

India

ADD (no change)

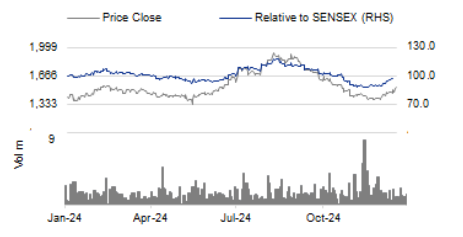
Consensus ratings*: Buy 33 Hold 4 Sell 0

Current price:	Rs1,541
Target price:	Rs2,000
Previous target:	Rs2,150
Up/downside:	29.8%
InCred Research / Consensus:	3.8%
Reuters:	
Bloomberg:	SBILIFE IN
Market cap:	US\$21,259m
	Rs1,543,718m
Average daily turnover:	US\$38.0m
	Rs2756.4m
Current shares o/s:	1,000.2m
Free float:	54.6%

*Source: Bloomberg

Key changes in this note

- SBIL has witnessed ~40bp sequential improvement in VNB margin to ~27.2% and its management remains confident of managing the trend.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	9.3	(9.5)	8.4
Relative (%)	15.1	(4.3)	1.2

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

Improvement visible across parameters

- SBIL saw improved growth momentum in 3Q, with ~11.9% yoy rise in VNB amid regaining traction from banca channel as well as healthy ULIP demand.
- The company witnessed ~40bp sequential improvement in VNB margin to ~27.2% and its management remains confident of managing the trend.
- We like SBIL for its leadership position & operating efficiency but keep an eye on its growth & margin. Retain ADD rating on it with a lower TP of Rs2,000.

VNB witnesses improvement amid rising traction in banca channel

SBI Life Insurance Company (SBIL) reported a ~11.9% yoy growth in the value of new business (VNB) in 3QFY25 to Rs18.8bn whereas the annualized premium equivalent (APE) grew ~13.2% yoy to Rs69.4bn. After witnessing subdued momentum in the banca channel last quarter, SBIL reported ~66% APE contribution from the banca channel, against ~58% last quarter, which has been the key contributor to growth. State Bank of India or SBI has already shifted its insurance sourcing towards the digital platform YONO, which has aided the growth trajectory during the quarter. Unit-linked Insurance Plans or ULIPs continued to maintain their dominance in the overall portfolio mix with a share of ~67% of APE whereas the share of protection plans remained sluggish at ~8% of APE. We expect VNB growth at ~16.4% CAGR and APE growth at ~16.7% CAGR over FY24-27F.

Sequential improvement in margin; maintains long-term guidance

SBIL has witnessed ~40bp sequential improvement in VNB margin to ~27.2% and its management remains confident of managing the trend. SBIL had revised its margin guidance during 2QFY25 to ~27%, which its management remains confident of achieving. Management is firm on managing the share of ULIPs at ~60%; however, to maintain new business growth, management is keeping the prices lower, which, in turn, is impacting the margin trajectory. However, we remain optimistic regarding the positive surprise on the margin front in 4QFY25F amid a balanced product mix as well as rising traction in credit life which remained flat qoq. However, we will keep a close eye on the future margin trend of the company.

Outlook and valuation

We like SBIL for its leadership strength and superior operating efficiency. The company's private market share stands at 22.4% and total market share at 8.7%. We retain our ADD rating on SBIL with a lower target price of Rs2,000 (Rs 2,150 earlier), or ~2.4x FY26F price/EV. We have modified our valuation multiple considering the regulatory uncertainty but we prefer the company for its favourable risk-reward ratio and improving growth as well as margin trajectory. Downside risks: Demand improving and regulatory intervention failing to prevent sustained super-normal profits.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Gross Premium (Rsm)	673,156	814,306	922,320	1,059,545	1,233,340
Investment And Other Income (Rsm)	(7,346)	(8,435)	(9,911)	(11,650)	(13,766)
Net Premium (Rsm)	665,810	805,871	912,410	1,047,894	1,219,574
Net Profit (Rsm)	17,206	18,946	26,185	35,055	43,617
Core EPS (Rs)	17.19	18.92	26.15	35.00	43.55
Core EPS Growth	14.2%	10.1%	38.2%	33.9%	24.4%
FD Core P/E (x)	17.19	18.92	26.15	35.00	43.55
P/NB (x)	0.00	0.00	0.00	0.00	0.00
DPS (Rs)	2.50	2.70	2.50	2.50	2.50
Dividend Yield	0.162%	0.175%	0.162%	0.162%	0.162%
P/EV (x)	3.35	2.64	2.21	1.84	1.54
P/BV (x)	11.82	10.32	8.83	7.36	6.07
ROE	14.0%	13.6%	16.2%	18.3%	18.8%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 1: Quarterly earnings table

(Rs mn)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	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	86,920	1,05,303	8.1%	21.1%
APE	29,000	38,834	53,920	46,346	30,300	52,300	61,300	53,400	36,400	53,900	69,400	13.2%	28.8%
Value of new business	8,800	12,400	15,100	14,298	8,700	14,900	16,800	15,013	9,720	14,380	18,800	11.9%	30.7%
VNB margin %	30.3%	31.9%	28.0%	30.9%	28.8%	28.5%	27.4%	28.1%	26.8%	26.8%	27.2%	-0.8%	1.5%
Opex ratio %	6.8%	5.0%	4.6%	4.8%	7.0%	4.5%	4.7%	4.4%	6.3%	5.6%	4.7%		
Profit	2,629	3,767	3,041	7,769	3,810	3,802	3,217	8,108	5,195	5,294	5,499	70.9%	3.9%

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	63.4	62.1	-2.1%	74.7	74.7	0.0%	91.0	91.0	0.0%
VNB margin	28.2%	27.4%	-0.8%	28.0%	28.0%	0.0%	28.5%	28.5%	0.0%
APE	224.7	227.0	1.0%	267.2	267.2	0.0%	318.7	318.7	0.0%
Profit	24.8	26.2	5.5%	35.0	35.0	0.0%	43.6	43.6	0.0%
EV	690.0	698.4	1.2%	838.3	838.3	0.0%	1,007.8	1,007.8	0.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

3QFY25 earnings-call highlights ►

- Management gave guidance of individual APE growing 15-18% yoy in the medium term.
- VNB growth is indicated to be 9-10% yoy with a margin of 27-29%.
- The improvement in VNB margin is attributable to better pricing in non-par products, improved proportion of protection products, and better riders.
- APE in Smart Platina was ~Rs2.5bn in Dec 2024.
- Management indicated good customer response for the Smart Platina product, which also carries a higher margin.
- As product offerings with riders have received good traction, the company has plans to launch more such offerings for ULIP products.
- Management reiterated that the impact of change in policy surrender value is not material.
- The demand for ULIPS remained healthy despite capital markets cooling down.
- The company is shoring up its business through the agency channel and expects business from this channel to grow by ~30% yoy.
- Business from the banca channel is expected to grow by 10-12% yoy.
- The company issued ~70,000-73,000 policies of its newly launched individual protection product through YONO app in the last four months after launch.

BY THE NUMBERS

Profit & Loss					
(Rsm)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue	665,810	805,871	912,410	1,047,894	1,219,574
Total Claims and Changes in Reserves					
Acq. Costs/Other Underwriting Exp.					
Total Underwriting Result	665,810	805,871	912,410	1,047,894	1,219,574
Investment Income on Tech Reserve					
Insurance Profit / (Loss)	665,810	805,871	912,410	1,047,894	1,219,574
Total Other Technical Income					
Total Other Revenues	815,985	1,326,314	1,255,963	1,440,822	1,704,808
Total Operating Costs					
Other Technical Income / (Loss)					
Depreciation And Amortisation	(1,474)	(1,357)	(1,478)	(1,946)	(2,253)
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	17,585	19,429	27,371	37,040	46,747
Taxation	(379)	(483)	(1,186)	(1,985)	(3,130)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	17,206	18,946	26,185	35,055	43,617
Minority Interests					
Preferred Dividends					
Special Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	17,206	18,946	26,185	35,055	43,617

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%	98.9%
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	27,322	11,318	3,625
Total Current Assets	47,306	66,357	31,210	15,206	7,513
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	2,204,405	2,617,026
Total Liabilities	2,965,691	3,778,744	4,479,082	5,333,960	6,373,466
Shareholders Equity	130,175	149,086	174,352	209,280	253,959
Minority Interests					
Total Equity	13,029,066	14,930,476	17,460,820	20,958,750	25,433,194
Life Embedded Value	460,500	582,500	697,997	836,302	1,001,904

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Net Premium Growth	13.9%	21.0%	13.2%	14.8%	16.4%
Operating Profit Growth (Life & Health)	13.9%	21.0%	13.2%	14.8%	16.4%
Value Of New Life Business Growth (after-tax)					
Life Embedded Value Growth	1,622.4%	2,645.5%	1,976.6%	1,974.5%	1,980.2%
Pre-tax Margin	2.64%	2.41%	3.00%	3.53%	3.83%
Net Profit Margin	2.58%	2.35%	2.87%	3.35%	3.58%
Effective Tax Rate	2.15%	2.49%	4.33%	5.36%	6.69%
Net Dividend Payout Ratio	14.5%	14.3%	9.6%	7.1%	5.7%
Return On Average Assets	0.60%	0.55%	0.62%	0.69%	0.72%
Net Gearing					
Financial Leverage Equity / Assets	23.10	24.71	26.20	26.43	26.20

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.