.2	359.3	(36.5)	185.5	23.0
Net commission	10.0	8.5	17.2	10.1	(1.6)
Opex	12.4	11.1	11.5	11.6	6.9
Total mgmt expenses	22.4	19.6	14.0	21.7	2.9
GST	2.9	2.6	10.2	3.1	(7.1)
Provision for taxes	0.6	0.1	306.1	0.2	173.8
Claims	125.3	148.2	(15.5)	125.3	(0.0)
Change in actuarial liability	77.1	190.8	(59.6)	29.1	165.0
Total cost	225.5	358.4	(37.1)	181.7	24.1
Surplus/(deficit)	2.7	0.9	220.6	3.7	(26.6)
T/f to s/hs' account	19.5	21.6	(9.7)	2.6	642.5
Investment & other income	2.5	3.3	(23.1)	3.2	(20.7)
Total income	22.0	24.8	(11.5)	5.8	279.6
Non-insurance expenses	0.1	0.1	(11.7)	0.1	50.9
PBT	8.4	8.4	0.5	5.7	47.1
Taxes	0.3	0.3	6.1	0.2	30.4
PAT	8.1	8.1	0.3	5.5	47.7
AUM	4,475	3,856	16.0	4,417	1.3

Source: Company, Axis Securities Research

Key metrics	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)
Commission ratio (%)	4.1	5.1	-94bps	4.6	-43bps
Opex ratio (%)	5.6	4.4	116bps	6.1	-52bps
Total expense ratio (%)	9.7	9.5	22bps	10.7	-95bps
Claims ratio (%)	52.5	59.0	-651bps	50.5	202bps
Persistency (%)					
13th month	87.4	86.8	60bps	86.1	130bps
37th month	72.1	71.3	80bps	72.4	-30bps
61st month	62.7	58.6	410bps	63.3	-60bps

Financials

Revenue Account

(Rs Bn)

Y/E March	FY24	FY25	FY26E	FY27E
Gross premium	814.3	849.8	968.4	1,102.3
(-) Reinsurance ceded	8.4	9.2	10.5	12.0
Net premiums	805.9	840.6	957.9	1,090.3
Income from investments and other income	520.4	330.6	374.7	402.0
Total income	1,326.3	1,171.2	1,332.6	1,492.3
- Commission expenses	31.1	34.2	36.9	41.5
- Operating expenses	39.8	44.9	46.8	53.3
- Provision for doubtful debts and taxes	9.3	10.9	13.4	15.7
Operating surplus	1,244.7	1,077.9	1,235.4	1,381.8
- Benefits paid (net)	431.1	489.0	512.8	558.3
- Interim & terminal bonuses paid	0.0	0.0	0.7	1.0
- Change in reserves	784.3	557.0	668.4	758.6
Pre-tax surplus / (deficit)	29.3	31.9	53.5	63.8
Provisions for tax	1.4	2.0	3.2	3.8
Post-tax surplus / (deficit)	27.9	29.9	50.3	60.0

Source: Company, Axis Securities Research

Profit & Loss Account

(Rs Bn)

Y/E March	FY24	FY25	FY26E	FY27E
Transfer from technical a/c	26.0	27.4	44.2	52.8
Investment and other income	10.3	0.0	0.0	0.0
Total income	36.3	38.6	56.8	66.7
Total expenses	16.9	13.6	13.1	13.0
PBT	19.4	24.9	43.7	53.7
Provision for tax	0.5	0.8	1.5	2.1
PAT	18.9	24.1	42.1	51.6

Source: Company, Axis Securities Research

Balance Sheet

(Rs Bn)

Y/E March	FY24	FY25	FY26E	FY27E
Source of Funds				
Shareholders' fund	149	170	212	264
Policy liabilities	3,765	4,323	5,013	5,734
Funds for future appropriations	13	16	22	29
Total	3,928	4,509	5,247	6,027
Application of Funds				
Shareholders' investments	130	146	168	188
Policyholders' investments	1,565	1,852	2,189	2,583
Asset held to cover linked liabilities	2,160	2,476	2,861	3,306
Net other and current assets	72	35	29	-50
Total	3,928	4,509	5,247	6,027

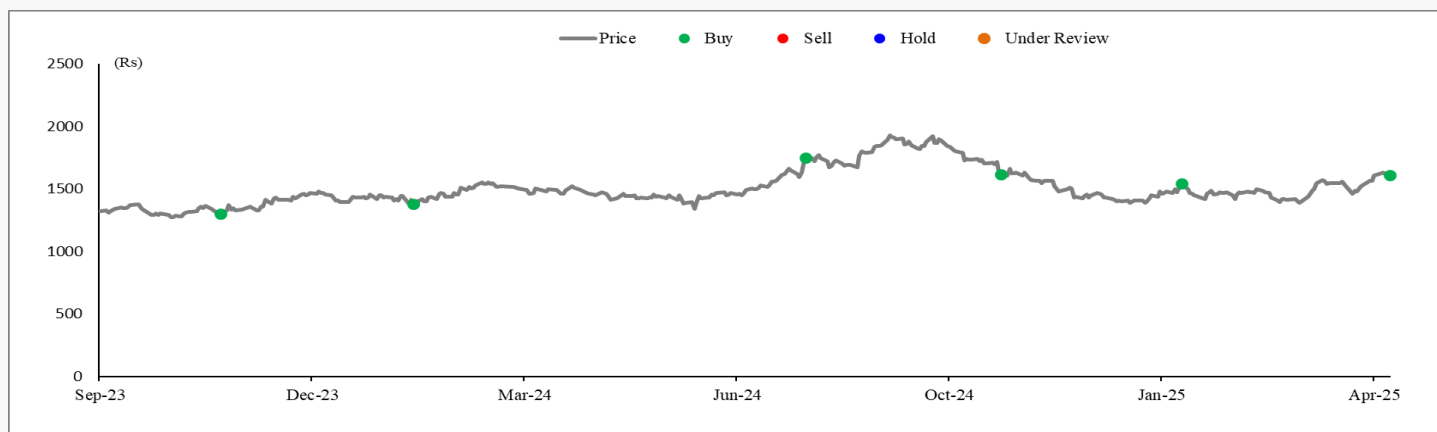
Source: Company, Axis Securities Research

Ratio Analysis
(%)

Y/E March	FY24	FY25	FY26E	FY27E
Growth (%)				
New business premium	29.2	-7.0	25.7	14.9
Renewal premium	14.5	14.4	5.5	12.9
Net premium	21.0	4.3	14.0	13.8
PAT	10.1	27.4	74.6	22.4
Total AUM	26.7	16.0	16.6	16.5
Total Assets	26.9	14.8	16.4	14.9
Expense analysis (%)				
Commission ratio	3.8	4.0	3.8	3.8
Opex ratio	4.9	5.3	4.8	4.8
Claims ratio	53.5	58.2	53.5	51.2
P/hs' opex / Avg P/hs' AUM	3.6	1.9	1.8	1.7
Profitability analysis (%)				
RoA	0.5	0.6	0.9	0.9
RoE	13.6	15.1	22.1	21.7
RoEV	21.8	20.2	20.3	20.7
VNB margin	28.4	27.8	27.7	27.8
Per share data (Rs)				
EPS	18.9	24.1	42.1	51.5
BVPS	145.7	167.7	209.8	261.2
EVPS	581.8	701.5	829.1	984.0
Valuation data (x)				
P/E	85.1	66.8	38.2	31.2
P/BV	10.8	9.5	7.6	6.1
P/EV	2.8	2.3	1.9	1.6

Source: Company, Axis Securities Research

SBI Life Insurance Price Chart and Recommendation History



Date	Reco	TP	Research
23- Jan-23	BUY	1,565	Result Update
26-Jul-23	BUY	1,535	Result Update
30-Oct-23	BUY	1,535	Result Update
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

Source: Axis Securities Research

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