



SBI Life Insurance

Estimate change	↓
TP change	↓
Rating change	↔

CMP: INR1,716 TP: INR2,100 (+22%) BUY

VNB margins contract due to shift in product mix

Focus on protection and non-par to improve margins in FY25E

Bloomberg	SBILIFE IN
Equity Shares (m)	1002
M.Cap.(INRb)/(USD\$)	1719.3 / 20.4
52-Week Range (INR)	1936 / 1291
1, 6, 12 Rel. Per (%)	-5/8/1
12M Avg Val (INR M)	2144

- SBI Life Insurance (SBILIFE) reported a weak performance in 2QFY25. APE grew 3% YoY to INR53.9b (11% miss). For 1HFY25, it grew 9% YoY to INR90.3b.
- Absolute VNB declined 3% YoY to INR14.5b (14% miss). For 1HFY25, it grew 3% YoY to INR24.2b. The management expects VNB growth to remain in the range 12-15% in FY25.
- VNB margins came in at 26.9% vs. 28.5% in 2QFY24 and 26.8% in 1QFY25 (est. 28%).
- However, the management expects margins to remain in the range of 26-27% in FY25 on the back of new product launches in the protection segment and a minimal impact of surrender charges.
- In 2QFY25, shareholder PAT grew 39% YoY to INR5.3b (in line). For 1HFY25, it grew 38% YoY to INR10.5b.
- We expect SBILIFE to deliver an 18% CAGR each in APE and VNB over FY24-27E, while RoEV is likely to remain at ~20% over FY27. Due to strong growth in ULIPs and a blip in protection sales, we have cut our APE/VNB estimates for FY25. **We reiterate our BUY rating on the stock with a TP of INR2,100 (premised on 2.3x Sept'26E EV).**

Financials & Valuations (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Net Premiums	884.8	1,030.0	1,199.6
Surplus / Deficit	35.5	39.5	45.5
Sh. PAT	23.9	24.8	27.7
NBP gr- APE (%)	14.4	17.2	17.2
Premium gr (%)	9.7	16.4	16.5
VNB margin (%)	26.5	27.5	27.5
RoEV (%)	21.3	20.0	19.1
Total AUMs (INRt)	4.6	5.4	6.4
VNB	59.8	72.7	85.2
EV per share	707	848	1,010

Valuations

P/EV (x)	2.4	2.0	1.7
P/EVOP (x)	15.2	12.6	10.7

*VNB, VNB margins based on ETR

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	55.4	55.4	55.4
DII	15.3	15.9	14.3
FII	25.2	24.7	26.2
Others	4.1	4.0	4.1

FII Includes depository receipts

ULIP share in total APE increases to 65% in 2QFY25

- SBILIFE reported a decline of 13% YoY in NBP to INR 87b. For 1HFY25, it declined 3% YoY to INR157.3b. Gross premium grew 1% YoY to INR204.1b (8% miss). Renewal premium grew 16% YoY (5% beat).
- VNB margins contracted 160bp YoY to 26.9% (est. 28%) on account of a shift in the product mix toward ULIPs and a delay in product launches of protection business. However, sequentially, the margin improvement was driven by repricing of non-par products. The company expects non-par margins to further improve in 3QFY25.
- The total cost ratio was 9.7% vs. 8.4% in 2QFY24. The commission ratio was 4.1% vs. 3.9% in 2QFY24. The operating expense ratio was 5.6% vs. 4.4% in 2QFY24. Costs remained high owing to an increase in agent count and enhancing digital initiatives.
- On the product front, ULIP grew 16% YoY, contributing 65% of total APE, aided by positive movement in equity markets and consumer preferences. The protection business declined 29% YoY due to delayed product launch. It has recently launched a new product on the YONO platform, which will improve the contribution going forward.
- The credit life segment witnessed flat growth as penetration levels in the bank were lower than expected. The management expects 9-10% growth in credit life for FY25, backed by an ease in the underwriting process with ticket size for housing loans increasing.