

SBI Life Insurance | BUY

Margins +25bps qoq, all eyes on banca growth

SBI Life reported a VNB (Value of New Business) growth of 2.5% YoY in 1H25, with a 2.7% contraction in 2Q. At INR 14.5bn, 2Q VNB was in line with JMFe. 2Q APE grew 3.1% YoY to INR 53.9bn, led by weakness in group business, even though individual APE growth was okay at 10.5% YoY. Margins improved by 25bps YoY to 26.9%, due to outperformance in operating assumptions and the prompt repricing in 2Q, even as peers struggled with updating products to comply with surrender norms. A 59% contraction in group savings to INR 1.1bn inadvertently supported margins. Interestingly, all the high margin products contracted YoY, with only ULIPs and par segments reporting YoY growth of 16%/39%. Individual protection growth was slow as 2Q launch of key products was delayed to September, while group protection contracted on the back of downward repricing in group term, even as credit life was flattish YoY. Its strong banca channel continued to underperform on growth – with individual APE from the channel growing 4.5% to INR 30.2bn, below 12% growth over FY24-1Q25. This is the key monitorable as the channel contributed 61% to SBI's individual APE, even in a weak quarter. The company is working on levelling sales in lean months of Jan-Feb, which will be the key to maintain its consistent 15%+ growth track record. The strong margin performance despite a weak product mix indicates that payouts in key channels remain stable. The company has not changed its commission structure in response to the new surrender norms and believes the new norms will be largely margin-neutral. Any pick up in protection and non-par segments should aid VNB growth. With a 15.2% growth in individual APE in 1H, the company can deliver 15.9% growth for FY25e, if group business picks up in the year. While we see a downside risk to our growth estimate, we see industry leading VNB margins of 27.4% in FY25e (26.8% in 1H). We continue to value the company at 2.5x FY26e EV of INR 830.9bn to maintain our Target Price of INR 2,100. Maintain BUY.

- **3.1% APE growth in 2Q conceals a steady 15.2% individual APE growth in 1H:** We have seen strong ULIP sales for all insurers in last few quarters, and SBI Life, the market leader in ULIP sales, was no exception. Its ULIP premiums grew 16% to INR 35.0bn. While par grew 39% YoY, non-par product contracted 2.3% YoY to INR 8.4bn. The company saw a 25%YoY contraction in annuity while individual & group protection contracted by 19%/33%. Individual protection growth was slow as 2Q launch of key products was delayed to September, while group protection contracted on the back of downward repricing in group term, even as credit life was flattish YoY.
- **VNB at INR 14.5bn, in line with JMFe, 2.7% YoY contraction led by a high base:** SBI Life saw VNB margins expand 25bps QoQ to 26.9%. Total VNB came in at INR 14.5bn, -2.7% YoY. While annuity and protection remained weak, savings mix further deteriorated QoQ with a both ULIPs and par products sharing 4.9% share from non-par segment. With consistent kicker from operating assumptions variance, we maintain our FY25e VNB margin estimate at 27.4%, down 70bps YoY, >200bps over private peers. EV was a 3% beat on JMFe, led by strong operating and economic variance. While operating variance was shared between mortality, persistency and expense reduction, economic variance was largely led by equity gains.
- **Banca growth slows down further to 4.5% YoY, a key concern given its 61% share:** Banca



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	2,100
Upside/(Downside)	22.4%
Previous Price Target	2,100
Change	0.0%

Key Data – SBILIFE IN

Current Market Price	INR1,716
Market cap (bn)	INR1,719.3/US\$20.45
Free Float	40%
Shares in issue (mn)	1,001.0
Diluted share (mn)	
3-mon avg daily val (mn)	INR2,694.6/US\$32.0
52-week range	1,936/1,291
Sensex/Nifty	80,082/24,436
INR/US\$	84.1

Price Performance

%	1M	6M	12M
Absolute	-10.6	16.7	28.2
Relative*	-5.2	7.7	3.1

* To the BSE Sensex

Financial Summary

	(INR mn)				
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E
Total APE	143.0	168.1	197.2	228.5	267.2
Growth YoY (%)	24.9%	17.6%	17.3%	15.9%	16.9%
Individual APE	131.4	154.7	175.0	206.2	242.2
NBP	254.6	295.9	382.4	418.8	488.5
Opex + Commissions	51.3	64.7	72.4	89.4	104.0
VNB	37.0	50.7	55.5	62.6	74.8
Growth YoY (%)	58.8%	37.0%	9.5%	12.7%	19.5%
VNB margins	25.9%	30.1%	28.1%	27.4%	28.0%
P/EVx	4.3	3.7	3.0	2.4	2.1

Source: Company data, JM Financial. Note: Valuations as of 23/October/2024

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continued to underperform on growth – with individual APE from the channel growing 4.5% to INR 30.2bn, in-line with FY24 growth but above 4Q growth of 6%. At 60.9% of individual business, banca (entirely SBI) holds the key to the company's growth. Agency 2.0 continued to deliver, with a 29% YoY growth, while other channels were flat YoY, after a strong 1Q.

- **Valuation and view:** After 1Q results, we had highlighted that the key monitorables as growth in protection and commission payouts – while payouts remain low and stable, protection business continues to contract YoY. With strong margins and consistent operating improvements driving VNB margins and EV growth, all eyes will now be on growth (after a weak 2Q), with a specific focus on the all-important parent banca. With a penetration of only 2% of SBI's customers, we still see a long runway in SBI for the insurer, even as agency and other channels provide a growth kicker, on a low base. We continue to value the company at 2.5x FY26e EV of INR 830.9bn, maintain our Target Price of INR 2,100. Maintain BUY.

Exhibit 1. SBI Life 2Q25: Key quarterly trends

INR mn	2Q24	1Q25	2Q25	YoY %	QoQ %
Total APE (Quarterly)	52,300	36,400	53,900	3.1%	48%
Individual Savings	41,100	30,600	46,600	13.4%	52%
- ULIPs	30,200	22,200	35,000	15.9%	58%
- Par	2,300	1,400	3,200	39.1%	129%
- Non-par	8,600	7,000	8,400	-2.3%	20%
Annuity	1,600	1,200	1,200	-25.0%	0%
Individual protection	2,100	1,500	1,700	-19.0%	13%
Individual APE	44,800	33,300	49,500	10.5%	49%
Group APE	7,600	3,100	4,400	-42.1%	42%
- Group protection	4,900	1,500	3,300	-32.7%	120%
- Group savings	2,700	1,600	1,100	-59.3%	-31%
Total Savings + Annuity	45,400	33,400	48,900	7.7%	46%
Total protection	7,000	3,000	5,000	-28.6%	67%
EV	512,600	-	660,700	28.9%	
VNB margin (Quarterly)	28.5%	26.6%	26.9%	-1.6%	0.3%
VNB growth, % (YoY)	20.2%	11.5%	-2.7%		
VNB (quarterly)	14,900	9,700	14,500	-2.7%	49%
Channel mix - Ind APE (Quarterly)					
Banca	28,900	20,700	30,200	4.5%	46%
Agency	13,400	10,700	17,300	29.1%	62%
Others	2,100	1,700	2,100	0.0%	24%
Savings mix, % (Quarterly)					
- ULIPs	73.5%	72.5%	75.1%	1.6%	2.6%
- Par	5.6%	4.6%	6.9%	1.3%	2.3%
- Non-par	20.9%	22.9%	18.0%	-2.9%	-4.9%
Channel mix - Ind APE (Quarterly)					
Banca	65.1%	62.5%	60.9%	-4.2%	-1.7%
Agency	30.2%	32.3%	34.9%	4.7%	2.6%
Others	4.7%	5.1%	4.2%	-0.5%	-0.9%

Source: Company, JM Financial

Exhibit 2. EV walk

EV walk (INR bn)	FY22	FY23	FY24	FY25e	FY26e
Opening EV	333.9	396.3	460.4	582.6	699.5
Unwind	27.3	34.1	38.1	48.1	55.7
VNB	37.0	50.7	55.5	62.6	74.8
Core EVOP	64.3	84.8	93.6	110.6	130.5
Operating variance	4.6	5.8	6.9	2.8	1.6
Op EVOP	68.9	90.6	100.5	113.4	132.2
Economic variance	-4.5	-24.2	23.9	6.0	2.2
EV, before capital changes	398.3	462.7	584.8	702.0	833.9
Dividends, ESOPs & capital raise	-2.0	-2.1	-2.3	-2.5	-3.0
Closing EV	396.3	460.6	582.5	699.5	830.9

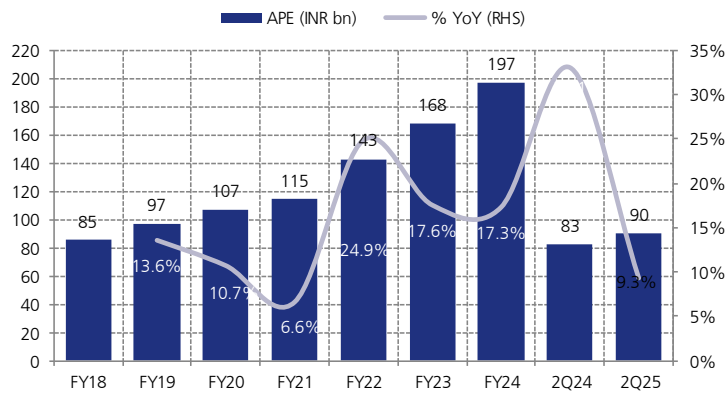
Source: Company, JM Financial

Exhibit 3. Key ratios in EV walk

As a %age of opening EV	FY22	FY23	FY24	FY25e	FY26e
Unwind	8.2%	8.6%	8.3%	8.3%	8.0%
VNB	11.1%	12.8%	12.1%	10.7%	10.7%
Core EVOP	19.3%	21.4%	20.3%	19.0%	18.7%
Operating variance	1.4%	1.5%	1.5%	0.5%	0.2%
Op EVOP	20.6%	22.9%	21.8%	19.5%	18.9%
Economic variance	-1.3%	-6.1%	5.2%	1.0%	0.3%
EV growth, before capital changes	19.3%	16.8%	27.0%	20.5%	19.2%
Dividends, ESOPs & capital raise	-0.6%	-0.5%	-0.5%	-0.4%	-0.4%
EV growth	18.7%	16.2%	26.5%	20.1%	18.8%

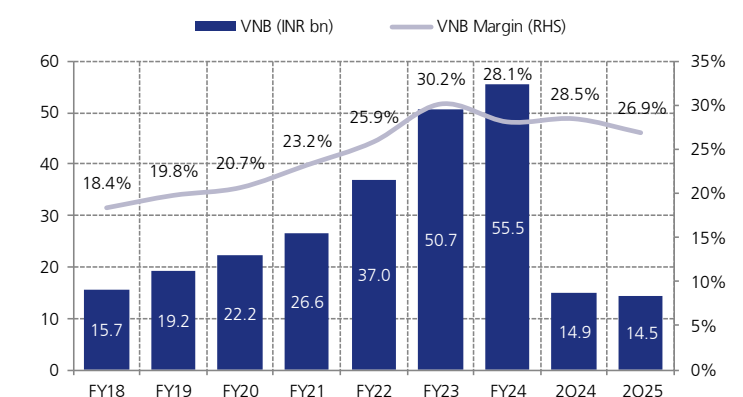
Source: Company, JM Financial

Exhibit 4. Weak growth in APE – 2Q +3.1% yoy



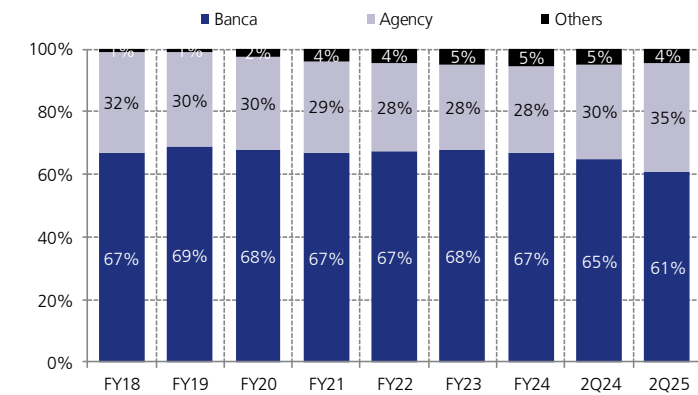
Source: Company, JM Financial

Exhibit 5. VNB margins grew 25bps QoQ to 26.9%



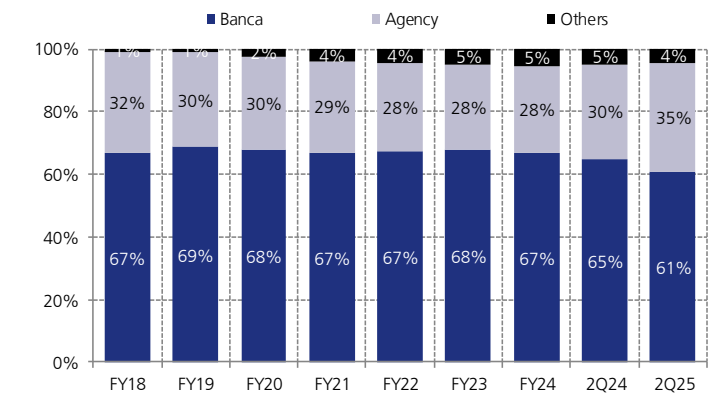
Source: Company, JM Financial

Exhibit 6. ULIP share has been consistently high – 2Q 61%



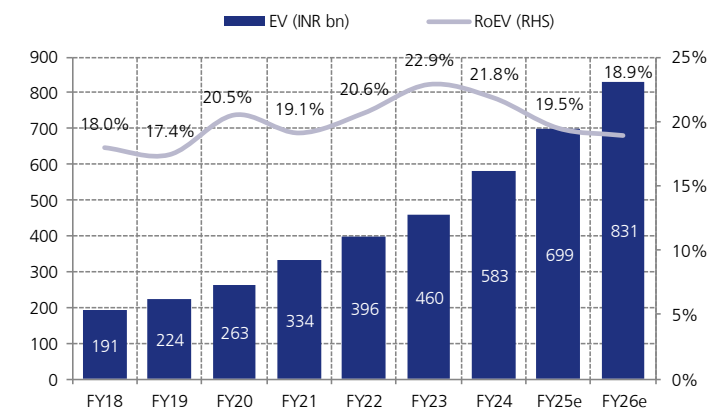
Source: Company, JM Financial

Exhibit 7. SBI drives 61% of business – its weakness a concern



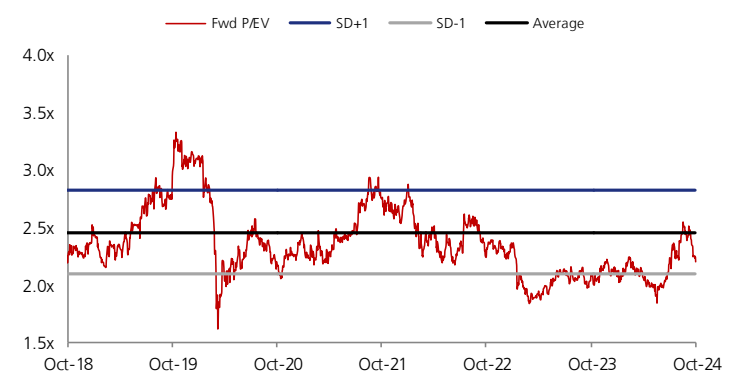
Source: Company, JM Financial

Exhibit 8. Consistent RoEV of 17%+ since FY18



Source: Company, JM Financial

Exhibit 9. Stock has de-rated with weak growth in 2Q



Source: Company, JM Financial

Financial Tables (Standalone)

Technical Statement						(INR mn)
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Gross premiums	587,596	673,156	814,306	942,454	1,120,158	
Net premiums	584,323	665,810	805,871	934,067	1,110,240	
Investment income	235,680	132,601	503,666	288,889	396,929	
Other Income	10,270	17,573	16,777	39,395	47,933	
Total Income	830,272	815,985	1,326,314	1,262,351	1,555,101	
Commissions	21,583	30,625	32,553	43,674	51,908	
Operating expenses	29,745	34,095	39,819	45,726	52,062	
Provisions & Taxes	9,090	9,797	10,640	12,661	15,389	
Total expenses	60,418	74,517	83,012	102,060	119,359	
Benefits paid	313,398	302,875	431,074	450,096	557,469	
Change in valuation of life reserves	437,619	410,031	784,313	609,339	754,700	
Total Benefits	751,017	712,906	1,215,388	1,059,435	1,312,169	
Surplus/(Deficit) for the year	18,838	28,563	27,915	61,461	75,641	

Source: Company, JM Financial

Shareholder's Statement						(INR mn)
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Transfer from the Policyholders' Account	17,324	27,071	25,977	52,242	64,295	
Investment income	9,831	7,945	10,341	12,352	13,587	
Other income	54	7	-	-	-	
Total income	27,208	35,024	36,317	64,593	77,881	
Operating expenses	1,779	365	620	489	557	
Contribution to the policyholders A/C	9,821	17,075	16,276	23,906	28,413	
Profit before tax	15,608	17,584	19,421	40,199	48,911	
Tax	548	379	483	804	978	
Profit after tax	15,060	17,206	18,938	39,395	47,933	

Source: Company, JM Financial

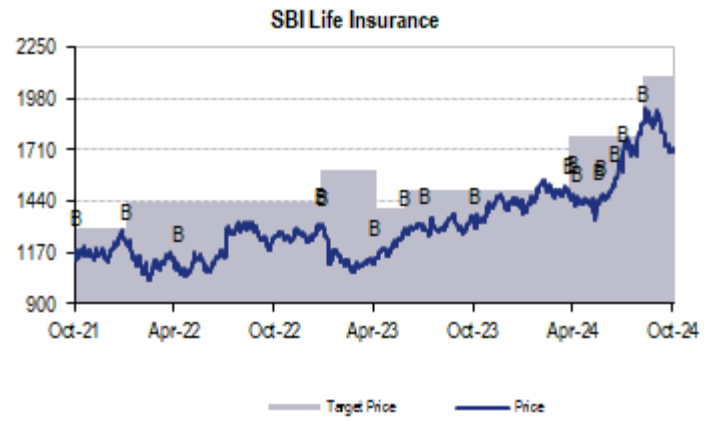
Balance Sheet						(INR mn)
Y/E March	FY22A	FY23A	FY24A	FY25E	FY26E	
Shareholders' Investments	100,758	112,087	130,364	135,625	149,188	
Policyholders' Investments	1,121,307	1,298,702	1,565,436	2,550,750	3,479,145	
Unit linked Investments	1,426,253	1,632,555	2,160,103	2,540,811	3,061,482	
Loans	3,627	3,889	3,888	5,445	6,472	
Fixed assets	5,268	5,215	5,570	6,215	6,800	
Net Current Assets / (Liab)	24,859	43,417	62,470	51,737	56,614	
Total Assets	2,682,072	3,095,866	3,927,830	5,290,583	6,759,701	
Borrowings	-	-	-	-	-	
Fair Value Change Account	201,728	149,101	47,191	149,101	149,101	
Policy Liabilities	1,179,313	1,397,949	1,558,085	2,525,242	3,444,354	
Linked Liabilities	1,174,871	1,407,214	2,160,103	2,413,770	2,908,408	
FFA	9,936	11,427	13,366	15,999	19,016	
Total Liabilities	2,565,849	2,965,691	3,778,744	5,104,113	6,520,878	
Share Capital	10,004	10,009	10,015	10,049	10,069	
Reserves and surplus	104,181	119,237	139,071	176,421	228,754	
Fair Value Change Account	2,039	929	-	-	-	
Shareholder's equity	116,223	130,175	149,086	186,470	238,823	

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
24-Jan-21	Buy	1,040	
4-May-21	Buy	1,150	10.6
27-Jul-21	Buy	1,300	13.0
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

Recommendation History



APPENDIX I

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Corporate Identity Number: U67100MH2017PLC296081

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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.
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