

July 28, 2025

## Steady growth with focus in margin to aid valuation...

**About the stock:** SBI Life (SBIL) is among the most dominant players in Indian life insurance industry with strong distribution network, parentage, operating metrics.

- Balanced product mix with focus on opex ratio ahead of industry
- Strong parentage led distribution remains key catalyst

**Q1FY26 performance:** SBI Life delivered muted business growth while margins witnessed improvement. Value of New Business (VoNB) rose 12% YoY to ₹1,090 crore, with margin expanding by 62 bps QoQ to 27.4%, supported by a favourable product mix and higher rider attachment. New business premium (APE basis) increased 9% YoY, driven by traction in protection segment (53% YoY) while individual savings grew 6% YoY. Persistency trends broadly witnessed improvement with 13th and 61st month ratios improving by 58 bps and 501 bps YoY. Operating cost ratios inched up marginally, with total cost ratio rising to 10.8%. Profit after tax increased 14% YoY to ₹594 crore.

## Investment Rationale

- Balanced growth driven by product diversification and channel strength:** Growth is expected to be driven by strong traction in non-PAR savings (19% of APE), rising protection demand (12% of APE, +53% YoY), and continued momentum in participating products (+28% YoY). The product mix is gradually shifting towards a more balanced portfolio, with ULIP share moderating to 55% of individual NBP. Banca continues to contribute steadily, accounting for 58% of total APE, while agency reported APE of ₹1,088 crore on account of high base. Management has retained its guidance of mid-teen APE growth for FY26, supported by improving product traction and broad-based channel performance.
- Stable margin guidance:** VNB margins are guided to remain stable in the 26–28% range, supported by a favourable product mix shift towards non-PAR and protection, along with improving rider attachment (40% in Q1). Management remains confident of sustaining margins despite a slight uptick in opex, citing productivity gains, scale benefits, and disciplined pricing. Recent investments in branch expansion and digital infrastructure are expected to support growth without materially impacting cost ratios going forward. Over the medium term, focus on product diversification and deeper channel penetration is expected to support margins and growth.

## Rating and Target Price

- Focus on traditional products & deeper distribution reach through agency & banca are seen to drive business growth. Sustained margin resilience, amid improving product mix & operational discipline across channels, remains a tailwind.
- We continue to value the stock at ~2.1x FY27E EV, assigning target price at ₹ 2000 (earlier ₹1950). However, recent run-up in price warrants a change in rating from Buy to Hold.

## Key Financial Summary

(₹ Crore)	FY23	FY24	FY25	3 year CAGR (FY22-FY25)	FY26E	FY27E	2 year CAGR (FY25-27E)
New business premium	29,589	38,238	41,714	18%	43,696	48,779	8%
APE	16,636	19,552	21,886	16%	24,382	27,425	12%
Total premium	66,581	80,587	88,934	15%	96,708	109,668	11%
PAT	1,721	1,894	2,413	17%	2,784	3,188	15%
EV	46,044	58,259	69,758	21%	82,778	97,540	18%
P/E (x)	106.6	96.9	76.1		65.9	57.6	
P/BV (x)	14.1	12.3	10.8		10.0	8.8	
P/IEV (x)	4.0	3.1	2.6		2.2	1.9	
RoEV (%)	22.8	21.8	17.9		17.3	16.8	

Source: Company, ICICI Direct Research



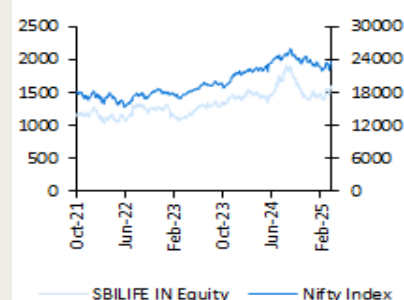
## Particulars

Particulars	Amount
Market Capitalisation	1,69,872 crore
EV	70,250 crore
AUM	4,48,040 crore
52 week H/L	1,936/1,307
Face value	10.0

## Shareholding pattern

(in %)	Dec-24	Mar-25	Jun-25
Promoter	55.4	55.4	55.4
FII	22.5	21.8	22.3
DII	17.9	18.7	18.2
Others	4.2	4.1	4.1

## Price Chart



## Key risks

- Slower growth could impact momentum
- Higher than anticipated improvement in margin amid increase in protection mix

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## Concall highlights and outlook

### Growth outlook and product mix

- Management maintained its full-year APE growth guidance in the mid-teens, expected to be above industry.
- June and July showed strong traction, especially in Banca and non-PAR segments.
- Channel Strategy:
  - Q1 agency APE growth at 6% YoY (vs. 43% in Q1FY25) on a high base.
  - Agency: Management remains bullish, targeting recovery in APE growth from Q2 onwards, supported by new branches, productivity initiatives, and agent additions (31,000 gross additions in Q1).
  - Banca: Efforts are underway to further improve mix toward higher-margin products (non-PAR, protection). Guidance remains intact as productivity and new digital initiatives is to support volumes.

### Margin

- VoNB Margins guidance retained at 26–28%, with a positive bias, driven by:
  - Better product mix (non-PAR, protection).
  - Introduction of riders (40% attachment ratio currently).
- Digital sales (higher-margin online protection business grew 58% YoY).
- Margin expansion of 62 bps YoY in Q1FY26 was driven by rider attachment, pricing discipline, and lower ULIP share in mix.
- Cost Ratios:
  - OpEx ratio increased to 6.3% due to higher manpower (3,000 hires), IT investments, and branch expansion.
  - Management does not foresee material rise in cost ratios going forward; expects rationalization as scale benefits kick in.

### Business performance and other updates

- New business premium (APE basis) increased 9% YoY, owing to slower group saving business (-6% YoY), flat in individual savings (6% YoY), while traction was seen in protection segment (53% YoY).
- Banca (SBI + RRBs) contributed 58% of APE; SBI productivity at ₹3.8 lakh per branch, up 7%.
- Added 31,000 gross agents in Q1; opened 36 new branches, focused on deeper Tier 3/4 penetration.
- Persistency trends were mixed- while 13th and 61st month ratios improved 58 bps and 501 bps YoY, respectively, 49th month persistency moderated to 68.4% (vs 72.7% YoY)
- Operating expense ratio increased slightly to 6.3% (vs 6.1% YoY); total cost ratio at 10.8%.



## Exhibit 1: Variance Analysis

	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Comments
First Year Premium	3,539	3,146	12.5	4,859	-27.2	Non par and protection gained momentum, ULIP remained flat
Renewal Premium	10,546	8,539	23.5	14,680	-28.2	
Single Premium	3,728	3,887	-4.1	4,463	-16.5	
Net Premium income	17,179	15,105	13.7	23,861	-28.0	Marginally slower due to muted traction in group business and moderation in ULIP
Income from Investments	21,525	19,284	11.6	-1,041	-2,168.1	
Total revenue	38,696	34,392	12.5	24,169	60.1	
Commission	666	569	17.1	998	-33.3	Commission ratio remained flat at 4.4%
Operating expenses	1,129	1,071	5.4	1,017	11.0	Increased annually due to distribution expansion
Management Expenses	1,795	1,640	9.4	2,015	-10.9	
Benefits paid	10,118	9,829	2.9	12,528	-19.2	
Change in Actuarial Liability	25,900	22,033	17.6	7,706	236.1	
Total Expenses	38,108	33,775	12.8	22,607	68.6	
Surplus/ (deficit)	588	617	-4.8	1,563	-62.4	
Transfer to SH's A/c	322	275	16.9	1,948	-83.5	
Transfer to SH's A/c	322	275	16.9	1,948	-83.5	
Investment income	293	265	10.6	251	16.6	
Profit/ (loss) before tax	611	535	14.1	841	-27.3	
PAT	594	520	14.4	814	-26.9	Lower outflow of benefit and investment income aided earnings momentum
<b>Key Metrics</b>						
NBP	7,268	7,033	3.3	9,321	-22.0	Subdued group business and a conscious shift away from low-margin segment
AUM	475,810	414,770	14.7	448,040	6.2	Continued healthy growth on YoY basis

Source: Company, ICICI Direct Research



## Financial Summary

**Exhibit 2: Profit and loss statement**

₹ crore

(₹ Crore)	FY24	FY25	FY26E	FY27E
Premiums earned - Net	80,587.1	84,059.8	96,708.2	109,667.9
Income from Investments	50,366.6	31,714.1	42,683.4	49,011.7
Other income	50.1	-1.2	60.6	66.7
Contribution from the Shareholders' account	1,627.6	1,345.9	1,794.4	1,884.1
Total	132,631.4	117,118.7	141,246.6	160,630.4
Commission	3,255.3	3,738.8	4,493.7	5,098.2
Operating expenses	3,981.9	4,490.8	4,886.0	5,540.8
Benefits paid (Net)	42,724.4	48,901.8	60,957.6	69,521.1
Change in valuation of policy liabilities	78,431.3	55,700.1	65,850.5	74,616.5
Others	383.1	383.1	380.0	380.0
Provision for tax	1,064.0	1,291.5	1,305.6	1,480.5
Surplus/(deficit) after tax	2,791.5	2,994.5	3,373.3	3,993.3
Transfer to Shareholders' account	2,597.6	2,739.7	3,173.3	3,693.3
(₹ Crore)	FY24	FY25	FY26E	FY27E
Amounts transferred from Policyholders' account	2,597.6	2,739.7	3,173.3	3,693.3
Income from investments	1,034.1	1,114.5	1,506.6	1,497.6
Total	3,631.7	3,854.2	4,679.8	5,190.9
Expenses other than insurance	62.0	15.0	10.8	10.9
Contribution to Policyholders' account	1,627.6	1,345.9	1,794.4	1,884.1
Others	15.9	15.9	15.9	15.9
Profit before Tax	1,942.1	2,494.7	2,874.6	3,295.9
Provision for tax	48.3	81.4	90.1	108.4
PAT	1,893.8	2,413.3	2,784.5	3,187.6

Source: Company, ICICI Direct Research

**Exhibit 4: Balance sheet**

₹ crore

(₹ Crore)	FY24	FY25	FY26E	FY27E
Sources of Funds				
Share capital	1,001.5	1,002.1	1,002.0	1,002.0
Reserve and surplus	13,590.0	15,790.7	17,097.0	19,439.3
Credit/[debit] fair value change account	317.1	192.4	317.4	317.4
Networth	14,908.6	16,985.2	18,416.4	20,758.6
Policyholders' funds	376,537.9	432,346.5	520,757.6	595,374.1
Funds for Future Appropriations	1,336.6	1,836.6	2,336.6	2,836.6
Total Liabilities	392,783.0	450,923.2	541,510.6	618,969.3
Applications of Funds				
Shareholders' investments	13,036.4	14,604.5	17,495.3	19,720.4
Policyholders' investments	156,543.6	185,226.8	239,058.4	278,513.9
Asset held to cover linked liabilities	216,010.3	247,635.7	268,434.6	303,142.8
Loans	388.8	481.7	496.4	561.0
Fixed assets - net block	557.0	590.3	698.6	782.5
Deferred tax asset	0.0	0.0	0.0	0.0
Net current assets	6,247.0	2,384.3	15,326.9	16,248.4
Debit Balance in Profit & Loss Account (Shareholders' account)	0.0	0.3	0.3	0.3
Total Assets	392,783.0	450,923.2	541,510.6	618,969.3

Source: Company, ICICI Direct Research

**Exhibit 3: Key ratios**

(Year-end March)	FY24	FY25	FY26E	FY27E
<b>Valuation</b>				
No. of Equity Shares (Crore)	100.1	100.2	100.2	100.2
Diluted EPS (₹)	18.9	24.1	27.8	31.8
DPS (₹)	27.0	38.1	44.6	53.7
BV (₹)	148.9	169.5	183.8	207.2
EV per share	581.7	696.1	826.2	973.5
P/E	96.9	76.1	65.9	57.6
P/BV	12.3	10.8	10.0	8.8
P/IEV	3.1	2.6	2.2	1.9
<b>Efficiency Ratios (%)</b>				
Commission expenses as a % of Gross Premium	4.0	3.8	4.6	4.6
Management expenses incl commission as a % of Gross Premium	8.9	8.8	9.6	9.6
<b>Return Ratios and capital (%)</b>				
Return on Net worth	13.6	13.5	14.2	15.3
Operating RoEV	21.4	21.8	22.2	22.6
Solvency Ratio	196.0	200.0	200.0	200.0
<b>Key Ratios (%)</b>				
Conservation Ratio	81.6	79.4	79.6	81.3
VNB Margin	29.6	27.8	28.0	28.1
Surrender Ratio	6.5	5.4	5.3	5.3
Benefits paid as a % of Opening Liability	14.4	13.5	13.3	13.3

Source: Company, ICICI Direct Research

**Exhibit 5: Growth ratios**

(Year-end March)	FY24	FY25	FY26E	FY27E
NBP	38,238.3	41,713.9	43,695.9	48,779.1
Growth (%)	29.2	9.1	4.8	11.6
Linked	13,861.5	15,940.7	17,933.0	20,145.9
Growth (%)	24.0	15.0	12.5	12.3
Non Linked	24,376.9	25,773.2	25,762.9	28,633.2
Growth (%)	32.4	5.7	0.0	11.1
APE	19,552.0	21,886.0	24,382.5	27,424.6
Growth (%)	16.3	11.9	11.4	12.5
VNB	5,548.0	6,084.3	6,827.1	7,706.3
Growth (%)	9.5	9.7	12.2	12.9
EV	58,258.8	69,757.9	82,778.0	97,540.4
Growth (%)	26.5	19.7	18.7	17.8
AUM	385,590.3	456,670.9	524,988.2	601,377.1
Growth (%)	25.5	18.4	15.0	14.6
PH Funds	372,553.9	432,862.4	507,493.0	581,656.7
Growth (%)	27.1	16.2	17.2	14.6
SH Funds	13,036.4	14,604.5	17,495.3	19,720.4
Growth (%)	16.3	12.0	19.8	12.7

Source: Company, ICICI Direct Research



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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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