

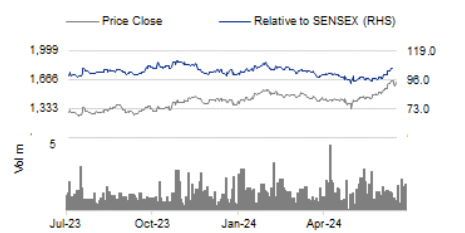
India

HOLD (no change)

Consensus ratings*: Buy 32 Hold 1 Sell 0	
Current price:	Rs1,633
Target price: ▲	Rs1,750
Previous target:	Rs1,550
Up/downside:	7.2%
InCred Research / Consensus:	-3.0%
Reuters:	
Bloomberg:	SBILIFE IN
Market cap:	US\$22,523m
	Rs1,635,525m
Average daily turnover:	US\$28.5m
	Rs2069.9m
Current shares o/s:	1,000.2m
Free float:	44.6%
*Source: Bloomberg	

Key changes in this note

► To improve margins, SBIL is introducing new protection plans (for HNI customers) and strengthening banca tie-up for home & educational loans.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	12.4	11.8	24.0
Relative (%)	9.5	3.7	2.6

Major shareholders	% held
State Bank of India	55.4
HDFC MF	3.3
Government of Singapore	3.3

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SBI Life Insurance

Weak margin; must tune up protection plans

- SBIL reported VNB growth of ~12% yoy, but margins witnessed a steep decline of ~130bp sequentially to ~26.8% amid weak momentum in protection plans.
- To improve margins, SBIL is introducing new protection plans (for HNI customers) and strengthening Banca tie-up for home & educational loans.
- We like SBIL for its better reach & operating efficiency but remain concerned over weak growth & margins. Retain HOLD rating with a higher TP of Rs1,750.

VBN trajectory healthy; contribution improving from Banca channel

SBI Life Insurance Company (SBIL) reported a healthy value of new business (VNB) growth of ~12% yoy to Rs9.7bn whereas the annualized premium equivalent (APE) grew by ~20% yoy to Rs36.4bn in 1QFY25. ULIP plans continued to improve their dominance in the overall portfolio mix with a share of ~61% of APE whereas the share of protection plans remained sluggish at ~8% of APE. Banca channel contributed ~59% to the APE channel mix, down from 65% in 1QFY24, as it grew at a slow pace of ~9% yoy while the agency business grew by ~45% yoy. The company is in talks with its bancassurance partners led by State Bank of India or SBI to improve product reach.

Margin pressure persists; rising focus on protection plans

VNB margins were the key negative surprise during the quarter, declining by ~130bp sequentially to ~26.8% in 1QFY25. Management highlighted that sluggish demand for protection plans, coupled with the company's inability to pass on interest rate dip to end-customers under non-par products resulted in such a sharp decline. We believe that with the introduction of new surrender policy norms of the Insurance Regulatory and Development Authority or IRDA from 1 Oct 2025, the pressure margin would be even higher. However, management remains firm over improving the share of protection plans to cover up for the margin loss. The company intends to launch new products, especially for ultra HNI customers who have low medical procedure. Also, the company is backing on improved demand for home loans and intends to tie up for education loans to target young customers for its protection plans. Management has maintained its guidance of VNB margin in the range of ~28% for FY25F.

Outlook and valuation

We like SBIL for its leadership strength and superior operating efficiency. However, we remain concerned over the slowing growth trajectory due to the levy of tax on maturity in the case of large-ticket premium products. We retain our HOLD rating on SBIL amid the uncertainty over its growth and margins. We have revised our target price upwards to Rs1,750, or ~2.2x FY26F price/EV. Downside risks: Demand improving and regulatory intervention failing to prevent any sustained super-normal profits. Upside risks: Surge in the demand for non-par products driving margin outperformance.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Gross Premium (Rsm)	673,156	814,306	908,705	1,018,986	1,143,915
Investment And Other Income (Rsm)	(7,346)	(8,435)	(9,579)	(10,728)	(11,918)
Net Premium (Rsm)	665,810	805,871	899,127	1,008,258	1,131,997
Net Profit (Rsm)	25,529	28,229	24,781	31,232	35,996
Core EPS (Rs)	27.00	30.12	27.16	34.40	40.71
Core EPS Growth	10.7%	11.6%	(9.8%)	26.7%	18.3%
FD Core P/E (x)	27.00	30.12	27.16	34.40	40.71
DPS (Rs)	2.50	2.70	2.50	2.50	2.50
Dividend Yield	0.153%	0.165%	0.153%	0.153%	0.153%
P/EV (x)	3.80	3.00	2.50	2.20	1.80
P/BV (x)	12.56	10.97	9.46	8.01	6.78
ROE	14.0%	13.6%	15.4%	16.6%	16.2%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly earnings summary

	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	YoY(%)	QoQ(%)
New business premium	55,914	74,971	84,236	80,766	62,071	1,00,547	97,387	1,22,379	70,334	13.3%	-42.5%
APE	29,000	38,834	53,920	46,346	30,300	52,300	61,300	53,400	36,400	20.1%	-31.8%
Value of new business	8,800	12,400	15,100	14,298	8,700	14,900	16,800	15,013	9,720	11.7%	-35.3%
VNB margin %	30.3%	31.9%	28.0%	30.9%	28.8%	28.5%	27.4%	28.1%	26.8%	-2.0%	-1.3%
Opex ratio %	6.8%	5.0%	4.6%	4.8%	7.0%	4.5%	4.7%	4.4%	6.3%		
Profit	2,629	3,767	3,041	7,769	3,810	3,832	3,217	8,108	5,195	36.3%	-35.9%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Our revised earnings estimates

Particulars (Rs bn)	FY25F			FY26F			FY27F		
	Earlier	Revised	Variance	Earlier	Revised	Variance	Earlier	Revised	Variance
VNB	60.2	63.4	5.3%	67.9	72.3	6.5%	77.4	82.5	6.6%
VNB margin %	27.1%	28.2%	1.1%	27.0%	28.1%	1.1%	27.1%	28.1%	1.0%
APE	222.3	224.7	1.1%	252.0	257.7	2.3%	286.3	294.1	2.7%
Profit	23.2	24.8	6.8%	29.3	31.2	6.6%	35.9	36.0	0.3%
EV	658.1	690.0	4.8%	766.4	815.0	6.3%	895.2	960.2	7.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

1QFY25 earnings conference-call highlights

- VONB margins reduce as the protection segment was slightly lower than companies' internal estimate and non-PAR life had an impact on yields for some period during the quarter, which was absorbed by the company instead of passing it to the customers.
- Management is positive on the new surrender value norm as it believes the rise in surrender value, pre-loop cancellation, loan against policy and robust processes will bring attraction to non-par savings products.
- Plans to launch a product on SBI's Yono app having a simple process, with the pre-approved sum assured at competitive rates. Other products which will be launched for the ultra HNI segment having a higher sum assured with higher non-medical limits and specified medical limits are likely to be launched by Aug 2024.
- Management plans to widen the credit life protection business by targeting educational loan customers of SBI.
- New surrender value norms will not have much impact on SBI Life as the surrender value offered is higher than what the regulation requires, and the product pricing and offerings are designed such that it brings continuity from the policy holder.
- The spike in commissions is due to the absence of expense management guidelines in last year's 1Q.
- The top-line growth guidance stands at 20% and margin at around 28%.

Figure 3: InCred BFSI coverage universe

Banks	Rating	CMP(Rs)	TP(Rs)	P/BV(x) (at TP)			ROA(%)			ROE(%)		
				FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
SBI **	ADD	852	1,000	2.1	1.8	1.6	1.0%	1.1%	1.1%	16.3%	17.2%	17.6%
HDFC Bank **	ADD	1,604	2,000	3.1	2.8	2.6	1.9%	2.0%	2.0%	15.4%	16.3%	16.9%
ICICI Bank	ADD	1,223	1,300	3.5	3.0	2.6	2.3%	2.2%	2.3%	17.7%	17.3%	17.7%
Axis Bank	HOLD	1,239	1,300	2.0	1.7	1.5	1.7%	1.7%	1.7%	16.8%	16.0%	16.3%
IndusInd Bank	HOLD	1,396	1,650	1.8	1.6	1.4	1.7%	1.7%	1.7%	14.1%	14.4%	14.8%
NBFCs	Rating	CMP(Rs)	TP(Rs)	P/B(x) (at TP)			ROA(%)			ROE(%)		
				FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Bajaj Finance	ADD	6,607	9,000	6.0	5.1	4.2	4.2%	4.4%	4.5%	21.0%	23.5%	25.4%
Cholamandalam Finance	ADD	1,388	1,400	5.0	4.1	3.4	2.5%	2.5%	2.5%	21.0%	21.8%	22.5%
MMFS **	ADD	298	370	2.4	2.2	2.0	1.8%	1.9%	2.0%	12.3%	14.0%	15.7%
Shriram Finance **	ADD	2,724	2,950	2.0	1.7	1.4	3.4%	3.5%	3.5%	16.9%	17.3%	17.9%
SBI Cards **	REDUCE	743	500	3.4	2.9	2.5	3.6%	3.2%	3.0%	17.8%	16.6%	16.3%
Aavas Financiers	ADD	1,759	2,000	3.5	3.0	2.6	3.3%	2.9%	2.9%	14.7%	14.1%	14.9%
Home First Finance	ADD	1,041	1,100	4.2	3.7	3.2	3.4%	3.4%	3.4%	16.2%	17.7%	19.3%
Spandana Spoorthy	ADD	711	1,300	2.1	1.8	1.5	4.4%	4.6%	4.6%	16.7%	17.9%	18.2%
Fusion Micro Finance	HOLD	433	580	1.7	1.4	1.1	4.7%	4.7%	4.7%	19.4%	19.6%	19.7%
AMCs	Rating	CMP(Rs)	TP(Rs)	P/E(x) (at TP)			ROA(%)			ROE(%)		
				FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
Nippon AMC	ADD	632	800	35.7	29.5	23.7	0.28%	0.26%	0.25%	35.2%	41.8%	50.7%
HDFC AMC	HOLD	4,059	4,250	33.5	29.9	25.3	0.37%	0.35%	0.35%	32.8%	34.2%	37.3%
UTI AMC	ADD	1,016	1,100	16.0	13.0	11.1	0.29%	0.29%	0.28%	18.8%	20.6%	21.4%
ABSL AMC**	ADD	703	700	21.3	17.3	14.4	0.25%	0.26%	0.26%	27.9%	30.3%	32.1%
Insurance	Rating	CMP(Rs)	TP(Rs)	P/EV (x) (at TP)			Return on EV (%)			ROE(%)		
				FY25F	FY26F	FY27F	FY25F	FY26F	FY27F	FY25F	FY26F	FY27F
SBI Life Insurance	HOLD	1,632	1750	2.5	2.2	1.8	18.9%	18.5%	18.1%	15.4%	16.6%	16.2%

NOTE: ** HIGH CONVICTION
SOURCE: INCRED RESEARCH

BY THE NUMBERS

Profit & Loss					
(Rsm)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue	665,810	805,871	899,127	1,008,258	1,131,997
Total Claims and Changes in Reserves					
Acq. Costs/Other Underwriting Exp.					
Total Underwriting Result	665,810	805,871	899,127	1,008,258	1,131,997
Investment Income on Tech Reserve					
Insurance Profit / (Loss)	665,810	805,871	899,127	1,008,258	1,131,997
Total Other Technical Income					
Total Other Revenues	815,985	1,326,314	1,242,680	1,401,186	1,617,231
Total Operating Costs					
Other Technical Income / (Loss)					
Depreciation And Amortisation	(1,474)	(1,357)	(1,406)	(1,747)	(1,853)
Operating Profit					
Pretax Income/(Loss) from Assoc.	(1,491)	(1,938)	(2,421)	(3,221)	(4,775)
Post-Tax Oper. Earnings - Life/Other Biz					
Head Office Costs					
Non-Operating Income/(Expense)	7,953	10,341	11,681	11,038	14,129
Net Interest Income	(365)	(612)	(430)	(495)	(569)
Investment Income on Shareholders Fund	(17,075)	(16,276)	(6,507)	(2,603)	(1,041)
Other Income					
Exceptional Items					
Pre-tax Profit	25,908	28,712	25,967	33,217	39,126
Taxation	(379)	(483)	(1,186)	(1,985)	(3,130)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	25,529	28,229	24,781	31,232	35,996
Minority Interests					
Preferred Dividends					
Special Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	25,529	28,229	24,781	31,232	35,996

Operating Ratios					
(Rsm)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Premium Retention Ratio (life & Health)	98.9%	99.0%	98.9%	98.9%	99.0%
Benefits Ratio (life & Health)					
Acquisition Expense Ratio (life & Health)					
Admin Expense Ratio (life & Health)					
Total Expense Ratio (life & Health)					
Policyholder Dividends Ratio (life & Health)					
Combined Underwriting Ratio (life & Health)					
Underwriting Profit Margin (life & Health)	100.0%	100.0%	100.0%	100.0%	100.0%
Operating Profit Margin (life & Health)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rsm)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Fixed Assets	5,215	5,570	5,570	5,570	5,570
Intangible Assets					
Other Long Term Assets					
Total Non-current Assets	3,043,345	3,855,903	4,616,655	5,522,465	6,614,342
Total Cash And Equivalents					
Trade Debtors					
Other Current Assets	43,417	62,470	93,704	140,556	210,835
Total Current Assets	47,306	66,357	97,592	144,444	214,722
Creditors - Direct & Reinsurance Business					
Provision For Claims Outstanding					
Other Current Liabilities					
Total Current Liabilities					
Total Long-term Debt					
Hybrid Debt - Debt Component					
Other Liabilities					
Total Non-current Liabilities	1,643,983	2,173,469	2,607,910	3,129,555	3,756,440
Total Technical & Other Provisions	1,321,708	1,605,276	1,871,172	2,199,686	2,603,341
Total Liabilities	2,965,691	3,778,744	4,479,082	5,329,241	6,359,781
Shareholders Equity	130,175	149,086	172,947	204,052	241,110
Minority Interests					
Total Equity	130,175	149,086	172,947	204,052	241,110
Life Embedded Value					

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Net Premium Growth	13.9%	21.0%	11.6%	12.1%	12.3%
Operating Profit Growth (Life & Health)	13.9%	21.0%	11.6%	12.1%	12.3%
Value Of New Life Business Growth (after-tax)					
Life Embedded Value Growth					
Pre-tax Margin	3.89%	3.56%	2.89%	3.29%	3.46%
Net Profit Margin	3.83%	3.50%	2.76%	3.10%	3.18%
Effective Tax Rate	1.46%	1.68%	4.57%	5.98%	8.00%
Net Dividend Payout Ratio	9.8%	9.6%	10.1%	8.0%	7.0%
Return On Average Assets	0.90%	0.82%	0.58%	0.62%	0.59%
Net Gearing					
Financial Leverage	4.55	4.69	4.97	5.32	5.67
Equity / Assets					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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