

# Life insurance

## A year older, a year wiser

As FY26 dawns, life insurance stocks have derated from FY25 peaks, which were achieved with strong growth and lower impact of surrender norms than initially expected. (Exhibit 8) While FY25 began with a weak growth outlook, the industry has outperformed with 19.8% growth in 10MFY25. This was led by strong ULIP sales, with the tailwind of strong markets. However, with higher share of ULIPs, margins were compromised. Going into FY26, the room for non-par pricing remains limited with the tight spread between term deposit rates and G-sec yields. (Exhibit 9) With commencement of repo cuts, the spread should rise through the year. As monthly SIPs have increased 40.1% YoY by Jan'25 but have become range-bound over the last 2 months, we expect the product to gradually cede share in the savings business mix. Alongside an expected pickup in retail credit going into 2HFY26 (implying strong credit life sales), we expect margin improvement from FY25 levels for our coverage. With strong brands, established channels and products, we believe private life insurers offer a solid investment opportunity. HDFC Life has strongly navigated FY25 with growth outperformance and lower margin compromise than peer insurers. We expect it to deliver 15.7% CAGR in APE over FY25-FY27e, with margins improving to 26.0% by FY27e from 25.3% in FY25e. We value it at 2.2x FY27e EVPS (against 2.5x earlier) of INR 355, for a EV CAGR of 16.1% over FY25-FY27e. We maintain BUY with a revised target price of INR 800 (down from INR 900 earlier). At CMP, IPRU Life trades at valuations of 1.2x FY27e EVPS of INR 444, inexpensive for 14.2%/16.3%/13.9% CAGR in APE/VNB/EV, implying 9.6x on FY27e VNB, after adjusting for VIF. We value the company at 1.6x FY27e (against 1.8x earlier) EVPS of INR 444, to get a revised target price of INR 700, against INR 777 earlier. Meanwhile, SBI Life has seen a sustained slowdown in banca growth (61% of 9M25 individual APE – 8.5% YoY growth in 9MFY25); however, with a focused growth strategy (agency and non-SBI banca channels), we expect it to deliver 15.2% CAGR in APE over FY25-FY27e. At CMP, the stock trades at valuations of 1.7x/1.5x FY26/FY27e EV, implying 10.4x/8.0x on VNB, after accounting for VIF (Value of In Force business) in the CMP. We believe these are inexpensive for 18% EV CAGR. With the weak aspirations for banca growth, we cut our target price to INR 1,700 from INR 2,000, valuing SBI Life at 1.8x FY27e EVPS of INR 972 (down from 2.1x).

- **FY25 APE growth a positive surprise, VNB margins should improve going into FY26:** We began FY25 with a growth outlook of 12.6% for the private sector in individual APE as the spread between deposit rates and G-sec yields had narrowed. Through a focus on ULIPs, with underlying strength in equity markets and a growing focus on SIPs, private industry has outperformed with a growth of 19.8% in 10MFY25. As ULIP share of new business cools off and credit life picks up with growth in retail loans, we expect VNB margins to improve going into FY26.
- **Companies have diversified their products and channels:** Leading insurers have reduced their dependence on specific channels and products – while HDFC Life has diversified its product mix, embracing ULIPs with higher sum assured and riders, ICICI Prudential and SBI Life have substantially reduced their dependence on parent banca.
- **Expect consistency to be rewarded by markets:** With strong brands, established channels and products, we believe private life insurers offer a solid investment opportunity, trading below Nifty 50 forward P/E of 17.2x (FY26e/FY27e P/EVOPx of 14.3x/12.3x for HDFC Life, 11.2x/9.6x for IPRU and 11.0x/9.4x for SBI Life). HDFC Life has strongly navigated FY25 with growth outperformance and lower margin compromise than peer insurers. We prefer it despite higher valuations given its balanced product mix and strong work in agency, which should cushion growth even as banca growth reduces on a strong base.



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We acknowledge the support of **Shubham Karvande**

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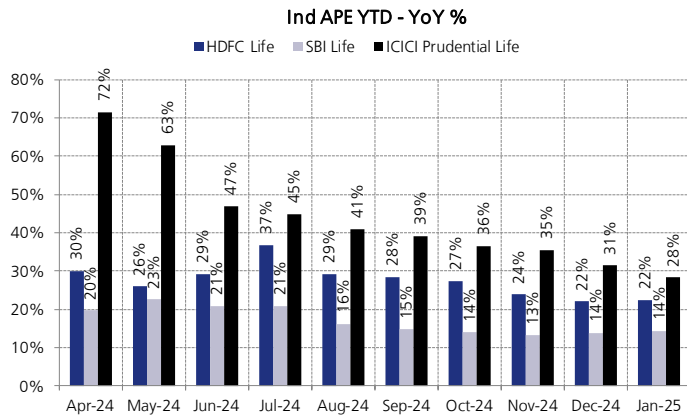
Company	Reco	TP
HDFC Life	BUY	800
SBI Life	BUY	1,700
ICICI Prudential Life	BUY	700
LIC of India	HOLD	860

JM Financial Research is also available on: Bloomberg - JMFR <GO>, Thomson Publisher & Reuters, S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

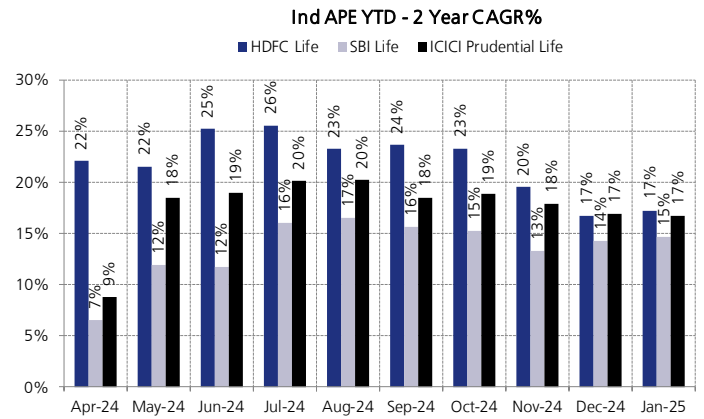
Focus charts

Exhibit 1. Strong YoY growth seen in FY25, after a weak FY24



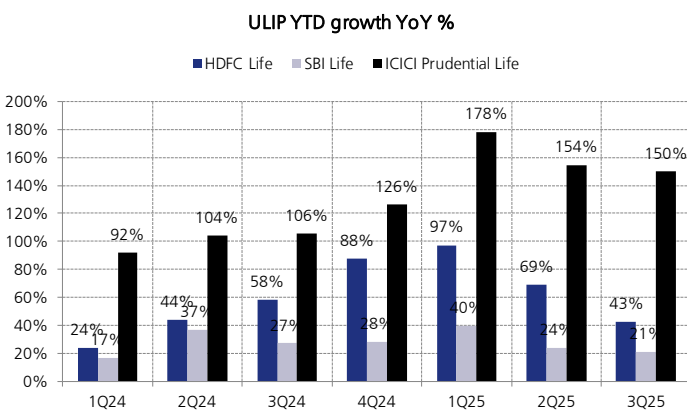
Source: Company, JM Financial

Exhibit 2. Two-year CAGR has remained robust



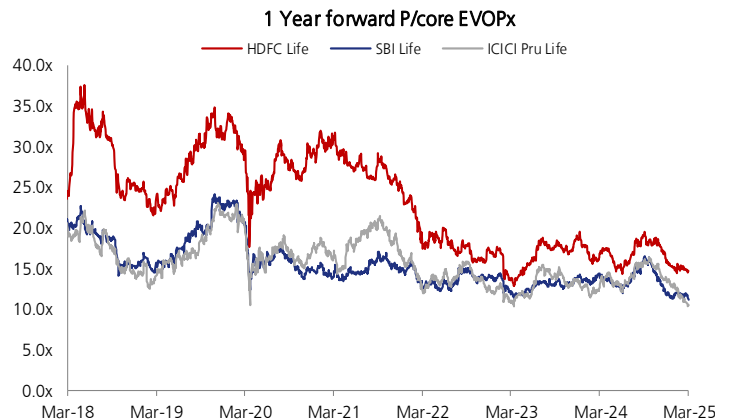
Source: Company, JM Financial

Exhibit 3. ULIPs: Customers demanded, insurers provided



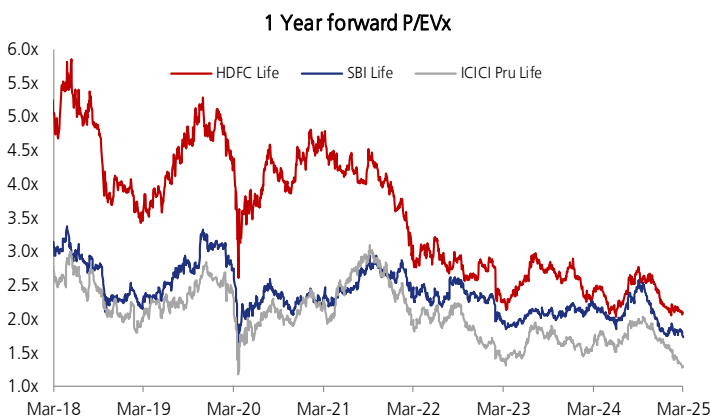
Source: Company, JM Financial

Exhibit 4. P/core EVOP - Chart



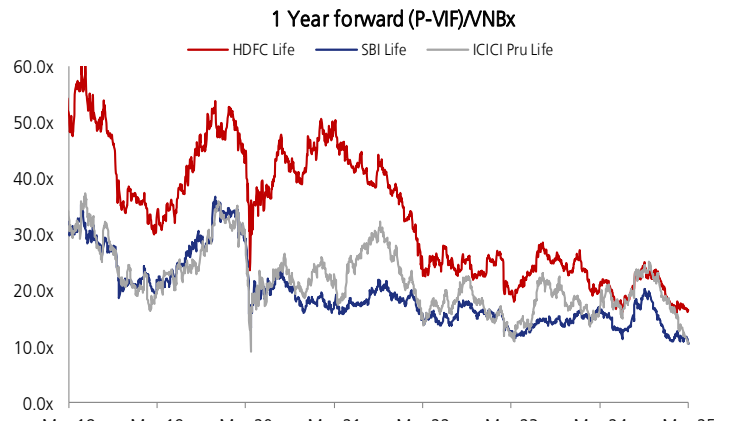
Source: Company, JM Financial

Exhibit 5. Sector re-rated with growth in CY25...



Source: Company, JM Financial, Bloomberg

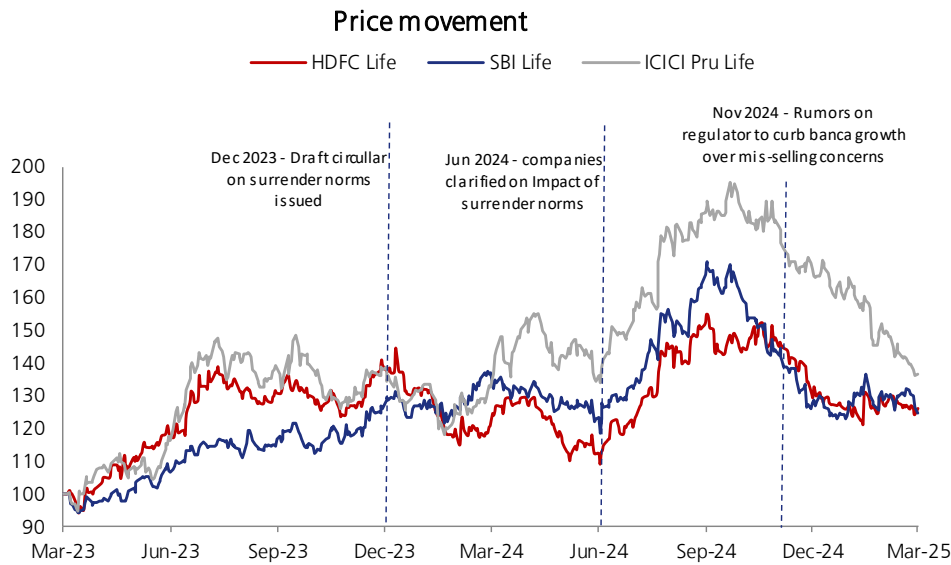
Exhibit 6. ...multiples remain below pre-Covid levels



Source: Company, JM Financial, Bloomberg

## Stock performance was impacted by noise around surrender norms and banca caps

**Exhibit 7. Stocks have corrected following noise around mis-selling in banca channel**



Source: Company, JM Financial

### Impact of surrender norms – expectation vs. actual

Once the surrender norms were notified in Jun'24, the impact was lower than that expected after the draft was released in Dec'23. Hence, the conversation shifted to growth and stocks re-rated. Further, the industry has handled change in surrender norms well, with impact seen in 3Q25 lower than that expected when the guidelines were issued in June. This was achieved through a combination of deferrals, reduction in commissions and adjustment in client benefits. Today, the companies have delivered on growth. The key monitorables remain banca growth and VNB margins trajectory as ULIPs reduce and group protection picks up.

**Exhibit 8. Impact of surrender norms on life insurance companies**

Company	Expected Impact	Actual impact
IPRU life	No impact on margins	No impact on margins due to rationalisation of commissions from front-end to level commission products
SBI life	Insignificant impact on margins	Negligible impact given higher retentions in first year and existing customer friendly surrender charges
Max Life Insurance	Impact on margins of about 100-200 basis point.	100 bps*
HDFC Life Insurance	Impact of approximately 100bps on NBM	30bps of NBM

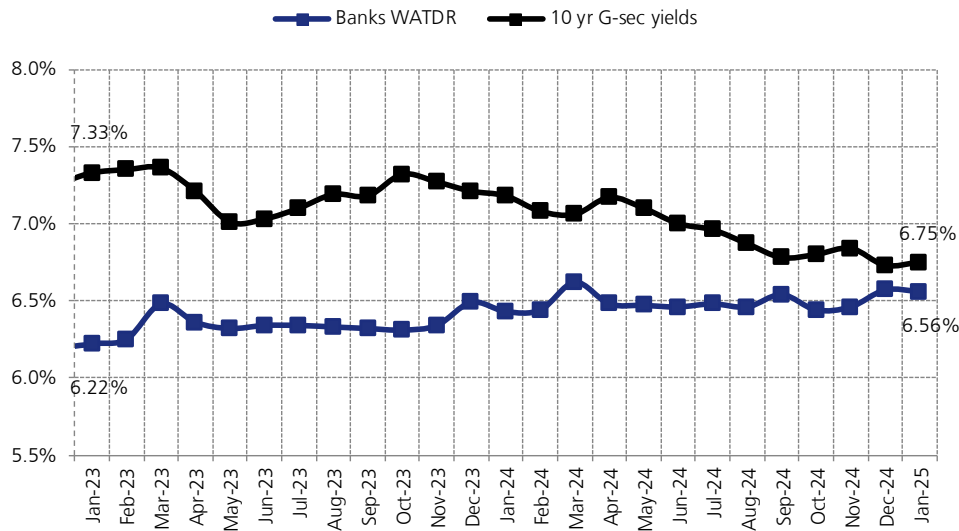
Source: Company, JM Financial

\* As per management guidance, the actual impact was around the lower end of 100-200 basis point guidance

### Insurers are better equipped to handle growth concerns

FY25 began with a growth outlook of 12.6% for the private sector in individual APE as the spread between deposit rates and G-sec yields had narrowed. Through a focus on ULIPs, with underlying strength in equity markets and a growing focus on SIPs, private industry has outperformed with a growth of 19.8% in 10MFY25. While this has compromised on margins, growth through new clients adds to the franchise and delivers absolute VNB growth. We had seen in FY24 that while ULIPs reduced VNB margins, EV growth was not compromised, with a positive economic variance coming from equity market exposure.

**Exhibit 9. Declining G-sec yields have pulled down non-par margins, while rising deposit rates have put competitive pressure**



Source: Bloomberg, JM Financial

## With higher ULIPs, VNB growth has lagged APE growth in 9M25

## Exhibit 10. While IPRU led APE growth, HDFC Life led in VNB growth

(INR mn)	SBI Life			IPRU Life			HDFC Life		
	9M24	9M25	YoY(%)	9M24	9M25	YoY(%)	9M24	9M25	YoY(%)
<b>Total APE (YTD)</b>	<b>143,900</b>	<b>159,700</b>	<b>11.0%</b>	<b>54,300</b>	<b>69,050</b>	<b>27.2%</b>	<b>85,640</b>	<b>102,930</b>	<b>20.2%</b>
Individual Savings	118,600	138,600	16.9%	37,980	47,110	24.0%	63,648	80,278	26.1%
- ULIPs	88,000	106,600	21.1%	23,400	35,060	49.8%	23,145	33,003	42.6%
- Par	6,100	5,700	-6.6%	14,580	12,050	-17.4%	20,252	16,056	-20.7%
- Non-par	24,500	26,300	7.3%	NA	NA	NA	20,252	31,219	54.2%
Annuity	4,500	3,800	-15.6%	3,390	6,160	81.7%	5,063	4,460	-11.9%
Individual protection	6,500	5,300	-18.5%	3,430	4,260	24.2%	3,999	5,122	28.1%
<b>Individual APE</b>	<b>129,600</b>	<b>147,700</b>	<b>14.0%</b>	<b>44,800</b>	<b>57,530</b>	<b>28.4%</b>	<b>72,710</b>	<b>89,860</b>	<b>23.6%</b>
Group APE	14,300	12,000	-16.1%	9,500	11,520	21.3%	12,930	13,070	1.1%
- Group protection	8,700	8,100	-6.9%	7,490	7,410	-1.1%	8,881	7,744	-12.8%
- Group savings	5,600	3,900	-30.4%	2,030	4,110	102.5%	4,049	5,326	31.5%
Total Savings + Annuity	128,700	146,300	13.7%	43,400	57,380	32.2%	68,711	84,738	23.3%
Total protection	15,200	13,400	-11.8%	7,470	3,910	-47.7%	12,880	12,866	-0.1%
<b>VNB</b>	<b>40,400</b>	<b>42,900</b>	<b>6.2%</b>	<b>14,510</b>	<b>15,750</b>	<b>8.5%</b>	<b>22,670</b>	<b>25,860</b>	<b>14.1%</b>
<b>VNB Margin %</b>	<b>28.1%</b>	<b>26.9%</b>	<b>-1.2%</b>	<b>26.7%</b>	<b>22.8%</b>	<b>-3.9%</b>	<b>26.5%</b>	<b>25.1%</b>	<b>-1.3%</b>
Total APE growth	76.0%	11.0%		1.7%	27.2%		4.8%	20.2%	
Individual APE growth	88.5%	14.0%		22.9%	28.4%		5.8%	23.6%	
VNB growth	86.8%	6.2%		-15.1%	8.5%		4.8%	14.1%	
<b>Savings mix, %</b>									
- ULIPs	74.2%	76.9%	2.7%	61.6%	74.4%	12.8%	36.4%	41.1%	4.7%
- Par	5.1%	4.1%	-1.0%	38.4%	25.6%	-12.8%	31.8%	20.0%	-11.8%
- Non-par	20.7%	19.0%	-1.7%	NA	NA	NA	31.8%	38.9%	7.1%
<b>Channel mix - Ind APE</b>									
Banca	69.4%	66.0%	-3.4%	33.8%	33.2%	-0.6%	64.0%	64.0%	0.0%
Agency	26.1%	29.9%	3.8%	33.0%	36.2%	3.3%	18.0%	17.0%	-1.0%
Others	4.5%	4.1%	-0.4%	33.3%	30.5%	-2.7%	18.0%	19.0%	1.0%
<b>Channel Growth - Ind APE (YTD)</b>									
Banca	14.6%	8.5%		-6.9%	26.3%		14.7%	23.6%	
Agency	14.2%	30.6%		7.1%	41.3%		5.8%	16.7%	
Others	20.8%	5.2%		15.1%	18.0%		-17.2%	30.5%	

Source: Company, JM Financial

## Growth through ULIPs does not compromise on EV growth

With a rising share of ULIPs in the product mix, insurers under our coverage have seen their margins contract; however, the trajectory of absolute VNB growth has not been lost. Both HDFC Life and IPRU are focused on VNB growth led by APE growth. Meanwhile, SBI Life has continued with its ULIP-focused trajectory. Further, VIF and EV have continued to grow in the process.

Growth in ULIPs in the last 5 quarters was the result of both pull and push factors:

- Natural demand from customers, with booming equity markets.
- Companies focusing on the product with taxation on higher ticket traditional business and lowering spreads on traditional products.

### Equity market gains translate to positive economic variance & EV growth

If we add economic variance to VNB, we see that the period of booming equity markets did not dilute EV accretion for the insurers.

**Exhibit 11. Equity gains translate to higher RoEV even if ULIPs hit VNB margins**

(INR mn)	HDFC Life	SBI Life	ICICI Pru Life
Total APE	132,910	197,200	90,460
VNB	35,000	55,500	22,270
VNB margin, %	26.3%	28.1%	24.6%
Economic Variance	13,500	23,900	16,910
Economic Variance, as a % of VNB	38.6%	43.1%	75.9%
Economic Variance, as a % of total APE	10.2%	12.1%	18.7%
APE growth, %	-0.3%	17.3%	4.7%
VNB growth, %	-4.6%	9.5%	-19.5%
<b>RoEV, %</b>	<b>26.3%</b>	<b>26.4%</b>	<b>18.7%</b>

Source: Company, JM Financial

## Key assumptions and sector outlook

Exhibit 12. Expect mid-teens growth for players for private players, with improving VNB margins

(INR bn)	SBI Life			IPRU Life			HDFC Life		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
<b>Total APE</b>	<b>223.6</b>	<b>257.3</b>	<b>296.9</b>	<b>110.4</b>	<b>125.6</b>	<b>144.1</b>	<b>158.3</b>	<b>183.0</b>	<b>211.8</b>
Individual Savings	183.7	211.5	244.3	78.8	89.0	101.8	123.6	142.6	164.8
- ULIPs	132.2	148.1	168.5	56.7	57.9	61.1	48.2	47.5	54.9
- Par	9.2	10.6	12.2	9.5	13.4	15.3	27.2	42.8	49.4
- Non-par	42.2	52.9	63.5	12.6	17.8	25.4	48.2	52.3	60.4
Annuity	7.3	8.8	10.5	10.5	12.4	14.6	7.8	9.2	10.9
Individual protection	10.3	12.0	13.7	5.3	6.4	7.7	7.3	8.7	10.2
<b>Individual APE</b>	<b>201.3</b>	<b>232.3</b>	<b>268.5</b>	<b>94.5</b>	<b>107.8</b>	<b>124.1</b>	<b>138.7</b>	<b>160.5</b>	<b>185.9</b>
Group APE	22.3	25.0	28.5	15.9	17.8	20.0	19.6	22.5	25.9
- Group protection	12.8	14.3	16.3	10.5	11.7	13.1	13.0	14.9	17.1
- Group savings	9.5	10.7	12.2	5.4	6.1	6.8	6.6	7.6	8.8
Total Savings + Annuity	200.5	231.0	267.0	94.7	107.5	123.2	138.1	159.5	184.4
Total protection	23.1	26.3	30.0	15.7	18.2	20.9	20.2	23.6	27.4
<b>VNB</b>	<b>60.8</b>	<b>71.5</b>	<b>83.5</b>	<b>25.4</b>	<b>29.6</b>	<b>34.4</b>	<b>40.0</b>	<b>46.9</b>	<b>55.1</b>
<b>VNB Margin %</b>	<b>27.2%</b>	<b>27.8%</b>	<b>28.1%</b>	<b>23.0%</b>	<b>23.6%</b>	<b>23.9%</b>	<b>25.3%</b>	<b>25.6%</b>	<b>26.0%</b>
Total APE growth	13.4%	15.1%	15.4%	22.1%	13.8%	14.7%	19.1%	15.6%	15.7%
Individual APE growth	15.0%	15.4%	15.6%	23.1%	14.1%	15.1%	20.5%	15.7%	15.8%
VNB growth	9.6%	17.5%	16.9%	14.2%	16.4%	16.1%	14.3%	17.3%	17.4%
<b>Savings mix, %</b>									
- ULIPs	75.0%	70.0%	69.0%	72.0%	65.0%	60.0%	39.0%	33.3%	33.3%
- Par	5.0%	5.0%	5.0%	12.0%	15.0%	15.0%	22.0%	30.0%	30.0%
- Non-par	20.0%	25.0%	26.0%	16.0%	20.0%	25.0%	39.0%	36.7%	36.7%
<b>Channel mix - Ind APE</b>									
Banca	64.0%	61.0%	58.1%	32.4%	31.2%	30.1%	64.2%	62.7%	61.2%
Agency	30.8%	33.3%	36.1%	36.3%	36.9%	37.5%	17.9%	18.4%	18.9%
Others	5.2%	5.6%	5.8%	31.4%	31.9%	32.4%	17.9%	18.9%	19.9%
<b>Channel growth - Ind APE</b>									
Banca	10.0%	10.0%	10.0%	18.0%	10.0%	11.0%	19.0%	13.0%	13.0%
Agency	28.0%	25.0%	25.0%	30.0%	16.0%	17.0%	20.0%	19.0%	19.0%
Others	10.0%	25.0%	20.0%	21.0%	16.0%	17.0%	27.0%	22.0%	22.0%

Source: Company, JM Financial

## FY25 rolling trend in key parameters

Exhibit 13. FY25 has seen consistent APE growth, at the cost of margins

(INR mn)	HDFC Life				IPRU Life				SBI Life			
FY25 Quarterly	1Q	2Q	3Q	4Qe	1Q	2Q	3Q	4Qe	1Q	2Q	3Q	4Qe
Total APE	28,660	38,580	35,690	55,401	19,630	25,040	24,380	41,383	36,400	53,900	69,400	63,922
Individual APE	24,670	33,970	31,220	48,869	16,660	21,610	19,260	36,993	33,300	49,500	64,900	53,622
Group APE	3,990	4,610	4,470	6,532	2,970	3,430	5,120	4,390	3,100	4,400	4,500	10,300
<b>Growth, %</b>												
Total APE	23.1%	26.7%	11.8%	17.2%	34.4%	21.4%	27.8%	14.4%	20.1%	3.1%	13.2%	19.9%
Individual APE	31.1%	30.9%	11.8%	15.3%	42.3%	26.2%	20.7%	15.6%	22.9%	10.5%	12.5%	17.9%
Group APE	-10.5%	2.7%	12.3%	33.6%	2.4%	-1.7%	64.6%	5.3%	0.0%	-42.1%	25.0%	30.4%
VNB	7,180	9,380	9,300	14,145	4,720	5,860	5,170	9,674	9,700	14,500	18,700	17,943
<b>VNB growth (%)</b>												
VNB margins (%)	25.1%	24.3%	26.1%	25.5%	24.0%	23.4%	21.2%	23.4%	26.6%	26.9%	26.9%	28.1%

Source: Company, JM Financial

## Life insurance valuations

Exhibit 14. We prefer private insurers, given the stronger growth profile

	Reco	Mkt cap (USD bn)	TP	VNB margins (%)			(P-VIF)/VNBx			P/EVx			EV growth (%)		
				FY25e	FY26e	FY27e	FY25e	FY26e	FY27e	FY25e	FY26e	FY27e	FY25e	FY26e	FY27e
HDFC Life	BUY	15.3	800	25.3%	25.6%	26.0%	23.1	18.3	14.4	2.3	2.0	1.7	19.4%	16.3%	15.8%
IPRU Life	BUY	9.2	700	23.0%	23.6%	23.9%	16.8	12.9	9.5	1.6	1.4	1.2	17.0%	13.8%	14.0%
SBI Life	BUY	16.3	1,700	27.2%	27.8%	28.1%	14.2	10.1	7.7	2.0	1.7	1.4	19.6%	18.4%	18.0%
LIC	HOLD	55.4	860	17.6%	18.5%	19.1%	NA	NA	NA	0.6	0.5	0.5	7.8%	9.2%	8.9%

Source: JM Financial



# HDFC Life Insurance | BUY

## Well-diversified product mix to drive growth

HDFC Life traditionally maintained a good mix of par/non-par/ULIPs in savings, and a strong annuity and protection (group & individual) business, while facing competition and market payouts from HDFC Bank. In FY24, it saw the highest impact from taxation on higher ticket non-par policies, and sees another 100bps impact from surrender charges regulation. At this time, it focussed on higher sum assured ULIP variants to maintain margin profile and improved its counter-share in its now parent to drive growth. Meanwhile, integration of partners through Project Inspire is progressing well and is expected to yield improvement in agency productivity going ahead. With higher proportion of ULIPs in the savings business, pricing pressure in protection and cost of technology integration with erstwhile- Exide Life, it has admirably managed to keep margins under check. The company faces a tough balancing act as it restructures its products and commission structures to align with new product regulations, while maintaining its strong growth trajectory with range-bound margins. HDFC Life has strongly navigated FY25 with growth outperformance and lower margin compromise than peer insurers. We expect it to deliver 15.7% CAGR in APE over FY25-FY27e, with margins improving to 26.0% by FY27e from 25.3% in FY25e. We value it at 2.2x FY27e EVPS (against 2.5x earlier) of INR 355, for a EV CAGR of 16.1% over FY25-FY27e. We maintain BUY with a revised target price of INR 800 (down from INR 900 earlier).

- Concerns on bancassurance channel well-addressed in 3Q concall:** In the 3QFY25 concall, the management mentioned that it had received no communication from the regulator on any cap on banca share, even as it continues to focus on diversifying the channel mix. HDFC Life reported a respectable 11.3% growth from banca in 3Q to report 23.6% growth from the channel in 9MFY25. Sequentially slower growth was attributed to a steady counter share in the HDFC Bank channel of ~65%, which had grown by 10ppts over the last year, since the bank became its direct parent. Further, individual protection sales have doubled from the channel YoY. Also, the company intends to reduce presence on bank counters, with support from parent bank personnel, which should augur well for banca VNB margins going forward, in addition to rising protection sales.
- Margins have fallen less than peers, to recover gradually:** The insurer has reported 14% YoY growth in VNB to INR 25.9bn for 9MFY25; this implies margins of 25.1%, down 1.30ppts YoY.
  - Impact of surrender norms on margins was quantified at 0.3% for 3Q and 0.1% for 9MFY25, implying full year impact of under 0.2% for FY25 and 0.3% or below from FY26 onwards. This was a good outcome, without compromising on customer returns, given the 100bps impact if the commission structure had been unchanged.
- Valuation and view:** With margins rising to 25.3%, the company should comfortably report 14% VNB growth for FY25. Looking forward to FY27e, we see consistent 16%+ growth in VNB and EV for both FY26e and FY27e. At CMP, the company trades at undemanding valuations of 2.0x FY26e EV/1.8x FY27e EV. This implies 18.6x/14.5x on VNB, after adjusting for VIF (Value in Force), cheap for 17% RoEV, 17% VNB CAGR. We value the company at 2.2x FY27e EVPS of INR 355 (against 2.5x earlier) to get a target price of INR 800 (down from INR 900). We maintain BUY.

### Financial Summary

INR bn	FY23	FY24	FY25E	FY26E	FY27E
Total APE	133.4	132.9	158.3	183.0	211.8
Growth YoY (%)	36.7%	-0.3%	19.1%	15.6%	15.7%
Individual APE	114.0	115.1	138.7	160.5	185.9
NBP	241.5	289.1	296.3	345.6	409.0
Opex + Commissions	75.5	113.2	121.6	142.5	162.6
VNB	36.7	35.0	40.0	46.9	55.1
Growth YoY (%)	36.9%	-4.6%	14.3%	17.3%	17.4%
VNB margins	27.5%	26.3%	25.3%	25.6%	26.0%
Op ROEV (%)	14.8%	20.9%	20.2%	17.2%	16.7%
P/EVx	3.2x	2.7x	2.3x	1.9x	1.7x

Source: Company, JM Financial



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We acknowledge the support of **Shubham Karvande** shubham.karvande@jmfl.com in the preparation of this report

### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	800
Upside/(Downside)	28.8%
Previous Price Target (12M)	900
Change	-11%

### Key Data – HDFCLIFE IN

Current Market Price	INR621
Market cap (bn)	INR1,337.3/US\$15.4
Free Float	45%
Shares in issue (mn)	564.1
Diluted share (mn)	
3-mon avg daily val (mn)	INR2,178.5/US\$25.1
52-week range	761/511
Sensex/Nifty	73,730/22,337
INR/US\$	87.0

### Price Performance

%	1M	6M	12M
Absolute	-1.1	-17.4	2.2
Relative*	5.0	-7.9	2.1

\* To the BSE Sensex

JM Financial Research is also available on: Bloomberg - JMFR <GO>, Thomson Publisher & Reuters, S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

**Exhibit 15. HDFC Life 9M25: FYTD trends in key parameters**

(YTD)	3Q24	2Q25	3Q25	YoY %
Total APE	85,640	67,240	102,930	20.2%
Individual Savings	63,648	52,356	80,278	26.1%
- ULIPs	23,145	21,178	33,003	42.6%
- Par	20,252	8,824	16,056	-20.7%
- Non-par	20,252	22,354	31,219	54.2%
Annuity	5,063	2,941	4,460	-11.9%
Individual protection	3,999	3,342	5,122	28.1%
Individual APE	72,710	58,640	89,860	23.6%
Group APE	12,930	8,600	13,070	1.1%
- Group protection	8,881	5,331	7,744	-12.8%
- Group savings	4,049	3,269	5,326	31.5%
Total Savings + Annuity	68,711	55,298	84,738	23.3%
Total protection	12,880	8,674	12,866	-0.1%
EV	451,730	521,100	532,460	17.9%
VNB	22,670	16,560	25,860	14.1%
VNB margins (%)	26.5%	24.6%	25.1%	-1.3%
<b>Savings mix (%)</b>				
- ULIPs	36.4%	40.4%	41.1%	4.7%
- Par	31.8%	16.9%	20.0%	-11.8%
- Non-par	31.8%	42.7%	38.9%	7.1%
<b>Channel mix - Ind APE (YTD)</b>				
Banca	64.0%	65.0%	64.0%	0.0%
Agency	18.0%	17.0%	17.0%	-1.0%
Others	18.0%	18.0%	19.0%	1.0%

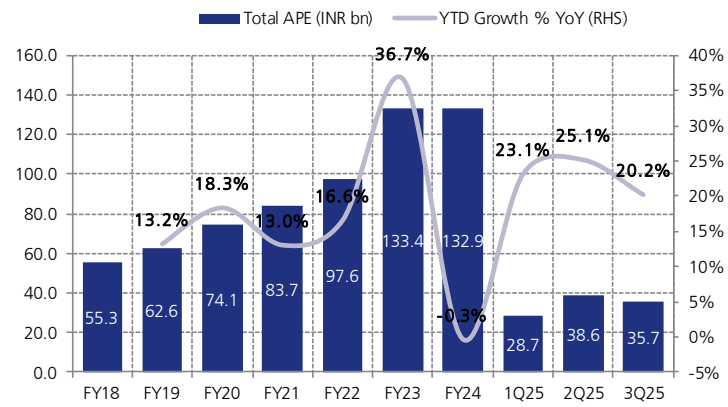
Source: Company, JM Financial

**Exhibit 16. HDFC Life: Trend in EV walk**

Embedded value (INR bn)	FY22	FY23	FY24	9M24	9M25
<b>Opening IEV</b>	<b>266.1</b>	<b>329.6</b>	<b>395.2</b>	<b>395.3</b>	<b>474.7</b>
<b>Core EVOP</b>	<b>49.8</b>	<b>62.9</b>	<b>67.4</b>	<b>46.8</b>	<b>54.5</b>
- Unwind	23	26.2	32.4	24.1	28.6
- VNB	26.8	36.7	35	22.7	25.9
<b>Variances</b>	<b>13.6</b>	<b>2.7</b>	<b>12</b>	<b>9.8</b>	<b>3.5</b>
- Operating	0.8	1.9	1.8	1.3	1.4
- Economic & dividends	12.8	0.8	10.2	8.5	2.1
<b>Closing IEV</b>	<b>329.6</b>	<b>395.3</b>	<b>474.7</b>	<b>451.7</b>	<b>532.5</b>

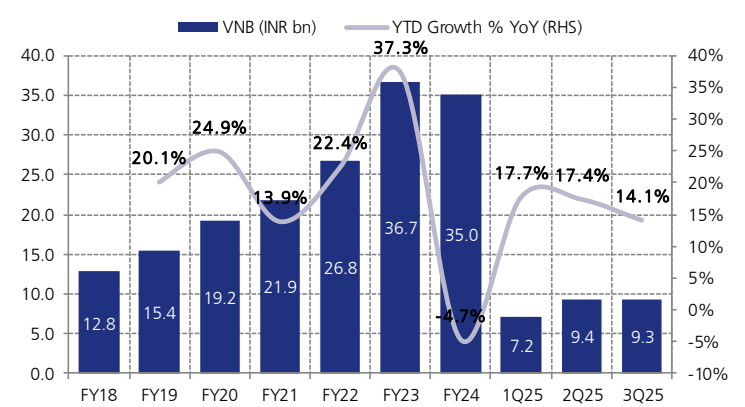
Source: Company, JM Financial

**Exhibit 17. Total APE has grown at 20.2% in 9MFY25**



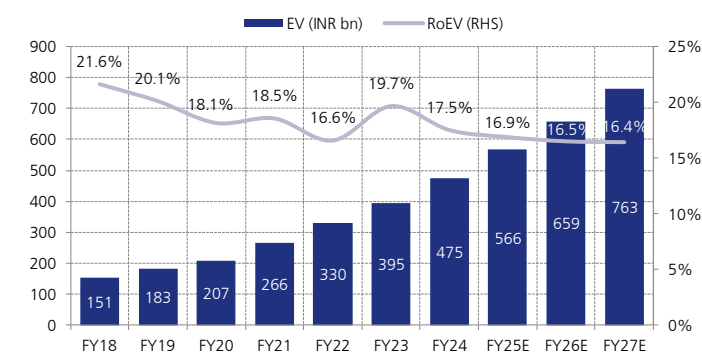
Source: Company, JM Financial

**Exhibit 18. VNB growth tapered to 14.1% YoY in 9MFY25**



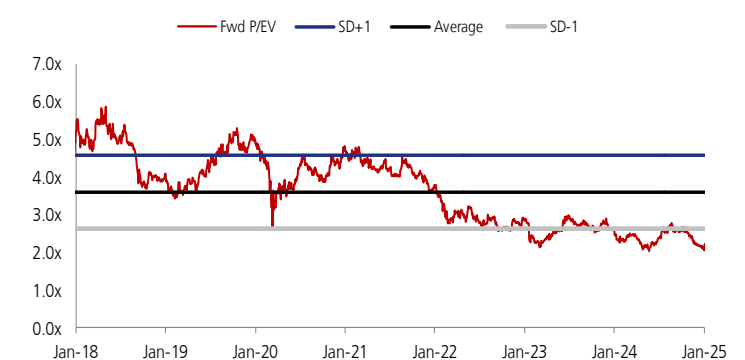
Source: Company, JM Financial

**Exhibit 19. Operating RoEV has consistently been above 16%+**



Source: Company, JM Financial

**Exhibit 20. Stock has de-rated with macros, growth to drive re-rating**



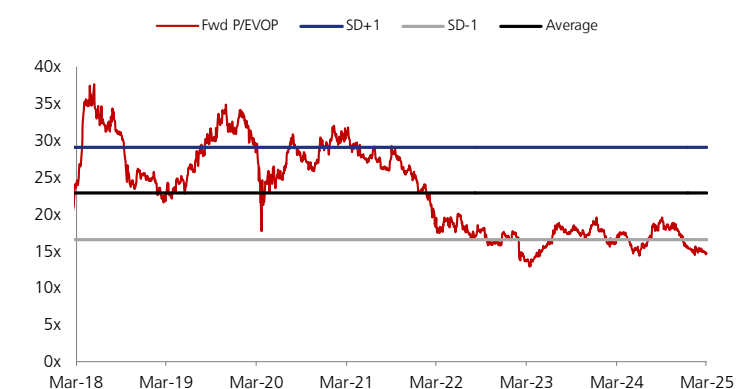
Source: Company, JM Financial

**Exhibit 21. 1 year forward (P-VIF)/VNBx trading below SD-1**



Source: Company, JM Financial

**Exhibit 22. Stock trades below 1-SD lower than its historical mean**



Source: Company, JM Financial

## Financial Tables (Standalone)

Technical Statement					(INR mn)
Y/E March	FY23A	FY24A	FY25A	FY26E	FY27E
Gross premiums	575,334	630,765	748,096	880,706	1,026,003
Net premiums	567,640	619,592	733,134	863,092	1,005,483
Investment income	125,975	383,543	319,962	311,963	316,762
Other Income	13,439	4,608	6,911	7,602	8,363
<b>Total Income</b>	<b>707,054</b>	<b>1,007,743</b>	<b>1,060,007</b>	<b>1,182,657</b>	<b>1,330,608</b>
Commissions	28,868	52,563	62,316	73,363	85,466
Operating expenses	84,374	69,011	72,461	83,330	95,830
Provisions & Taxes	5,638	-2,741	5,638	5,920	6,808
<b>Total expenses</b>	<b>118,881</b>	<b>118,833</b>	<b>140,416</b>	<b>162,613</b>	<b>188,104</b>
Benefits paid	388,723	396,965	410,461	455,202	509,826
Change in valuation of life reserves	185,862	484,194	500,656	555,228	621,855
<b>Total Benefits</b>	<b>574,585</b>	<b>881,158</b>	<b>911,118</b>	<b>1,010,430</b>	<b>1,131,681</b>
<b>Surplus/(Deficit) for the year</b>	<b>13,589</b>	<b>7,751</b>	<b>8,474</b>	<b>9,614</b>	<b>10,822</b>

Source: Company, JM Financial

Shareholder's Statement					(INR mn)
Y/E March	FY23A	FY24A	FY25A	FY26E	FY27E
Transfer from the Policyholders' Account	14,689	7,991	8,474	9,614	10,822
Investment income	7,197	10,022	12,365	13,666	12,906
Other income	632	130.50	144	158	174
<b>Total income</b>	<b>22,518</b>	<b>18,143</b>	<b>20,982</b>	<b>23,438</b>	<b>23,902</b>
Operating expenses	263	1,254	1,424	1,606	1,790
Contribution to the policyholders A/C	9,532	1,251	1,484	1,747	2,035
<b>Profit before tax</b>	<b>12,724</b>	<b>15,638</b>	<b>18,074</b>	<b>20,086</b>	<b>20,077</b>
Tax	-877	-50	180.74	200.86	200.77
<b>Profit after tax</b>	<b>13,601</b>	<b>15,689</b>	<b>17,893</b>	<b>19,885</b>	<b>19,876</b>

Source: Company, JM Financial

Key Ratios					
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
NBV	36,740	35,010	40,005	46,938	55,112
NBV growth	37%	-5%	14%	17%	17%
Reported NBV margin	27.5%	26.3%	25.3%	25.6%	26.0%
Total APE	133,360	132,910	158,331	183,034	211,783
- Growth	37%	0%	19%	16%	16%
Opex (ex-comm) ratio	14.67%	10.94%	9.69%	9.46%	9.34%
Commissions ratio	5.02%	8.33%	8.33%	8.33%	8.33%

Source: Company, JM Financial

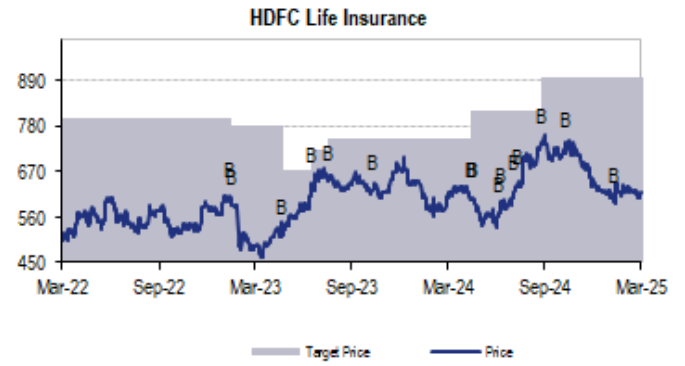
Balance Sheet					(INR mn)
Y/E March	FY23A	FY24A	FY25A	FY26E	FY27E
Shareholders' Investments	131,319	148,819	171,142	196,813	226,335
Policyholders' Investments	1,464,485	1,817,966	2,181,559	2,617,871	3,141,445
Unit linked Investments	792,015	955,416	1,140,767	1,360,935	1,609,986
Loans	15,853	18,972	21,059	23,376	25,947
Fixed assets	3,802	4,158	4,533	4,941	5,385
Net Current Assets / (Liab)	-11,283	-8,038	-9,669	-11,615	-13,249
<b>Total Assets</b>	<b>2,396,191</b>	<b>2,937,293</b>	<b>3,509,390</b>	<b>4,192,320</b>	<b>4,995,849</b>
Borrowings	9,500	9,500	19,500	29,500	29,500
<b>Fair Value Change Account</b>	<b>19,759</b>	<b>60,257</b>	<b>60,257</b>	<b>60,257</b>	<b>60,257</b>
Policy Liabilities	1,470,875	1,753,488	2,104,185	2,525,022	3,030,026
Linked Liabilities	753,836	955,416	1,146,500	1,375,799	1,650,959
FFA	12,354	12,115	14,538	17,445	20,934
<b>Total Liabilities</b>	<b>2,266,323</b>	<b>2,790,776</b>	<b>3,344,980</b>	<b>4,008,024</b>	<b>4,791,677</b>
Share Capital	21,494	21,509	21,509	21,509	21,509
Reserves and surplus	108,177	120,503	138,396	158,282	178,158
Fair Value Change Account	197	4,505	4,505	4,505	4,505
<b>Shareholder's equity</b>	<b>129,868</b>	<b>146,517</b>	<b>164,411</b>	<b>184,296</b>	<b>204,172</b>

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
27-Apr-21	Buy	800	
20-Jul-21	Buy	800	0.0
24-Oct-21	Buy	800	0.0
24-Jan-22	Buy	800	0.0
16-Jan-23	Buy	780	-2.5
20-Jan-23	Buy	780	0.0
27-Apr-23	Buy	675	-13.5
20-Jun-23	Buy	725	7.4
21-Jul-23	Buy	750	3.4
15-Oct-23	Buy	750	0.0
17-Apr-24	Buy	819	9.2
18-Apr-24	Buy	819	0.0
22-Apr-24	Buy	819	0.0
10-Jun-24	Buy	819	0.0
13-Jun-24	Buy	819	0.0
9-Jul-24	Buy	819	0.0
15-Jul-24	Buy	819	0.0
29-Aug-24	Buy	900	9.9
16-Oct-24	Buy	900	0.0
15-Jan-25	Buy	900	0.0

Recommendation History



# ICICI Prudential Life Insurance | BUY



## Too under-valued to be ignored

Private sector life insurance has grown strongly at 19.8% YoY in individual APE in 10MFY25 and IPRU has emerged as the growth leader. Even if we consider a 2-year CAGR, its performance has been strong at +16.8%. However, this has not translated into VNB outcomes yet – the company saw a weak 8.5% YoY VNB growth in 9MFY25, despite 27.2% APE growth. Its margin performance has been weak on account of payment of (variable) commissions on top of the (contracted) fixed expenses, as it has diversified its channel mix away from a dependence on parent banca. Further, higher ULIP share in savings, in line with the industry and with the tailwind of strong equity markets, has added to margin woes. As the double whammy relaxes and the base eases in FY26, we expect IPRU to report 16%+ VNB growth for FY26e/FY27e. With strong growth, product level margins should improve over FY25 levels, despite IPRU attractively pricing its products to win in partnership channels. Under its new management, the company has focused on VNB growth driven by APE growth, after a period of VNB growth led solely by margin expansion. The company has negligible impact of surrender norms change and least dependence on parent banca amongst listed peers. We remain focused on its growth trajectory, as partnership channels remain dynamic. We value the company at 1.6x FY27e (against 1.8x earlier) EVPS of INR 444, to get a revised target price of INR 700, against INR 777 earlier. We maintain BUY.

- Growth to normalise going forward:** The company moved to strong growth in 4QFY24 and delivered strong growth in 9MFY25 of 28.4% in individual APE. As the base catches up, we expect growth to normalise to 14%/15% levels, going forward. At a time when concerns have been voiced on banca growth, IPRU is a safe bet given that only one-third of its individual business is sourced from banca.
- Margins can only improve with ULIP share falling and revival in credit life:** IPRU has remained a ULIP-focused player across cycles. As the industry saw ULIPs being preferred with strong equity markets, IPRU saw its ULIP share in the savings business climb to 74.4% in 9MFY25. We expect it to moderate hereon. Further, as retail advances growth picks up following the current credit cycle, margins on group business are expected to improve. We expect IPRU to end FY25e at 23.0% VNB margins and improve it to 23.6% in FY26e and 23.9% by FY27e.
- Valuation and view:** At CMP, IPRU Life trades at valuations of 1.2x FY27e EVPS of INR 444, inexpensive for 14.2%/16.3%/13.9% CAGR in APE/VNB/EV, implying 9.6x on FY27e VNB, after adjusting for VIF. We maintain BUY with a revised target price of INR 700 (down from INR 777 earlier), valuing it at 1.6x FY27e EVPS (against 1.8x earlier).

### Financial Summary

INR bn	FY23	FY24	FY25E	FY26E	FY27E
Total APE	86.4	90.5	110.4	125.6	144.1
Growth YoY (%)	11.7%	4.7%	22.1%	13.8%	14.7%
Individual APE	71.6	76.8	94.5	107.8	124.1
Opex + Commissions	41.9	53.5	64.5	78.5	82.4
VNB	27.7	22.3	25.4	29.6	34.4
Growth YoY (%)	27.8%	-19.5%	14.2%	16.4%	16.1%
VNB margins	32.0%	24.6%	23.0%	23.6%	23.9%
Core EVOP (%)	17.3%	14.9%	14.6%	13.9%	14.0%
Embedded Value (EV)	356.3	423.4	493.3	560.8	639.4
P/EVx	2.63	2.21	1.61	1.41	1.24

Source: Company, JM Financial

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We acknowledge the support of **Shubham Karvande**  
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### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	700
Upside/(Downside)	27.3%
Previous Price Target	777
Change	-10%

### Key Data – IPRU IN

Current Market Price	INR550
Market cap (bn)	INR795.0/US\$9.1
Free Float	25%
Shares in issue (mn)	1,435.5
Diluted share (mn)	
3-mon avg daily val (mn)	INR787.8/US\$9.1
52-week range	797/515
Sensex/Nifty	73,730/22,337
INR/US\$	87.0

### Price Performance

%	1M	6M	12M
Absolute	-9.1	-27.4	-0.7
Relative*	-3.5	-19.1	-0.7

\* To the BSE Sensex

JM Financial Research is also available on:  
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S&P Capital IQ, FactSet and Visible Alpha

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## Exhibit 23. IPRU 9M25: Key YTD trends

YTD	9M24	1H25	9M25	YoY (%)
<b>Total APE (Quarterly)</b>	<b>54,300</b>	<b>44,670</b>	<b>69,050</b>	<b>27.2%</b>
Individual Savings	37,980	31,150	47,110	24.0%
- ULIPs	23,400	23,060	35,060	49.8%
- Non Linked	14,580	8,090	12,050	-17.4%
Annuity	3,390	4,330	6,160	81.7%
Individual protection	3,430	2,790	4,260	24.2%
<b>Individual APE</b>	<b>44,800</b>	<b>38,270</b>	<b>57,530</b>	<b>28.4%</b>
Group APE	9,500	6,400	11,520	21.3%
- Group protection	7,490	4,970	7,410	-1.1%
- Group savings	2,030	1,430	4,110	102.5%
Total Savings + Annuity	43,400	36,910	57,380	32.2%
Total protection	7,470	4,210	3,910	-47.7%
EV	-	460,180	-	
<b>VNB</b>	<b>14,510</b>	<b>10,580</b>	<b>15,750</b>	<b>8.5%</b>
<b>VNB margin</b>	<b>26.7%</b>	<b>23.7%</b>	<b>22.8%</b>	<b>-3.9%</b>
<b>Savings mix (%)</b>				
- ULIPs	61.6%	74.0%	74.4%	12.8%
- Non linked savings	38.4%	26.0%	25.6%	-12.8%
<b>Channel mix - Ind APE (YTD)</b>				
Banca	15,130	13,010	19,110	26.3%
Agency	14,760	13,570	20,850	41.3%
Others	14,890	11,690	17,570	18.0%
<b>Channel mix - Ind APE (YTD)</b>				
Banca	33.8%	34.0%	33.2%	
Agency	33.0%	35.5%	36.2%	
Others	33.3%	30.5%	30.5%	

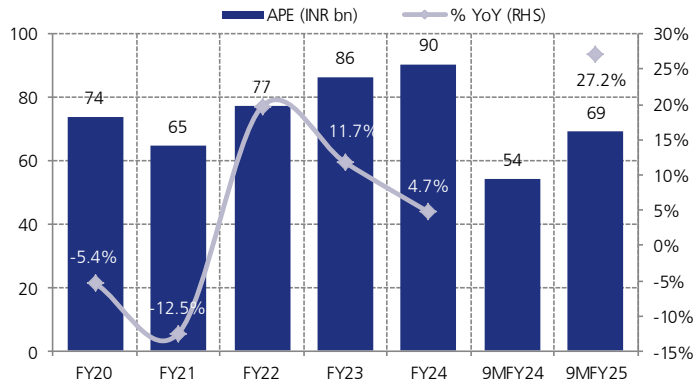
Source: Company, JM Financial

## Exhibit 24. EV walk

EV walk (INR mn)	FY23	FY24	FY25e	FY26e	FY27e
<b>Opening EV</b>	<b>316,250</b>	<b>356,340</b>	<b>423,370</b>	<b>493,279</b>	<b>560,798</b>
Unwind	27,080	30,710	36,485	38,920	44,195
VNB	27,650	22,270	25,424	29,599	34,368
<b>Core EVOP</b>	<b>54,730</b>	<b>52,980</b>	<b>61,909</b>	<b>68,519</b>	<b>78,562</b>
Operating variance	150	-2,820	1,000	1,000	2,544
<b>Op EVOP</b>	<b>54,880</b>	<b>50,160</b>	<b>62,909</b>	<b>69,519</b>	<b>81,106</b>
Economic variance	-14,490	16,910	9,000	1,000	1,000
EV, before capital changes	356,640	423,410	495,279	563,798	642,904
Capital injection	-300	-60	-2,000	-3,000	-3,500
<b>Closing EV</b>	<b>356,340</b>	<b>423,350</b>	<b>493,279</b>	<b>560,798</b>	<b>639,404</b>

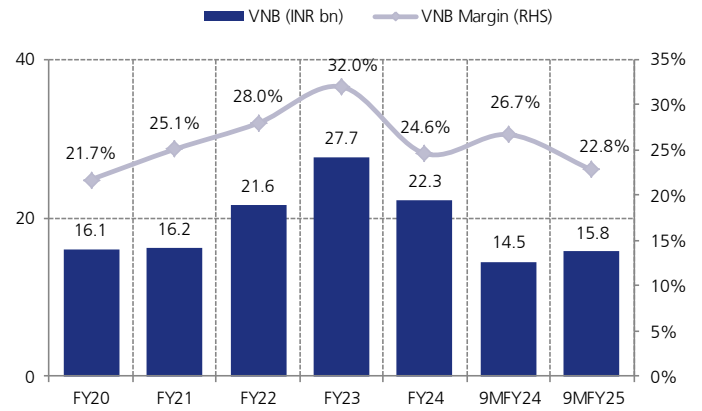
Source: Company, JM Financial

**Exhibit 25. Total APE grew by 27% YoY in 9MFY25**



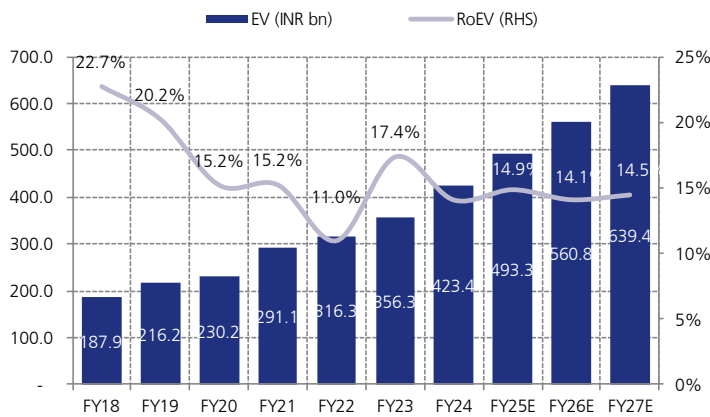
Source: Company, JM Financial

**Exhibit 26. VNB grew 8.5% YoY in 9M25, margins down to 22.8%**



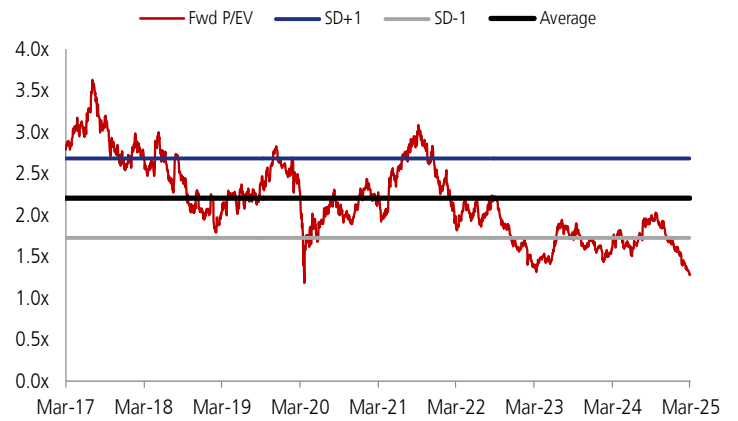
Source: Company, JM Financial

**Exhibit 27. EV to compound at 15.3% over FY24-FY26e**



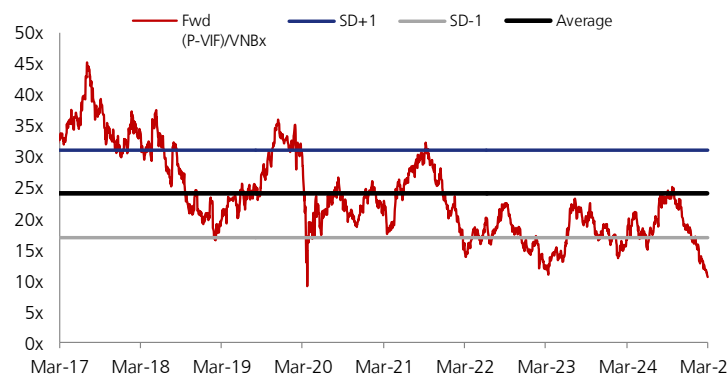
Source: Company, JM Financial

**Exhibit 28. Stock is trading below 1SD from mean**



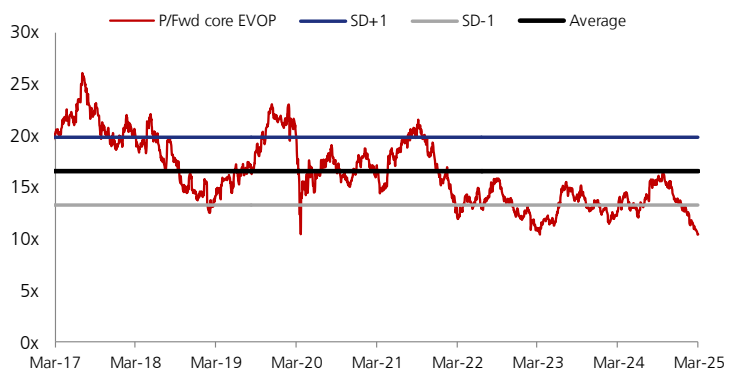
Source: Company, JM Financial

**Exhibit 29. 1 year forward (P-VIF)/VNBx trading below SD-1**



Source: Company, JM Financial

**Exhibit 30. 1 year forward P/EVOP trading below SD-1**



Source: Company, JM Financial



## Financial Tables (Standalone)

Technical Statement						(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Gross premiums	399,328	432,356	461,036	517,915	583,941	
Net premiums	385,595	417,597	445,325	499,335	562,102	
Investment income	99,646	465,503	377,250	302,372	347,727	
Other Income	19,540	19,973	22,370	25,054	28,060	
<b>Total Income</b>	<b>504,781</b>	<b>903,073</b>	<b>844,945</b>	<b>826,761</b>	<b>937,890</b>	
Commissions	18,639	37,220	39,081	44,943	51,684	
Operating expenses	45,832	41,260	43,323	49,821	57,295	
Provisions & Taxes	9,078	7,251	7,614	8,756	10,069	
<b>Total expenses</b>	<b>73,549</b>	<b>85,731</b>	<b>90,017</b>	<b>103,520</b>	<b>119,048</b>	
Benefits paid	310,042	400,060	344,052	340,611	384,890	
Change in valuation of life reserves	98,170	406,391	398,263	366,402	414,034	
<b>Total Benefits</b>	<b>408,211</b>	<b>806,450</b>	<b>742,314</b>	<b>707,013</b>	<b>798,924</b>	
<b>Surplus/(Deficit) for the year</b>	<b>23,021</b>	<b>10,892</b>	<b>12,614</b>	<b>16,228</b>	<b>19,918</b>	

Source: Company, JM Financial

Shareholder's Statement						(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Transfer from the Policyholders' Account	20,162	14,719	12,614	16,228	19,918	
Investment income	8,761	13,692	21,151	22,766	24,653	
Other income	13	143	-	-	-	
<b>Total income</b>	<b>28,936</b>	<b>28,554</b>	<b>33,765</b>	<b>38,994</b>	<b>44,571</b>	
Operating expenses	1,942	1,395	1,563	1,750	1,960	
Contribution to the policyholders A/C	18,024	17,926	21,922	24,553	27,499	
<b>Profit before tax</b>	<b>8,969</b>	<b>9,232</b>	<b>10,280</b>	<b>12,691</b>	<b>15,112</b>	
Tax	862	708	206	254	302	
<b>Profit after tax</b>	<b>8,107</b>	<b>8,524</b>	<b>10,074</b>	<b>12,437</b>	<b>14,809</b>	

Source: Company, JM Financial

Key Ratios					
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
VNB (INR mn)	27,650	22,270	25,424	29,599	34,368
VNB growth	28%	-19%	14%	16%	16%
Reported VNB margin	32.0%	24.6%	23.0%	23.6%	23.9%
NBP (INR mn)	174,125	186,788	210,167	241,346	272,717
- Growth	12%	7%	13%	15%	13%
APE	86,400	90,460	110,433	125,631	144,077
- Growth	12%	5%	22%	14%	15%
Opex (ex-comm) ratio	9.54%	9.40%	9.62%	9.81%	9.95%
Commissions ratio	4.67%	8.61%	8.48%	8.68%	8.85%

Source: Company, JM Financial

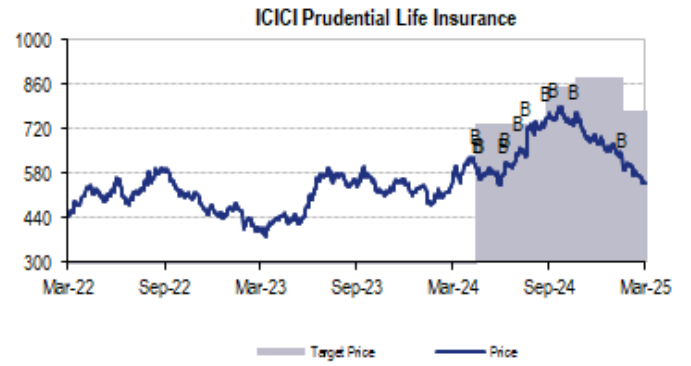
Balance Sheet						(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Shareholders' Investments	98,514	105,755	113,829	123,266	134,575	
Policyholders' Investments	943,110	1,143,182	1,314,659	1,511,858	1,738,637	
Unit linked Investments	1,440,581	1,648,424	2,060,530	2,369,610	2,725,051	
Loans	13,141	17,606	20,247	23,284	26,777	
Fixed assets	5,955	7,180	8,257	9,496	10,920	
Net Current Assets / (Liab)	291	13,122	20,566	15,979	10,703	
<b>Total Assets</b>	<b>2,501,591</b>	<b>2,935,269</b>	<b>3,538,089</b>	<b>4,053,492</b>	<b>4,646,663</b>	
Borrowings	12,000	12,000	-	-	-	
<b>Fair Value Change Account</b>	<b>28,327</b>	<b>50,273</b>	<b>50,273</b>	<b>50,273</b>	<b>50,273</b>	
Policy Liabilities	991,331	1,170,872	1,308,086	1,504,299	1,729,944	
Linked Liabilities	1,352,323	1,579,173	2,050,227	2,357,761	2,711,426	
FFA	16,693	12,866	14,796	17,015	19,567	
<b>Total Liabilities</b>	<b>2,400,674</b>	<b>2,825,183</b>	<b>3,423,382</b>	<b>3,929,349</b>	<b>4,511,210</b>	
Share Capital	14,386	14,410	14,410	14,410	14,410	
Reserves and surplus	83,731	92,223	100,297	109,734	121,044	
Fair Value Change Account	2,801	3,453	-	-	-	
<b>Shareholder's equity</b>	<b>100,918</b>	<b>110,086</b>	<b>114,707</b>	<b>124,144</b>	<b>135,453</b>	

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
17-Apr-24	Buy	736	
22-Apr-24	Buy	736	0.0
24-Apr-24	Buy	736	0.0
10-Jun-24	Buy	736	0.0
13-Jun-24	Buy	736	0.0
9-Jul-24	Buy	736	0.0
24-Jul-24	Buy	736	0.0
29-Aug-24	Buy	850	15.5
12-Sep-24	Buy	850	0.0
23-Oct-24	Buy	880	3.5
22-Jan-25	Buy	777	-11.7

Recommendation History



# SBI Life Insurance | BUY

## Agency to do the heavy lifting on growth hereon

SBI Life has seen 45-55% of its individual APE come from ULIPs through SBI banca over FY20-FY24. While this makes the insurer uni-dimensional, the company has been able to outperform the industry in individual APE growth every year through FY14-FY24, except FY23. SBI Life has reported a VNB of INR 42.9bn for 9MFY25, implying a growth of 6.2% YoY, with VNB margins coming in at 26.9% for 9M. Individual APE grew 14.0% YoY in 9MFY25 to INR 147.7bn, while group APE contracted by 16.1% to INR 12bn. This is despite the company's focus on customer centricity and controlled sales from its key banca channel, which has delivered a sub-par 8.5% growth so far in FY25. In the 3Q concall, the management maintained its guidance of 15%+ individual APE growth for FY25 and in the near term, with margins at 27-29%. Banca growth remained range-bound at 8.5% YoY in 9M as the management aspires for sustained growth of ~10% growth from the channel, banking on its Agency 2.0 strategy to lead individual APE growth. 67% of total APE in 9MFY25 came from ULIPs yet SBI Life remains the leader in VNB margins, implying no change in commission structures after deregulation of commissions in FY24, as guided by the management. At CMP, the stock trades at valuations of 1.7x/1.5x FY26/FY27e EV, implying 10.4x/8.0x on VNB, after accounting for VIF (Value of In Force business) in the CMP. We believe these are inexpensive for 18% EV CAGR. However, given the weak aspirations for banca growth (its largest channel consistently contributing to 60%+ of its individual APE), we cut our target price to INR 1,700 from INR 2,000, valuing SBI Life at 1.8x FY27e EVPS of INR 972 (down from 2.1x). We maintain BUY.

- **All eyes on banca growth – delivered 8.5% YoY in 9M, now onto Agency 2.0:** The company aspires for sustained 10% growth from the banca channel on a high base, with agency and newer channels providing the kicker for 15%+ individual APE growth. Agency 2.0 has continued to do well, even as SBI Life has rationalised its agency force. It has had the best delivery track record on growth over the last decade, underperforming the industry in only one year, over FY14-FY24. We expect it to meet the targeted growth, with some seasonal hiccups, given the strength of its banca and agency channels.
- **Expect sustained 15%+ individual APE growth with VNB margins in 27%+ range:** SBI Life continues to pay similar commissions (for the same product) across agency, banca and other channels (mainly non-SBI banca, led by PSBs). Hence, any hit to margins from commissions payout is independent of banca share, as the threat arises only if SBI's commission demands go up. With 67% of product mix composed of ULIPs and continued weakness in protection, margins can only improve with product mix and operating leverage, going forward.
- **Valuation and view:** At CMP, the stock trades at valuations of 1.7x/1.5x FY26/FY27e EV, implying 10.4x/8.0x on VNB, after accounting for VIF (Value of In Force business) in the CMP. We believe these are inexpensive for 18% EV CAGR. However, given the weak aspirations for banca growth (its largest channel consistently contributing to 60%+ of its individual APE), we cut our target price to INR 1,700 from INR 2,000, valuing SBI Life at 1.8x FY27e EVPS of INR 972 (down from 2.1x). We maintain BUY.



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We acknowledge the support of **Shubham Karvande** shubham.karvande@jmfml.com in the preparation of this report

### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,700
Upside/(Downside)	19.6%
Previous Price Target	2,000
Change	-15%

### Key Data – SBILIFE IN

Current Market Price	INR1,421
Market cap (bn)	INR1,423.9/US\$16.4
Free Float	40%
Shares in issue (mn)	1,001.0
Diluted share (mn)	
3-mon avg daily val (mn)	INR2,157.1/US\$24.8
52-week range	1,936/1,307
Sensex/Nifty	73,730/22,337
INR/US\$	87.0

### Price Performance

%	1M	6M	12M
Absolute	-3.3	-25.5	-4.7
Relative*	2.7	-17.0	-4.8

\* To the BSE Sensex

JM Financial Research is also available on:  
Bloomberg - JMFR <GO>,  
Thomson Publisher & Reuters,  
S&P Capital IQ, FactSet and Visible Alpha

Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

Financial Summary					(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
Total APE	168.1	197.2	223.6	257.3	296.9
Growth YoY (%)	17.5%	17.3%	13.4%	15.1%	15.4%
Individual APE	154.6	175.1	201.3	232.3	268.5
NBP	295.9	382.4	418.8	488.5	567.7
Opex + Commissions	64.7	72.4	89.4	104.0	120.9
VNB	50.7	55.5	60.8	71.5	83.5
Growth YoY (%)	37.0%	9.5%	9.6%	17.5%	16.9%
VNB margins	30.2%	28.1%	27.2%	27.8%	28.1%
P/EVx	3.4	2.6	2.2	1.9	1.6

Source: Company data, JM Financial. Note: Valuations as of 17/Jan/2025

## Exhibit 31. SBI Life 9MFY25: Key trends

YTD	9M24	1H25	9M25	YoY (%)
Total APE	143,900	90,300	159,700	11.0%
Individual Savings	118,600	77,200	138,600	16.9%
- ULIPs	88,000	57,200	106,600	21.1%
- Par	6,100	4,600	5,700	-6.6%
- Non-par	24,500	15,400	26,300	7.3%
Annuity	4,500	2,400	3,800	-15.6%
Individual protection	6,500	3,200	5,300	-18.5%
Individual APE	129,600	82,800	147,700	14.0%
Group APE	14,300	7,500	12,000	-16.1%
- Group protection	8,700	4,800	8,100	-6.9%
- Group savings	5,600	2,700	3,900	-30.4%
Total Savings + Annuity	128,700	82,300	146,300	13.7%
Total protection	15,200	8,000	13,400	-11.8%
EV	-	660,700	681,400	#DIV/0!
VNB	40,400	24,200	42,900	6.2%
VNB margins (%)	28.1%	26.8%	26.9%	-1.2%
<b>Savings mix (%)</b>				
- ULIPs	74.2%	74.1%	76.9%	2.7%
- Par	5.1%	6.0%	4.1%	-1.0%
- Non-par	20.7%	19.9%	19.0%	-1.7%
<b>Channel mix - Ind APE (YTD)</b>				
Banca	69.4%	61.5%	66.0%	-3.4%
Agency	26.1%	33.9%	29.9%	3.8%
Others	4.5%	4.6%	4.1%	-0.4%
<b>Channel growth (%) - YTD</b>				
Banca	14.6%	7.4%	8.5%	-6.1%
Agency	14.2%	35.9%	30.6%	16.3%
Others	20.8%	11.8%	5.2%	-15.7%
<b>Channel mix - Ind APE (YTD)</b>				
Banca	129,100	82,700	147,300	
Banca	89,600	50,900	97,200	8.5%
Agency	33,700	28,000	44,000	30.6%
Others	5,800	3,800	6,100	5.2%

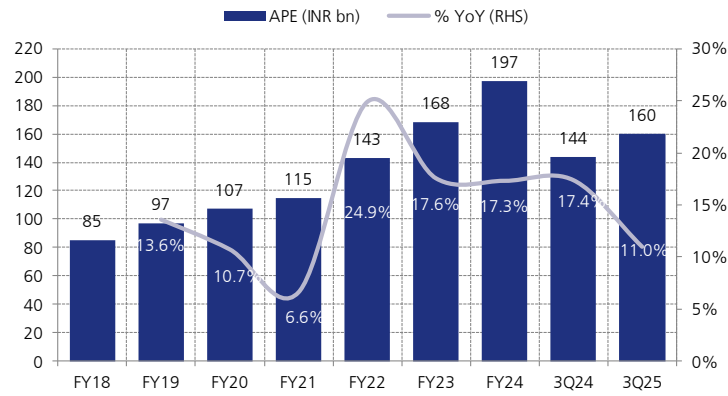
Source: Company, JM Financial

## Exhibit 32. EV walk

EV walk (INR bn)	FY22	FY23	FY24	FY25e	FY26e	FY27e
Opening EV	333.9	396.3	460.4	582.6	696.8	824.7
Unwind	27.3	34.1	38.1	48.1	55.5	65.5
VNB	37.0	50.7	55.5	60.8	71.5	83.5
Core EVOP	64.3	84.8	93.6	108.9	127.0	149.0
Operating variance	4.6	5.8	6.9	2.8	1.6	1.5
Op EVOP	68.9	90.6	100.5	111.7	128.6	150.5
Economic variance	-4.5	-24.2	23.9	5.0	2.3	1.1
EV, before capital changes	398.3	462.7	584.8	699.3	827.7	976.3
Dividends, ESOPs & capital raise	-2.0	-2.1	-2.3	-2.5	-3.0	-3.5
Closing EV	396.3	460.6	582.5	696.8	824.7	972.8

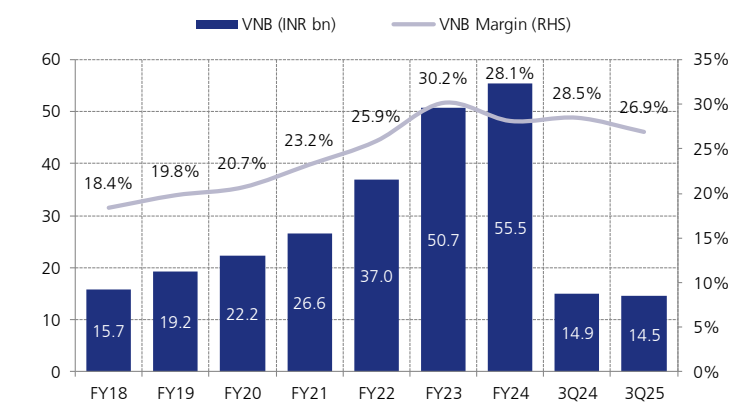
Source: Company, JM Financial

**Exhibit 33. Moderate growth in APE – 3Q +11% YoY**



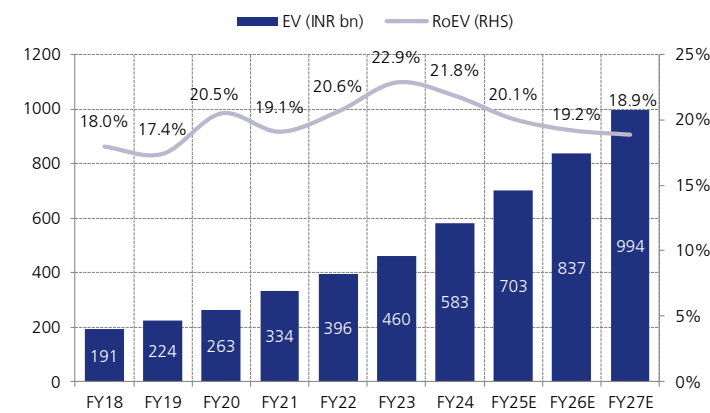
Source: Company, JM Financial

**Exhibit 34. VNB margins stable QoQ at 26.9%**



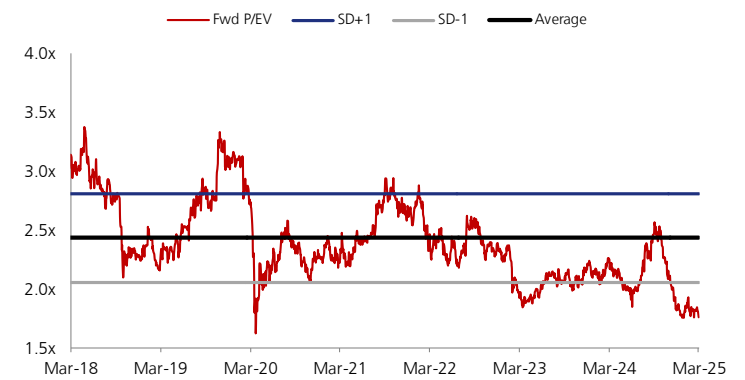
Source: Company, JM Financial

**Exhibit 35. Consistent RoEV of 17%+ since FY18**



Source: Company, JM Financial

**Exhibit 36. Stock has de-rated with weak banca growth**



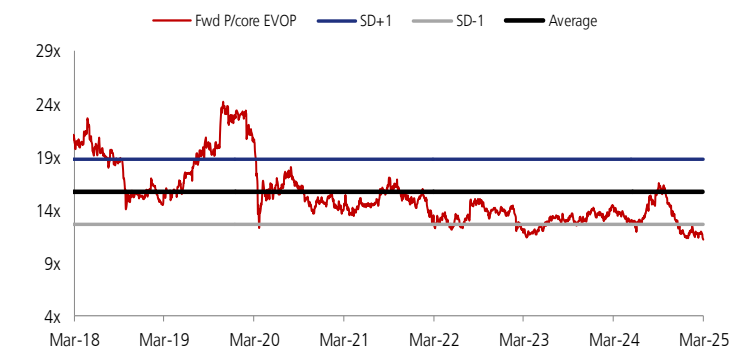
Source: Company, JM Financial

**Exhibit 37. 1 year forward (P-VIF)/VNBx trading below SD-1**



Source: Company, JM Financial

**Exhibit 38. P/EVOPx presents a compelling buying opportunity**



Source: Company, JM Financial

## Financial Tables (Standalone)

Technical Statement						(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Gross premiums	673,156	814,306	942,454	1,089,281	1,330,194	
Net premiums	665,810	805,871	933,029	1,078,388	1,317,484	
Investment income	132,601	503,666	206,095	237,010	272,561	
Other Income	17,573	16,777	18,790	21,045	23,570	
<b>Total Income</b>	<b>815,985</b>	<b>1,326,314</b>	<b>1,262,351</b>	<b>1,555,101</b>	<b>1,912,033</b>	
Commissions	30,625	32,553	34,181	39,308	45,204	
Operating expenses	34,095	39,819	41,810	48,081	55,294	
Provisions & Taxes	9,797	10,640	11,172	12,847	14,775	
<b>Total expenses</b>	<b>74,517</b>	<b>83,012</b>	<b>87,162</b>	<b>100,237</b>	<b>115,272</b>	
Benefits paid	302,875	431,074	370,724	444,869	533,842	
Change in valuation of life reserves	410,031	784,313	768,627	968,470	1,215,430	
<b>Total Benefits</b>	<b>712,906</b>	<b>1,215,388</b>	<b>1,139,351</b>	<b>1,413,339</b>	<b>1,749,272</b>	
<b>Surplus/(Deficit) for the year</b>	<b>28,563</b>	<b>27,915</b>	<b>35,838</b>	<b>41,526</b>	<b>47,489</b>	

Source: Company, JM Financial

Shareholder's Statement						(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Transfer from the Policyholders' Account	27,071	25,977	35,838	41,526	47,489	
Investment income	7,945	10,341	12,438	17,056	21,760	
Other income	7	-	-	-	-	
<b>Total income</b>	<b>35,024</b>	<b>36,317</b>	<b>48,275</b>	<b>58,582</b>	<b>69,249</b>	
Operating expenses	365	620	695	778	871	
Contribution to the policyholders A/C	17,075	16,276	18,414	20,624	23,099	
<b>Profit before tax</b>	<b>17,584</b>	<b>19,421</b>	<b>29,166</b>	<b>37,180</b>	<b>45,278</b>	
Tax	379	483	726	925	1,127	
<b>Profit after tax</b>	<b>17,206</b>	<b>18,938</b>	<b>28,441</b>	<b>47,933</b>	<b>57,174</b>	

Source: Company, JM Financial

Key Ratios					
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E
NBV	50,700	55,500	60,843	71,468	83,520
NBV growth	37%	9%	10%	17%	17%
Reported NBV margin	30.2%	28.1%	27.2%	27.8%	28.1%
Total APE	295,886	382,383	439,741	505,702	589,875
- Growth	16%	29%	15%	15%	17%
Opex (ex-comm) ratio	168,100	197,200	223,622	257,291	296,941
Commissions ratio		17%	13%	15%	15%

Source: Company, JM Financial

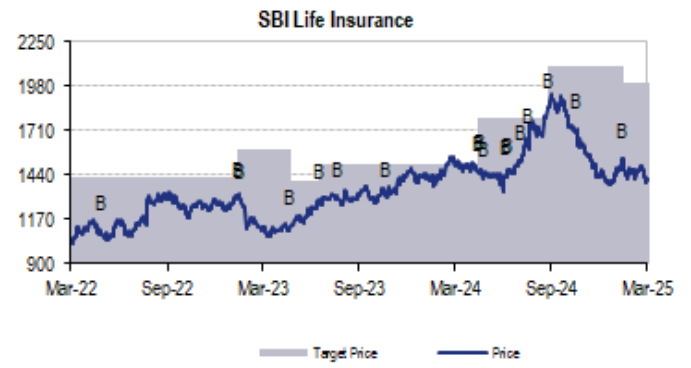
Balance Sheet						(INR mn)
Y/E March	FY23A	FY24A	FY25E	FY26E	FY27E	
Shareholders' Investments	112,087	130,364	156,304	201,237	254,911	
Policyholders' Investments	1,298,702	1,565,436	1,800,252	2,070,290	2,380,833	
Unit linked Investments	1,632,555	2,160,103	2,700,128	3,105,148	3,570,920	
Loans	3,889	3,888	4,471	5,142	5,913	
Fixed assets	5,215	5,570	6,405	7,366	8,471	
Net Current Assets / (Liab)	43,417	62,470	47,905	45,204	42,098	
<b>Total Assets</b>	<b>3,095,866</b>	<b>3,927,830</b>	<b>5,290,583</b>	<b>6,759,701</b>	<b>8,586,713</b>	
Borrowings	-	-	-	-	-	
Fair Value Change Account	149,101	47,191	47,191	47,191	47,191	
Policy Liabilities	1,397,949	1,558,085	1,791,250	2,059,938	2,368,929	
Linked Liabilities	1,407,214	2,160,103	2,686,628	3,089,622	3,553,065	
FFA	11,427	13,366	15,370	17,676	20,327	
<b>Total Liabilities</b>	<b>2,965,691</b>	<b>3,778,744</b>	<b>4,540,440</b>	<b>5,214,427</b>	<b>5,989,512</b>	
Share Capital	10,009	10,015	10,015	10,015	10,015	
Reserves and surplus	119,237	139,071	165,012	209,944	263,619	
Fair Value Change Account	929	-	-	-	-	
<b>Shareholder's equity</b>	<b>130,175</b>	<b>149,086</b>	<b>175,026</b>	<b>219,959</b>	<b>273,633</b>	

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
27-Jul-21	Buy	1,300	
27-Oct-21	Buy	1,300	0.0
24-Jan-22	Buy	1,430	10.0
1-May-22	Buy	1,430	0.0
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

Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

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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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