

**BUY****TP: Rs 2,008 | ▲ 25%****SBI LIFE**

| Insurance

| 25 April 2025

## Margins expand, poised to remain at similar levels

- **Moderate APE growth of 2% YoY in Q4FY25, 9% YoY in FY25; while VNB margins expand ~200bps YoY in Q4**
- **Expect margins to improve, supported by the Protection business and overall APE growth**
- **SBILIFE is attractively valued with its long-term story intact; management reiterates APE and VNB margin guidance**

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**Moderate APE growth while VNB margins expanded:** SBI Life continued to report moderate APE growth of 2% YoY in Q4FY25 (in line with our estimates) and 9% YoY in FY25. This was primarily on account of lower group APE growth (decline of 30% YoY in Q4FY25 and 21% YoY in FY25); while individual APE rose 8% YoY in Q4FY25 and 13% YoY in FY25. Margins surprised positively with ~200bps expansion to 30.5% YoY in Q4FY25 (down ~30bps YoY in FY25 to 27.8%). This was primarily due to change in product mix during the quarter. Higher protection rider attachment and sum assured in the savings business aided VNB margins.

**Guidance:** Management expects individual APE growth of 13-14% in FY26, above the industry growth expected to be at 12% in FY26. This would be driven by continued focus on the agency channel through adding more branches, on boarding more agents, improving agent productivity and activation levels. The company expects agency and bancassurance channels to grow 25% YoY and 10% or low double digit respectively in FY26. The company expects VNB margin to stay at the similar levels of 28%, going forward. Further, the company expects their mix to change to 65:35 ULIPs and par, non-par, and protection in FY26 vs. 70:30 in FY25 on individual rated premium (IRP) basis, reflecting a change of around 500bps.

**Continued to add new products:** The company added 4 new non-par products in the portfolio - Smart Platina Supreme, Smart Budget plus, Smart Platina Young Achiever and Smart Future Star; which were received well, had a new business premium collection of Rs 11bn during the quarter.

**Maintain BUY on SBI Life:** SBILIFE continued to invest in its agency and other distribution channels to offset the slower business growth from the parent bank, which is likely to support APE growth going forward. Additionally, emphasis on protection products is likely to aid margin expansion. We maintain BUY with TP to Rs 2,008, from Rs 2,040, assigning a multiple of 2.0x (previously 2.3x) to its FY27E P/EV.

## Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	SBILIFE IN/Rs 1,608
Market cap	US\$ 18.9bn
Free float	45%
3M ADV	US\$ 19.8mn
52wk high/low	Rs 1,936/Rs 1,308
Promoter/FPI/DII	55%/22%/18%

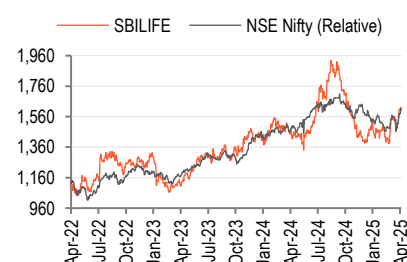
Source: NSE | Price as of 24 Apr 2025

## Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
NBP (Rs mn)	3,55,768	4,35,971	5,01,367
APE (Rs mn)	2,14,200	2,42,711	2,77,367
VNB (Rs mn)	59,548	67,959	79,050
Embedded Value (Rs)	7,02,500	8,40,257	10,05,048
VNB margin (%)	27.8	28.0	28.5
EVPS (Rs)	701.2	838.8	1,003.3
EPS (Rs)	24.1	28.3	33.0
Consensus EPS (Rs)	24.1	27.1	31.6
P/EV (x)	2.3	1.9	1.6

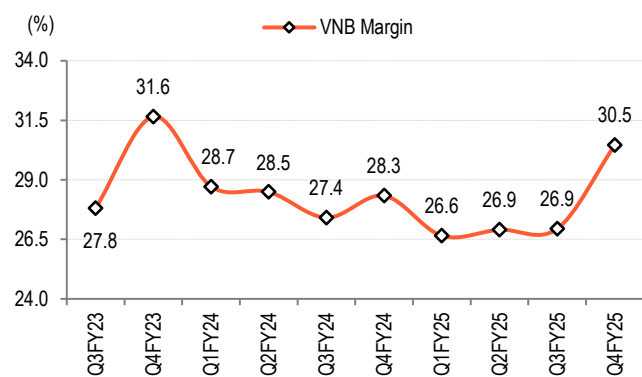
Source: Company, Bloomberg, BOBCAPS Research

## Stock performance

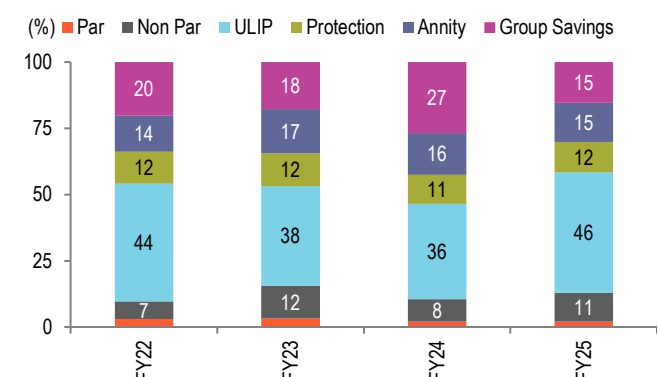


Source: NSE

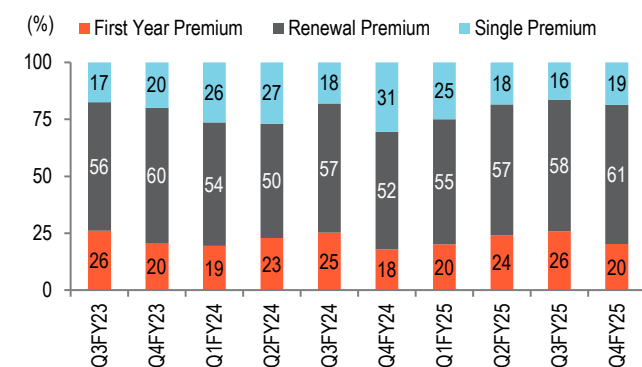


**Fig 1 – Improvement in margins led by change in product mix**

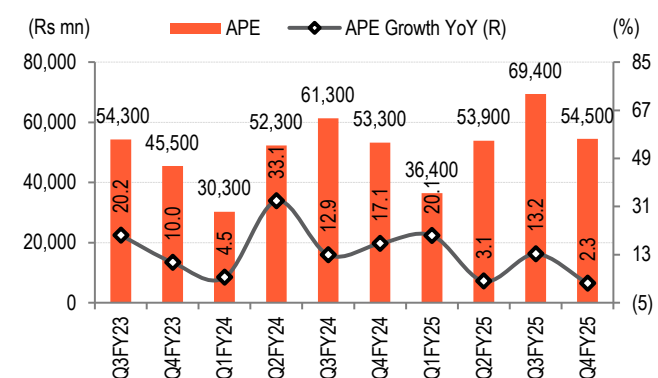
Source: Company, BOBCAPS Research

**Fig 2 – ULIP share continue to increase**

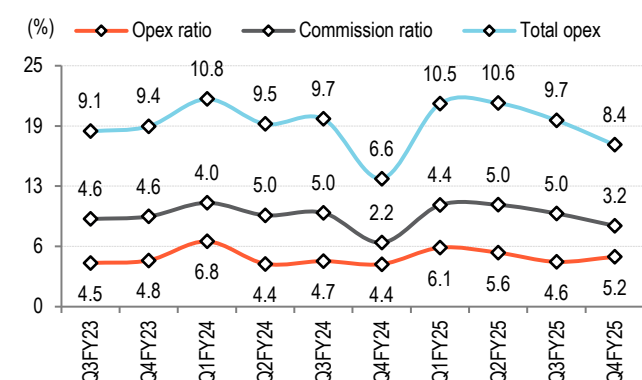
Source: Company, BOBCAPS Research

**Fig 3 – First year and renewal premium supported growth to gross premium for FY25**

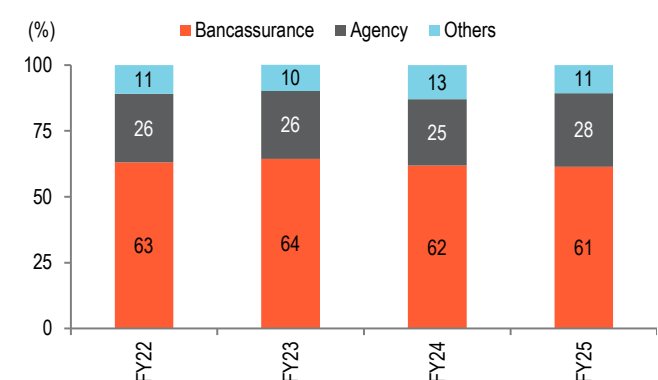
Source: Company, BOBCAPS Research

**Fig 4 – APE growth moderated at 2.3% YoY for Q4FY25**

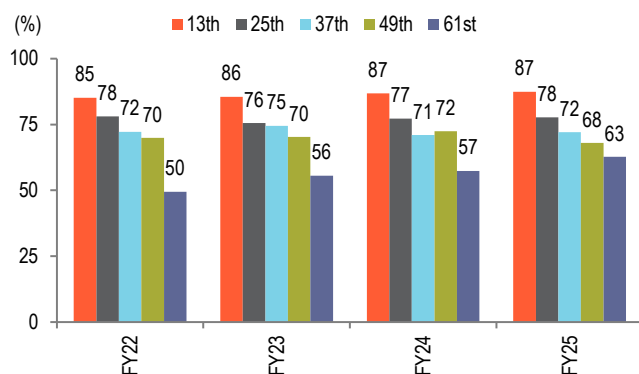
Source: Company, BOBCAPS Research

**Fig 5 – Opex moderated at optimum level**

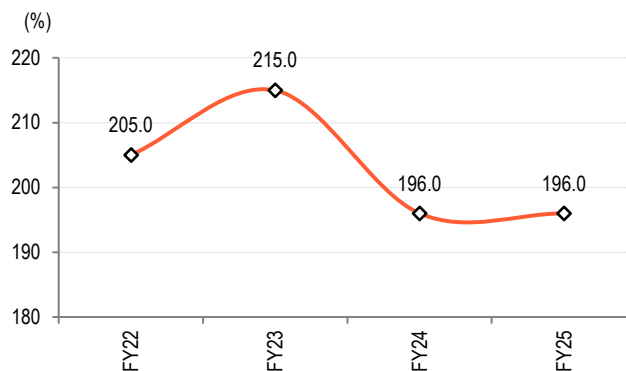
Source: Company, BOBCAPS Research

**Fig 6 – Robust growth expected to come from agency channel in FY26**

Source: Company, BOBCAPS Research

**Fig 7 – Improvement in persistency seen in all months except for 49<sup>th</sup> month**


Source: Company, BOBCAPS Research

**Fig 8 – Solvency ratio remained on similar levels**


Source: Company, BOBCAPS Research

**Fig 9 – Policyholder's account**

(Rs mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY24	YoY (%)
<b>Gross premium income</b>	2,40,016	2,52,411	(4.9)	2,49,978	(4.0)	8,49,846	8,14,306	4.4
First Year Premium	48,587	45,283	7.3	64,508	(24.7)	1,93,716	1,74,757	10.8
Renewal Premium	1,46,803	1,30,033	12.9	1,44,676	1.5	4,94,078	4,31,923	14.4
Single Premium	44,626	77,096	(42.1)	40,794	9.4	1,62,052	2,07,626	(21.9)
Reinsurance	1,408	1,247	13.0	1,703	(17.3)	9,248	8,435	9.6
<b>Net premium income</b>	<b>2,38,607</b>	<b>2,51,165</b>	<b>(5.0)</b>	<b>2,48,275</b>	<b>(3.9)</b>	<b>8,40,598</b>	<b>8,05,871</b>	<b>4.3</b>
Income from investments (Net)	(10,408)	1,08,117	(109.6)	(62,817)	(83.4)	3,17,141	5,03,666	(37.0)
Other income	36	118	(69.2)	(37)	(197.1)	(12)	501	(102.3)
Contribution of funds from Shareholders' A/c	13,459	16,276	(17.3)	0	-	13,459	16,276	(17.3)
<b>Total</b>	<b>2,41,694</b>	<b>3,75,675</b>	<b>(35.7)</b>	<b>1,85,422</b>	<b>30.3</b>	<b>11,71,187</b>	<b>13,26,314</b>	<b>(11.7)</b>
<b>Commission on</b>								
First Year Premium	5,671	4,689	20.9	5,929	(4.3)	19,931	18,473	7.9
Renewal Premium	3,708	3,277	13.2	3,602	2.9	11,996	10,406	15.3
Single Premium	599	548	9.3	612	(2.2)	2,256	2,171	3.9
Others	(2,211)	(2,855)	(22.6)	2,441	(190.6)	3,205	1,502	113.4
<b>Net Commission</b>	<b>7,768</b>	<b>5,659</b>	<b>37.3</b>	<b>12,585</b>	<b>(38.3)</b>	<b>37,388</b>	<b>32,553</b>	<b>14.9</b>
Expenses of Management	20,151	16,764	20.2	24,172	(16.6)	44,797	39,626	13.1
<b>Operating Profit</b>	<b>2,13,775</b>	<b>3,53,251</b>	<b>(39.5)</b>	<b>1,48,665</b>	<b>43.8</b>	<b>10,89,002</b>	<b>12,54,135</b>	<b>(13.2)</b>
Provision for taxes	600	148	306.1	219	173.8	13,038	10,833	20.4
Benefits Paid (Net)	1,25,283	1,48,233	(15.5)	1,25,341	0.0	4,89,018	4,31,074	13.4
Change in actuarial liability	77,060	1,90,769	(59.6)	29,084	165.0	5,57,001	7,84,313	(29.0)
<b>Surplus/Deficit</b>	<b>15,632</b>	<b>17,099</b>	<b>(8.6)</b>	<b>3,470</b>	<b>350.5</b>	<b>29,945</b>	<b>27,915</b>	<b>7.3</b>

Source: Company, BOBCAPS Research

**Fig 10 – Shareholder's account**

(Rs mn)	Q4FY25	Q4FY24	YoY (%)	Q3FY25	QoQ (%)	FY25	FY24	YoY (%)
<b>Transfer from Policyholders' Account</b>	<b>19,477</b>	<b>21,573</b>	<b>(9.7)</b>	<b>2,623</b>	<b>642.5</b>	<b>27,397</b>	<b>25,977</b>	<b>5.5</b>
Investment Income	2,511	3,270	(23.2)	3,161	(20.6)	3,17,141	5,03,666	(37.0)
Other income	36	118	(69.2)	(37)	(197.1)	0	8	(100.0)
Expenses other than those related to insurance business	104	118	(11.7)	69	50.9	342	515	(33.5)
Transfer of funds to Policyholders' Account	13,459	16,276	(17.3)	0	-	13,459	16,276	(17.3)
Provisions for diminution in value of investments	21	86	(75.6)	9	143.0	192	(106)	(282.0)
<b>Profit before tax</b>	<b>8,406</b>	<b>8,364</b>	<b>0.5</b>	<b>5,716</b>	<b>47.1</b>	<b>24,947</b>	<b>19,421</b>	<b>28.5</b>
Provisions for tax	271	256	6.1	208	30.4	814	483	68.4
<b>Profit after tax and before extraordinary items</b>	<b>8,135</b>	<b>8,108</b>	<b>0.3</b>	<b>5,508</b>	<b>47.7</b>	<b>24,133</b>	<b>18,938</b>	<b>27.4</b>

Source: Company, BOBCAPS Research

## Earnings call highlights

### Business highlights

- Gross premium income increased by 4% YoY to Rs 849.8 bn, supported by 11% YoY growth in first year premium and 14% YoY growth in renewal premium. For Q4FY25, both gross and net premium declined 5% YoY, led by significant decline in the single premium (down 42% YoY).
- Individual new business premium grew 11% YoY to Rs 263.6 bn, capturing a private market share of 25.3%.
- Total new business premium reached Rs 355.8 bn, with a private market share of 20.8% and an overall market share of 9%.
- SBI Life reported 8.6% YoY APE growth in FY25, led by healthy APE growth of 13%, reaching Rs 195.9 bn.
- Value of new business (VNB) margin improved by 220 bps YoY, reaching 30.5%, primarily driven by a favourable product mix shift and expected to remain in the 27%–28% range for FY26, with a greater focus on participating (par) products. In Q4FY25, VNB margin expanded by 213bps YoY, led by changes in the product mix. The company continued to demonstrate its ability to tweak its product mix, so as to deliver on the stated margins.
- Persistency ratios improved across the 13th, 25th, 37th, and 61st policy months. The 49<sup>th</sup> -month ratio saw a temporary dip due to the COVID cohort, but is expected to recover.
- Embedded value rose to Rs 702.5 bn, registering a 21% YoY growth.

### Product portfolio and mix

- Product mix for FY25 stood at: Individual Savings: 85% (of which ULIPs accounted for 64%); Protection: 10%; Group Savings: 3%; Annuities: 2%.
- SBI Life launched 4 new non-ULIP products—Smart Platina Supreme, Smart Budget Plus, Smart Platina Young Achiever, and Smart Future Star—in the last four months. These products sold over 150,000 policies, contributing Rs 11 bn in new business premium.
- The company plans to reduce ULIP share by 500 bps (from 70% to 65%) and increase the share of traditional products to 35%.
- Share of pure protection products doubled to 20% from 10%, while return-of-premium products saw a decline to 80% from 90%.

### EV Walk

- Operating variance in EV stood at around Rs 7.3 bn, including: Rs 2.8 bn from persistency; Rs. 4.2 bn from mortality and Rs 170 mn from expenses. Assumption changes contributed Rs. 2.2 bn positively to the EV walk.

**Outlook**

- SBI Life expects 13%–14% IRP growth in FY26, slightly above the industry average of 12%. The agency channel is projected to grow ~25%, backed by agent productivity improvements and network expansion. Bancassurance is expected to deliver steady growth of ~10% on a low base.

**Others**

- Credit Life business rose by 11% YoY, amounting to Rs 25.2 bn.
- Credit Life APE stood at Rs 2.5 bn in FY25, primarily driven by home loan-linked insurance offerings.
- Net commission expense rose due to the shift in product mix.
- Net agent addition was slightly negative due to removal of inactive agents, although over 97,000 clients were added during the year.
- Claim Settlement Ratio improved to 99.4%, up by 23 bps YoY.

## Valuation methodology

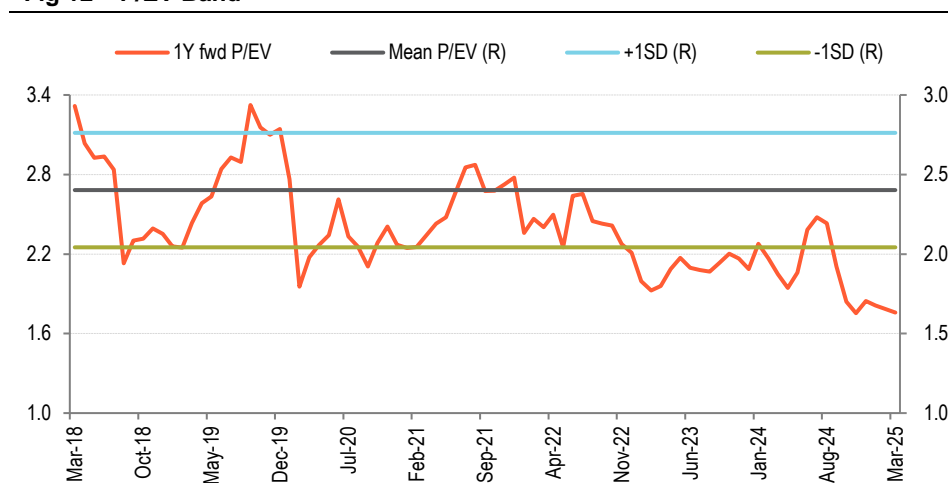
SBILIFE continued to invest in agency and other channels to make up for the lower business growth in the parent bank, which is expected to aid APE growth. Additionally, focus on protection products would support margins. Further, the company maintained its private market leadership share of 22.8% on an individual rated basis with significant cross-selling opportunities through bank and its ability to deliver on growth and margins through deliberate product changes and cost effectiveness, which is likely to bode well. We maintain BUY with TP to Rs 2,008, from Rs 2,040, assigning a multiple of 2.0x (previously 2.3x) to its FY27E P/EV.

**Fig 11 – Actual vs Estimates**

Rs mn	Q4FY25A	Q4FY25E	Actual vs Estimates (%)
Gross Premium	2,40,016	2,77,763	(13.6)
APE	54,500	54,749	(0.5)
VNB	16,600	15,216	9.1
VNB Margin	30.5	27.8	266bps

Source: Company, BOBCAPS Research

**Fig 12 – P/EV Band**



Source: Company, BOBCAPS Research

## Key risks

Key downside risks to our estimates:

- **Change in regulatory framework:** Any unfavourable change in regulations can affect business growth. For example, ULIP proceeds are currently taxed to the extent the yearly premium exceeds Rs 0.25mn. Similarly, any change in income tax rate for insurance companies could adversely impact profitability.
- **Losses from capital and bond markets:** Prolonged weakness in capital markets could hamper growth of ULIPs. Although insurance companies are opting for balanced product mixes, many of them have sizeable business coming from ULIPs.
- **Increasing interest rates:** Guaranteed-return businesses could be affected by a rise in interest rates as other financial instruments (e.g. deposits) become more attractive.

- **Adverse economic events:** A significant economic decline may result in financial difficulties or defaults by issuers of bonds in the company's investment portfolios. The shareholders' equity and earnings and policyholders' funds may also be affected by fair valuation of bonds held in investment portfolios.
- **High surrender of policies:** Life insurance companies face the risk of surrendered policies. In ULIPs, customers can withdraw policies after five years despite longer durations. Policies can also be surrendered in case of job loss and monetary requirements, among other factors, which lowers persistency ratios.

## Glossary

Glossary of Abbreviations			
<b>APE</b>	Annual Premium Equivalent	<b>NBP</b>	New Business Premium
<b>EOM</b>	Expenses of Management	<b>ROEV</b>	Return on Embedded Value
<b>EV</b>	Embedded Value	<b>ROP</b>	Return of Premium
<b>EVOP</b>	Embedded Value Operating Profit	<b>RWRP</b>	Retail Weighted Received Premium
<b>HNI</b>	High Net Worth Individuals	<b>ULIP</b>	Unit Linked Insurance Plan
<b>IRDAI</b>	Insurance Regulatory and Development Authority	<b>VNB</b>	Value of New Business

## Financials

### Revenue Account (Technical)

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
<b>Gross premium income</b>	<b>8,14,306</b>	<b>8,49,846</b>	<b>9,68,825</b>	<b>11,14,148</b>	<b>12,81,271</b>
First year premium	1,74,757	1,93,716	2,07,918	2,22,830	2,56,254
Renewal premium	4,31,923	4,94,078	5,32,854	6,12,782	7,04,699
Single premium	2,07,626	1,62,052	2,28,053	2,78,537	3,20,318
<b>Net written premium</b>	<b>8,05,871</b>	<b>8,40,598</b>	<b>9,58,282</b>	<b>11,02,024</b>	<b>12,67,328</b>
Income from investments	5,03,666	3,17,141	3,53,649	4,12,047	4,80,008
Other Income	16,777	13,448	14,793	16,273	17,901
<b>Total income</b>	<b>13,26,314</b>	<b>11,71,187</b>	<b>13,26,724</b>	<b>15,30,344</b>	<b>17,65,237</b>
Commissions	32,553	37,388	41,126	45,239	49,763
Operating expenses	39,626	44,797	51,517	59,244	68,131
Benefits and bonuses paid	4,31,074	4,89,018	5,28,972	6,08,317	6,99,565
Change in liabilities (net)	7,84,313	5,57,001	6,57,262	7,63,738	8,87,463
Others	0	0	0	0	1
<b>Total expenses</b>	<b>12,87,567</b>	<b>11,28,204</b>	<b>12,78,876</b>	<b>14,76,539</b>	<b>17,04,923</b>
<b>Surplus before tax</b>	<b>38,747</b>	<b>42,982</b>	<b>47,847</b>	<b>53,806</b>	<b>60,313</b>
Provision for tax	10,833	13,038	14,774	17,070	19,722
<b>Surplus after tax</b>	<b>27,915</b>	<b>29,945</b>	<b>33,073</b>	<b>36,735</b>	<b>40,591</b>
Trf to shareholders' a/c	25,977	27,397	30,776	34,184	37,774
Balance being FFA	1,938	2,548	2,296	2,551	2,818

### Income Statement (Non-technical)

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Trf from policyholders' a/c	25,977	27,397	30,776	34,184	37,774
Income from investments	10,341	11,145	13,345	16,249	18,687
Contr. to policyholders' fund	(16,276)	(13,459)	(14,805)	(16,286)	(17,914)
Others	(620)	(136)	(170)	(207)	(249)
<b>PBT</b>	<b>19,421</b>	<b>24,947</b>	<b>29,146</b>	<b>33,941</b>	<b>38,298</b>
Provision for taxation	(483)	(814)	(729)	(849)	(957)
<b>PAT</b>	<b>18,938</b>	<b>24,133</b>	<b>28,418</b>	<b>33,092</b>	<b>37,340</b>
Dividend+Interim div.+DDT	2,705	2,707	3,509	3,509	3,008

### Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Equity	1,49,086	1,69,854	1,92,837	2,22,420	2,56,752
Policyholders' funds	36,51,022	41,80,690	48,62,838	56,69,528	66,23,503
FFA	13,366	15,914	16,232	16,557	16,888
Others	1,14,357	1,42,775	1,45,630	1,48,543	1,51,514
<b>Total liabilities</b>	<b>39,27,830</b>	<b>45,09,232</b>	<b>52,17,536</b>	<b>60,57,047</b>	<b>70,48,656</b>
Shareholders' funds	1,30,364	1,46,045	1,67,951	1,93,144	2,22,116
Policyholders' funds	15,65,436	18,52,268	22,00,494	26,14,187	31,05,654
Assets to cover linked liab.	21,60,103	24,76,357	28,20,570	32,26,732	37,02,675
Others	71,927	34,563	28,521	22,984	18,211
<b>Total assets</b>	<b>39,27,830</b>	<b>45,09,232</b>	<b>52,17,536</b>	<b>60,57,047</b>	<b>70,48,656</b>

### Key Metrics

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
AUM (Rs mn)	38,89,200	44,80,400	53,85,739	64,82,029	77,13,614
NBP (Rs mn)	3,82,383	3,55,768	4,35,971	5,01,367	5,76,572
APE (Rs mn)	1,97,200	2,14,200	2,42,711	2,77,367	3,20,142
VNB (Rs mn)	55,500	59,548	67,959	79,050	91,881
VNB margin (%)	28.1	27.8	28.0	28.5	28.7
Embedded value (Rs mn)	5,82,600	7,02,500	8,40,257	10,05,048	11,96,348
ROEV (%)	21.8	20.2	18.0	17.7	17.4
ROE (%)	13.6	15.1	15.7	15.9	15.6
Opex ratio (%)	4.9	5.3	5.3	5.3	5.3
Cost ratio (%)	8.9	9.7	9.6	9.4	9.2
Solvency ratio (%)	-	-	-	-	-
EPS (Rs)	18.9	24.1	28.3	33.0	37.2
BVPS (Rs)	148.9	169.6	192.5	222.0	256.3
EVPS (Rs)	582.1	701.2	838.8	1,003.3	1,194.2

Source: Company, BOBCAPS Research



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### Recommendation scale: Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

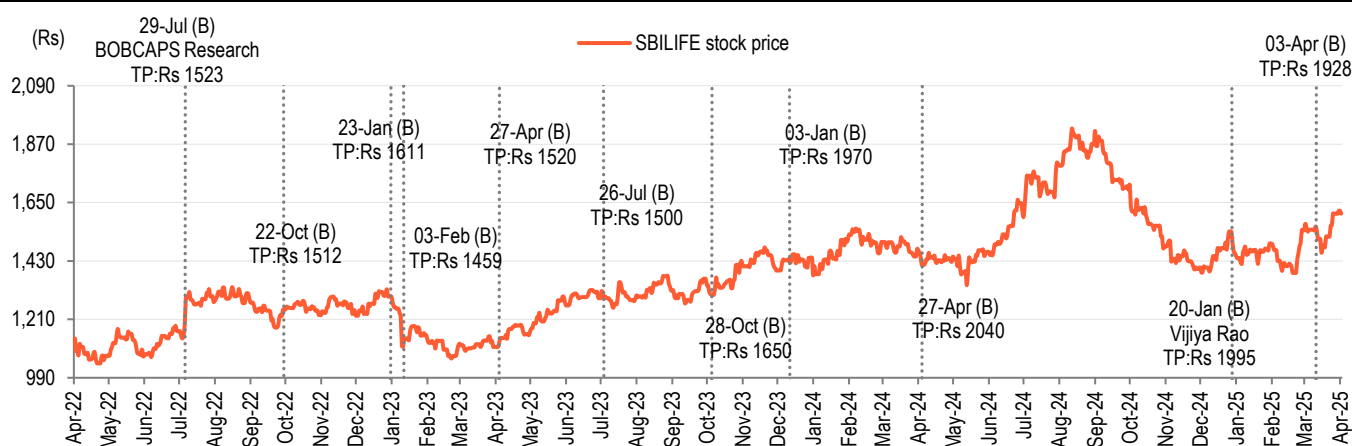
**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

### Ratings and Target Price (3-year history): SBI LIFE (SBILIFE IN)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

### Analyst certification

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