



**“SBI Life Insurance Company Limited
Q4 FY '24 Earnings Conference Call”
April 24, 2025**

MANAGEMENT: **MR. AMIT JHINGRAN - MANAGING DIRECTOR & CEO**
 MR. SANGRAMJIT SARANGI - PRESIDENT & CFO
 MR. ABHIJIT GULANIKAR - PRESIDENT, BUSINESS STRATEGY
 MR. SUBHENDU BAL - CHIEF ACTUARY & CHIEF RISK OFFICER
 MR. PRITESH CHAUBEY - APPOINTED ACTUARY
 MS. SMITA VERMA – SVP, FINANCE & INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 and FY '25 Earnings Conference Call of SBI Life Insurance Company Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing the star then zero on your touchtone phone.

I now hand the conference over to Mr. Amit Jhingran, MD and CEO, SBI Life Insurance Company Limited. Thank you, and over to you, sir.

Amit Jhingran: Good afternoon, everyone. It is a pleasure to welcome you all for the results update call of SBI Life Insurance for the year ended March 31, 2025. We appreciate and thank you wholeheartedly for the valuable time and efforts for joining our earnings call. Update on our financial results can be accessed on our website as well as on the websites of both the stock exchanges.

Along with me, Mr. Sangramjit Sarangi, President and CFO; Mr. Abhijit Gulanikar, President, Business Strategy; Mr. Subhendu Bal, Chief Actuary and Chief Risk Officer; Mr. Prithesh Chaubey appointed actuary and Ms. Smita Verma, Senior Vice President, Finance and Investor Relations are present.

It is a momentous occasion as we announce our financial results today while stepping into the 25th year of business operation of SBI Life Insurance Company. Looking back, we have witnessed significant transformation, not just within our organization, but across the insurance industry itself. From introducing life insurance to a relatively untapped market to becoming a household name with a comprehensive suite of products, SBI Life has consistently evolved into a trusted brand.

Our ability to adapt, innovate and respond to the changing needs of our customers has been key to this journey. The milestone stands as a testament to the enduring trust of our customers and the dedication of our people who deliver on our promise of protection and peace of mind every day.

Our strong partnerships, the expertise and commitment of our employees have been instrumental in our growth. Through strategic investment in technology and an unwavering focus on customer satisfaction, we have delivered robust performance and strengthened our position in the market. Over the past year, we have strengthened our foundation, enhancing customer experience, driving innovation and reinforcing our position in a dynamic and competitive industry.

The results we share today reflect not just financial growth, but the real impact we have made in the lives of our customers. I am pleased to report progress across key areas particularly in agency and bancassurance productivity, thanks to focused efforts and strong teamwork.

We have also continued to evolve our offerings by staying close to customer insights and market trends. In 4 months, we added 4 new non-ulip products to our portfolio. Smart Platina Supreme, Smart Bachat Plus, Smart Platina Young Achiever and Smart Future Star. These products sold more than 1.5 lakhs policies and collected more than INR1,100 crores of new business premium from just these 4 products.

Moving forward, we remain committed to continuously assessing and refining our offerings, ensuring that we are well equipped to meet the dynamic demands of our customers. We recognize that staying attuned to customer preferences and market trends is essential for our continued success.

Now let me give you some key highlights of the year ended 31st March 2025. New business premium stands at INR355.8 billion and maintained private market leadership with share of 20.8%. Individual new business premium stands at INR263.6 billion with a growth of 11% and private market share of 25.3%. For Q4 FY '25, the company's individual new business premium grew by 7% over the same period last year as compared to industry growth of 5%.

Gross written premium stands at INR849.9 billion, a growth of 4%. Profit after tax stands at INR24.13 billion with a strong growth of 27%. Value of new business stands at INR59.5 billion. VoNB margin stands at 27.8% for period ended March 31, 2025.

Embedded value for the company as on March 31, 2025, stands at INR702.5 billion, registering a growth of 21% over March 31, 2024. Our asset under management stands at INR4.48 trillion, with a growth of 15% over last year. Our solvency ratio of 1.96 as against the regulatory requirement of 1.50. Now we will update you on some of the key parameters in detail.

Let me start with premium. Individual new business has grown to INR263.6 billion with a growth of 11% over last year. The company's private market share stands at 25.3%, and industry market share stands at 15.8%. On individual rated new business, we stand at INR193.5 billion, with a growth of 12% over last year, and we maintained our leadership position with private market share of 22.8% and total market share of 16.1%.

The company's 3-year CAGR of individual rated new business premium stands at 15% outpacing the industry CAGR of 11%. We have witnessed some headwinds in group business, particularly with our group savings product.

Group new business premium stands at INR92.2 billion with contribution of 26% in new business premiums. Having said that, we have collected total new business premium of INR355.8 billion. The company's private market share stands at 20.8%, and total market share stands at 9.0%.

The company's 3-year CAGR of new business premium stands at 12%, outpacing the industry CAGR of 8%. Renewal premium during the year grew by 14% to INR494.1 billion, which accounts for 58% of the gross written premium. To sum up, the gross written premium stands at INR849.8 billion with a growth of 4% over corresponding previous year.

In terms of APE, premium stands at INR214.2 billion registering a growth of 9%. Out of this, individual APE stands at INR195.9 billion with a growth of 13%. During the year ended March 31, 2025, total 22.03 lakh new policies were issued. Number of lives covered during the year ended March 31, 2025, is 25.5 million. The growth in sum assured tops as a positive indicator of consumer confidence and the increasing awareness of importance of financial protection. Individual new business sum assured registered a growth of 43% over corresponding previous period and for the quarter growth was at 67%.

Let me give you some details about the product mix. For FY '24-'25, guaranteed non-par savings products grew by 18% on new business premium basis, while in quarter 4, guaranteed non-par savings product registered growth of 56%. On individual APE basis, the segment now contributes 20%.

Individual ULIP new business is at INR162 billion with a growth of 18% over last year, and it constitutes 62% of individual new business. However, in last quarter, ULIP witnessed degrowth. The movement of ULIPs can be attributed to the movements in equity market and this strength is evident across the industry. This apart from our focus on the traditional products.

Individual protection new business is at INR7.9 billion. Individual protection business for Q4 FY '25 has grown by 40% on NBP basis as compared to quarter 3 FY '25. Group protection new business stands at INR33 billion. Credit new life business has grown by 11% and stands at INR25.2 billion. Protection business contributes 10% of APE and stands at INR20.5 billion. Retirement plans assist customers in building a substantial corpus of funds to maintain the desired lifestyle and manage expenses in their golden years. Total annuity and pension new business underwritten by the company is INR71.6 billion.

Moving to update on distribution partners. With the strength of more than 59,000 CIFs, SBI and RRB's bancassurance business contributes a share of 61% on total APE basis. And on individual APE basis, it stands at INR127.5 billion, with growth of 9%. SBI branch productivity on individual APE terms stands at INR5.4 million for the year and registered a growth of 9%.

With enhanced focus on agency channel and strategic launch of Agency 2.0 in last financial year, we have witnessed impressive strides in agent activation, agency channel productivity and onboarding of new agents and better collaboration between agents. Our agent productivity for the year stands at INR2.9 lakhs on individual NBP terms, registering a growth of 20% over previous year.

Agency registered individual new business growth of 28% over corresponding previous year and contributes 27%. Agency channel individual APE showed a growth of 23% over last year and stands at INR59.5 billion. As on March 31, 2025, the total number of agents stands at 240,304. During the year ended, the company added more than 97,500 agents on a gross basis.

As part of our strategic initiative to strengthen our presence across the country, we have opened 70 new branches this financial year. This expansion is aligned with our vision to create infrastructure that supports the long-term development of our agency channel. Our expansion strategy targets are carefully designed to cater not only to Tier 1 and Tier 2 cities, but also to underserved Tier 3 and Tier 4 regions.

All these steps have resulted in increase in the share of agency channel in individual rated premium from 28% in previous year to 30% in current year. During the year ended March 31, 2025, other channels that is direct corporate agents, brokers, online and web aggregators grew by 22% in terms of individual new business premium. Linked business through other channels registered growth of 39% on APE basis.

We are investing in building our online business channel. Individual rated premium through this channel has grown by 66% for the current year as compared to previous year and protection business through this channel on IRP terms grew by 31% as compared to previous year.

Coming to updates on profitability. The company's profit after tax for the year ended March 31, 2025, stands at INR24.1 billion, with a robust growth of 27% as compared to previous year. Our solvency remains strong at 1.96 as against regulatory requirement of 1.50. Value of new business stands at INR59.5 billion with growth of 7%, and VoNB margin stands at 27.8% for the year ended March 31, 2025 as compared to 28.1% in FY 2024.

The shift in VoNB is mainly on account of increase in share of ULIP business as compared to previous period. We have doubled our VoNB in the last 4 years. However, during the fourth quarter, VoNB grew by 10% as compared to the same period previous year, faster than Q4 APE growth and VoNB margin stands at 30.5% for the quarter, a gain of 220 bps as compared to the same period previous year. The shift is driven by change in product mix.

Embedded value for the company as on March 31, 2025, stands at INR702.5 billion registering a growth of 21% over March 31, 2024. Embedded value operating profit stands at INR117.8 billion with a growth of 20% over previous year and operating return on embedded value stands at 20.2%.

Coming to operational efficiency. opex ratio stands at 5.3% and total cost ratio stands at 9.7% for the year ended March 31, 2025, as compared to 4.9% and 8.9%, respectively, for the year ended March 31, 2024. With respect to persistency of individual regular premium, 13th month persistency stands at 87.41%, an improvement of 63 basis points and 61st month persistency stands at 62.69%, an improvement of 528 basis points.

As mentioned in my opening remarks, asset under management stands at INR4.48 trillion as at March 31, 2025, having growth of 15%. Death claim settlement ratio stands at 99.4%. The company has registered an improvement of 23 basis points over last year. Our mis-selling ratio stands at 0.02%, which is one of the lowest in the industry And this is achieved through our consistent approach adopted by the company to ensure right selling to the customers.

Digitalization is transforming the life insurance industry, enabling us to deliver enhanced services and a more seamless experience for our customers. As we embrace this digital transformation, we remain committed to innovation and excellence, ensuring that we stay ahead in an increasingly competitive landscape.

The company continues efficient usage of technology for simplification of processes with 99% of our individual proposals being submitted digitally, 54% of the individual proposals are processed through automated underwriting. To conclude, by fostering a culture of resilience and continuous improvement supported by a clear focus of developing agency channel, along with the partners banca networks, we are confidently positioned for the future. Our commitment to exceptional customer service strengthens client relationships and reinforces our status as a trusted leader in the market.

In order to maintain our leadership position, our strategy moving forward will center on three main areas: innovation, customer centricity and sustainability. And we will achieve this by enhancing digital capabilities, expanding reach with strengthening distribution networks and product development. With a focus on long-term sustainable and profitable growth, we aim to create lasting value for our customers, shareholders and communities paving the way for a prosperous future together.

Thank you all. And now we are ready to take any questions from you.

Moderator: Thank you very much. The first question is from the line of Avinash Singh from Emkay Global Financial Services. Please go ahead.

Avinash Singh: Very impressive show on margin. And I mean this again demonstrates your ability to tweak the product mix and your cost effectiveness that, of course, helps deliver this margin. My question will more be focusing on growth. The first one is that now, of course, this year, your conscious choice to leave a space or vacate space due to hyper competition in group business has also kind of led to headline numbers being a bit muted.

Now with this base and also whatever is happening now the base turning favorable. But on the retail side, of course, thrust on non-banca and also banca base turning reasonable, but the noise remains around banca. So in all , if you were to connect the dots, how do sort of you see growth next year because that's one of the key metrics?

And second, I mean if I see, of course, I mean, your focus on non-banca is delivering numbers, agency has improved. But two things I noticed about agency. If I look at just Q4 in isolation, the growth in agency just like a very, very muted 4%. So the agency channel that was growing at 28% in 9 months, the full year number has come to 21%. So Q4, what happened to this agency growth?

And in relation to that, agency has seen a large number of deletions, is there some sort of a strategic choice that you are kind of removing the inactive agents or so. There has been a large amount of deletion, so there has not been a net addition this year in agency. So these are my 2 questions. Growth outlook, and second on agency.

Management: So talking of the growth first of the Q4, you would have noticed that the overall industry growth in Q4 has been sluggish. And our company, although agency channel was somewhat affected, but there were other reasons also for the agency slower growth. Our focus on agency channel during the quarter was making more agents active by way of our traditional and protection product.

So while the overall agency growth was only around 4%, but there was substantial growth in contribution of non-ULIP products from the agency channel. So that number is reflecting in our overall product mix also.

Talking of overall growth, we delivered on individual IRP basis, 12% growth and going forward, we expect that we will continue to grow at around 13% to 14%, which will be slightly above the industry growth that is being expected today at around 12%. So this growth we are expecting

from our continued focus on agency channel, where we are again opening more branches, having addition of more agents and increasing agent productivity as well as their activation. So that growth from agency channel, we are again expecting at around 25% on this strong base.

On the banca side, we have grown by around 8% during the year. And we expect that going forward, we will be growing at around 10% or in low double digits in the banca channel. Overall, the growth expectation of 13% to 14%, we are standing by. As far as the number of agents you talked about, so you rightly picked that despite a gross addition of around 97,000 agents, our net addition was slightly negative, marginally negative.

That was rightly on account of de-weeding of inactive agents. So we stuck to our minimum business guarantee from agents and all those agents who are not contributing substantially to the company, to the business were removed.

- Moderator:** The next question is from the line of Nischint Chawathe from Kotak Institutional Equities.
- Nischint Chawathe:** Just trying to understand that in the group protect business, what has driven such high growth this quarter?
- Management:** Grown very strongly in quarter 4 for us in group protect business. And there has been some other GTI deals, employer-employee kind also, which have come. So the big degrowth has happened in fund business, but the protection business has done well in quarter 4.
- Nischint Chawathe:** Yes. Credit protect is up, I think you mentioned around 10%, right?
- Management:** That is for the year. For the quarter, it is higher.
- Nischint Chawathe:** Credit Life, okay.
- Management:** MD sir told for the year figure. Quarter figure, if I remember number right, is 20%.
- Amit Jhingran:** In the Credit Life?
- Management:** Yes.
- Nischint Chawathe:** Got it. In the VNB walk, what is the change in operating assumption? I believe if I look at the 9-month walk, the number was or the ratio was higher and it's now gone down in this quarter.
- Management:** So if you look at the 9 months, that comparison was the last year March. And when it come to this year, it is last March to this March. And the assumption we take mainly on account of the mortality and persistency because you've seen this as a company, we use the sustainable assumption for future. And continuously, we are making operating surpluses on both account on mortality as well as persistency. So some part of that we capitalized as that reflected in this assumption change.
- Nischint Chawathe:** And when we look at the rolling 12 months in the 9-month presentation, versus now ,I mean, it kind of means that maybe some of the assumptions may have been toned down?

- Management:** No, actually, if I understand correctly, last year, we made assumption change and the VNB walk is around 1% impact. That is from last March '23 to '24. And when we are reporting the 9-month number, that keep reflecting. And if I compare the March '24 assumption to March '25 assumption, its impact is only 20 basis points that's reflected in this one. And that is mainly on account of some refinement and some capitalization on account of mortality and persistency.
- Nischint Chawathe:** Sure. And similar question in EV walk, we have an operating variance of around INR750 odd crores. And the assumption change of INR220 crores. So if you could just maybe give a breakup of that?
- Management:** So if you look into this INR727 crores operating variance, INR277 crores is coming on account of persistency, INR423 crores on account of mortality, INR17 crores is coming from approximately on expenses. So you see this mortality has significant INR423 crores, persistency also, because we've seen significant improvement in long-term persistency.
- And we're looking to long-term persistency 61st month and onwards that we have turned out to be positive that we capitalized in some of the assumption that also reflect in the EV because the EV walk is bigger, the impact we might be seeing in the EV walk is higher than what we're looking into the VNB walk.
- Nischint Chawathe:** Sure. And just one final question. There was a very smart product mix change this quarter, which supported margins. How do you see the product mix in this financial year?
- Management:** Going forward, what we are looking for is a 65%-35% kind of product mix. I mean 65% of ULIP and 35% of our traditional policies that include participating, nonparticipating and protection products. So there, we're expecting a 5% tilt towards traditional products from ULIP during the year.
- Nischint Chawathe:** So this year, ULIP was 65%, right, 64%. So what you're trying to essentially say is it more or less remain at a similar level.
- Management:** This year, it was 70%. So this is FY '25, Nischint, it is 70%-30%.
- Management:** Correct.
- Management:** So we are expecting that it will go towards 65%-35% in FY '26.
- Nischint Chawathe:** Got it. As a percentage of sales. Got it.
- Management:** Quarter 4 will be less than that.
- Management:** Right. You are talking on the APE basis, I was talking on the IRP basis basically. So that is the difference.
- Nischint Chawathe:** Got it. So basically around 500 basis point swing is what we're talking about.
- Management:** Yes.

- Moderator:** The next question is from the line of Shreya Shivani from CLSA.
- Shreya Shivani:** My first question is on the P&L. If I look at the net commissions and rewards as a percentage of total premiums, that is slightly up between FY '24 and '25. So what can it be attributed to? I mean, are you paying more to the agents? Or has some terms and conditions been changed with banca channels? And my second question is on any idea you can give us on the possible regulation, if anything can come up on banca channel? Are there any advanced talks with the regulator or with any government entity? Any idea over there would be useful.
- Management:** So the thing is that this talk on banca channel, I have been listening from either the journalists or the analysts, but not from any of the IRDA authority or from the government authorities. So you are aware that the IRDA's process is very consultative. And till date, they have not floated any paper or any draft guidelines regarding any restrictions on banca channel or anything.
- So this has been going on for more than 9 months, almost a year now. But as of now, there are no formal discussions or formal guidelines or even formal draft guidelines for these restrictions or anything. So that is our stand. We have, of course, always weaned with the regulator on any front, and we will keep discussing. And if anything comes, we will adjust the company's stance with that.
- And with reference to the net commission, which you have seen there is a little increase on that part is due to the product mix change during the last 2 quarters, quarter 3 and quarter 4. So it is basically the traditional movement has started for us in the last 2 quarters. That is the reason the net commission has gone up. And overall, opex and the total cost ratio, if you see it is under the control in a single digit, and we are quite comfortable on that.
- Moderator:** The next question is from the line of Prayesh Jain from Motilal Oswal.
- Prayesh Jain:** Firstly, with respect to VNB margins during the quarter, are we also seeing some improvement in margins at product level with respect to protection or with respect to ULIP where the attachment could have gone up? Or could you give us the mix in the individual protection, how has been the mix between return of premium and the normal?
- Management:** So there will be slightly improvement because there are 2 reasons mainly movement happened on account of product mix. But within the product, if you look into that, we have launched high sum assured protection product 6 months back. We also launched several riders and rider attachment also coming from.
- So when the rider attached with the product, the in-built margin is going up. We have launched children product where we also make some of the in-built protections. So that protection is also in-built protection also helping the enhancing the margin. So you can say the inherent margin enhancement is also, to some extent, reflected in this quarterly margin.
- Prayesh Jain:** Okay. Sir, while you gave the guidance on growth and also you give the guidance on product mix, is it fair to expect the VNB margin for full year FY '26 to be closer to the fourth quarter average? Or how should we think about VNB margins if your product mix kind of pans out the way you have highlighted for us?

- Management:** So, in our last analyst call, we had given a guidance of around 28% margin. And I'm happy to note that our overall margin was in the same range. So barring spikes or dips from quarter-to-quarter, we expect to maintain the margin of around 27%-28% for the full year.
- Prayesh Jain:** In spite of the fact that the product mix will have such a large share towards non-linked products, which are having higher margins, why should the margins be stable?
- Management:** Partially, it will also be shift towards par and par and ULIPs have similar margins. There could be some uptick. But broadly, I think MD has guided what is the broad margin.
- Amit Jhingran:** Around 28% of margin. Yes.
- Prayesh Jain:** Okay. Just my last question on bancassurance channel, you mentioned that the productivity growth has been around 8%, 9% for the year. The premium growth also has been in a similar range. So there is no incremental branch that's kind of contributing? Or how should we read this? Only the gains are coming in from productivity only and there is a lot of scope, right, to penetrate into SBI Bank. So how should we read this? And how should we think about the outlook going ahead?
- Management:** So all SBI branches are authorized to sell our banca products. So any increase in number of branches by the bank will automatically increase the number of branches authorized to sell insurance for us also. The increase, of course, is coming from the per branch productivity, and that is what we are focusing upon also. You are rightly saying that banca is one channel which has a lot of opportunities, and we will continue to harness these opportunities in the best possible way with our parent bank and other banca partners also.
- Moderator:** The next question is from the line of Dipanjan Ghosh from Citi.
- Dipanjan Ghosh:** So three questions from my side. First, you guided for around 25% growth at the agency counter. Now if you look at for FY '25, your productivity growth at agency was around 15%, mainly coming in from incremental agency. So if I were to look at the future guidance of 25% growth at agency, how would that break up between new agent additions versus productivity improvement? And how much scope is there to improve productivity?
- Second question on this part is on the agent part, are you also focusing on improving the product mix at the agency counter, basically saying that maybe trying to improve the margin at the agent base? The third question is in terms of the contribution of the parent bank. while you have mentioned the APE mix, can you give some color of the contribution of the parent bank to the overall VNB of the company? Those are my three questions.
- Management:** So, on the agency front, the growth will come from increasing agents and increasing productivity both. And 65%-35% kind of product mix broadly is also target for agency. Agency might be slightly lower ULIP than the company average.
- Management:** On the banca side, I mean, we don't divulge the VoNB margin channel-wise or that way. But of course, in the banca partner, parent bank, the growth is coming from higher activity and better productivity per branch. We have grown by 8% in parent bank, and that is the dominant banca

partner for the bank, almost more than 90% business is coming from parent bank itself. So the guidance that we are giving for the current year, the same stands for the parent bank also.

Dipanjan Ghosh: Just one data keeping question. If you can give the credit life APE for the year or quarter?

Management: Credit Life APE is around INR250 crores for the financial year FY '25.

Management: INR250 crores, he said.

Dipanjan Ghosh: Okay. This is for the financial year, you're saying?

Amit Jhingran: Yes.

Management: This is full year.

Moderator: The next question is from the line of Supratim Datta from Ambit Capital.

Supratim Datta: My first question is I just wanted a clarification. When you are saying 13%, 14% growth, is that on total APE or individual APE alone? If you could clarify that? And then if I take that into consideration and take this 500 basis point product mix improvement that you're talking about, it seems like back of the envelope math suggests that you're still expecting around 8%, 9% kind of growth in the ULIPs front. In this quarter, you have seen a decline. So what gives you confidence that ULIP growth will come back next year given how our markets are?

And my second question is on the non-par side in FY '23 as well when you had launched Smart Platina, we had seen a significant surge in non-par. And then it kind of fizzled out and the mix again went back to what it was prior to that product launch. So can you just help us understand why you think that this time it's going to be different and this time the product mix shift is going to be more permanent as compared to what happened in FY '23? Those are my two questions.

Management: See, the first one is about the growth that is related to individual APE and that we are expected to grow between around 14%. And the product mix switch, which will happen, why we are confident is that we have already seen this during the last quarter, which is fourth quarter of FY '25.

And that precisely also shown a positive side of the agency because agency, which has been doing for the last 3 quarters, that is first 9 months, and they have shifted significantly towards the product mix, which is non-par protection, non-par Smart Platina, which is guaranteed as well as the par. That is a big boost to us that we are very optimistic that it will help us in the agency side. And with this product mix, the banca, as already said, the banca also is being moving towards that. So overall, we believe that, that will help us to achieve our product mix along with the growth.

Management: This product mix shift is not based on any single product like the last time. It is more broad-based. As I told in my opening remarks, we have launched 4 products, which cater to different market segments, including guaranteed returns and there are children plan also, and we are seeing good numbers across the products.

Supratim Datta: Got it. And I had another question on the agency bit, agency channel, when I compare the kind of commissions that you would be paying in the agency channel versus peers, it seems like not only are you more efficient on the banca channel, but your commission levels on the agency channel are also fairly lower as compared to peers. I understand there is a ULIP mix.

You have a higher ULIP mix in the agency channel as well. But adjusting for that as well, it seems like your agency commission costs are significantly lower than peers. Could you help us understand what is really allowing you to operate at such a low commission? And why isn't there a risk to it?

Management: So, what happens as agency, we have been consistent investors for many, many years and have had a steady focus on agency for last at least 15 years plus and never wavered even in 2012, '13 when the whole agency was going down for the industry. So, to that extent, agents appreciate the steadfastness of SBI Life focus on agency in spite being a banca dominant insurance company.

Second, we are present across all tiers of the market, not only in Tier 1 and in metros but also in smaller towns. So to that extent, our SBI brand plus the way we have managed agency has helped us keep agency cost in control for last many years. It's not a new thing. This is a phenomenon which you would see for last 8, 10 years at least that the agency cost for SBI Life is significantly lower than the agency cost for anybody else in the industry.

Moderator: The next question is from the line of Swarnab Mukherjee from B&K Securities.

Swarnabha Mukherjee: I had two, three questions, specifically first one on the channel side. So I just wanted to understand that in terms of the cost structure and the margins in banca, just if you could highlight, say, between banca and agency, which one is margin accretive. And given that you have highlighted that agency would be growing faster than banca, this built in the mix, would there be any impact on margin when I think about FY '26? This is the first question.

Second is in terms of the group protection side, so Credit Life and Group Term Life, as you have highlighted that both have done well. In Group Term Life also you have gotten some new mandates. Just wanted to understand that your peers have been highlighting that there is some pricing pressure in this part of the business.

So I mean, how are the pricing that you are getting? And whether as a whole in terms of Group Term Life, for example, has the margin profile deteriorated in the last year compared to what it was previously? I understand that it is possibly a lower proportion of our mix than Credit Life, but just wanted to understand this part?

And lastly, the drop in ULIP this quarter that we are seeing, this degrowth, is this a conscious strategy or due to the lack of demand? Because particularly in agency, we see that there has been a sizable drop and you have highlighted that the focus was on the traditional side more. So just wanted to understand that part. And also how easy or difficult is it to reorient the product mix in the agency channel, particularly? These would be my questions.

Management:

So if you talk of the cost structure in reply to the previous question, we said that we continue to have a low-cost structure even in the agency channel and the agency channel costs are lowest in the industry, the kind of commission we pay. Of course, the total cost structure, if you look at, then agency channel is slightly costly because of the physical infrastructure that we have to create and maintain by opening more number of branches.

So that way, there is a slightly higher cost in agency channel compared to the banca channel. The cost of commission for both the channels is almost similar. As far as drop in ULIPs in the last quarter, you are saying, for last 1 year, we have been trying to change this product mix, and we have been working. You have rightly identified that it is slightly difficult to change the orientation of the agents or the partners in selling the product mix. But these are efforts of 1 year, which have started fructifying this.

Of course, this also might have helped by the volatility in the market. Demand might have gone down. But the good thing is that even in the current month, we are seeing the similar trend as of now in the first 22, 23 days of this month. So this is a conscious strategy also. You will see that we launched new products also during this period in the non-ULIP segment. So this has been in works, and we have been making efforts because this is margin accretive for the company and a good value proposition for the agents and partners also.

On the GTI, overall, if you see the group protection, the Credit Life has been good for us and which is very consistent. For the last 2 quarters, quarter 3 and quarter 4, we have been seeing good traction in the Credit Life. So we ended with around 12% growth in our Credit Life. And as far as the GTI is concerned, so it is doing good.

And as a policy, we don't get into the business where we have a negative VoNB. And that has also grown this year around 5%. So our conscious call is that the negative VoNB business, we generally avoid and we go for a good client, good business as far as the GTI is concerned. So overall, this portfolio has given a better result as compared to what others are doing.

Swarnabha Mukherjee:

Understood, sir. Just a couple of follow-ups on this. So one is on the credit life side, sir, if you could highlight what would be your mix between different categories, say, home loans, personal loans, etcetera, which would be the more dominant because normally, we're hearing that MFI part is under a bit of stress. So if you could provide your comments on that?

Management:

See, majorly, our credit life portfolio is from the home loan customers that we cover as far under the credit life portfolio.

Moderator:

The next question is from the line of Madhukar Ladha from Nuvama Wealth Management.

Madhukar Ladha:

Congratulations on a great set of numbers. Just two quick questions. First, on individual protection, we're seeing some weakness over there. So this year, and we've seen a little bit of a decline in that part of the business. So can you help understand what is happening over there? And while persistency has improved across most buckets, but in the 49th month, I think there is still some decline over there. So some understanding on that as well?

Management: See, as far as the protection on the individual side is concerned, we have started seeing good numbers in the last quarter because we have launched some new products in the last 6 months, and we just started now seeing the traction. So, we are very optimistic that this will give us a good number in the FY '26.

As far as this persistency is concerned, the 49th-month persistency is generally call it as a COVID cohort. So there, we have seen some of the geographies where the persistency is getting hit. And this is also we have taken a lot of measures, and we have got some positive result on that. So we have launched revival campaigns, and we have got actually control of this particular situation. And we don't see much dent on this going forward. But overall experience is good for us as far as the persistency across cohorts are concerned.

Madhukar Ladha: Right. And just on this 49th month, you said...

Moderator: Mr. Madhukar, I would request you to please come back in the queue for further questions. The next question is from the line of Sanketh Godha from Avendus Spark.

Sanketh Godha: Sir, you told in the call that your contribution of pure term has improved in the entire protection and that is probably one of the reasons your term protection has slowed down a bit. So just wanted to know what is the mix between ROP and pure term and how much delta contributed to the margin?

And second thing is that you also alluded to the point that you're trying to attach more riders. So, I just wanted to understand in the total savings business, how much business has a rider attachment or has a sum assured which is more than INR10 lakhs?

Management: No, so rider attachment for ULIP policies came only in late quarter 4. So you would see some impact on that. On traditional policies, it came a little earlier. So there is impact of that. And yes, pure protection proportion has improved this year, both on high term INR2 crore plus product that we have launched also on the eShield Insta that is available on ULIP.

Sanketh Godha: Can you quantify the number?

Management: Yes. So just to give you the proportion of the business has tilted from 90%-10% to 80%-20%, so which is a very positive for us.

Sanketh Godha: 80% is ROP and 20% is pure term, right?

Management: Yes.

Moderator: The next question is from the line of Aditi Joshi from JP Morgan.

Aditi Joshi: Just one question from my side. And this is with respect to the solvency ratio. So quarter-on-quarter, we have seen some 8 percentage point decline in the solvency ratio, whereas at the same time, look at the interest rate, those have gone down, so you could have some gains on the bond valuation. And equity markets were also broadly flat quarter-on-quarter basis. So I'm just wondering apart from the macro being either flat or favorable, what actually caused to that decline?

Management: So first thing we value the assets for solvency purpose, asset is not valued at market value, asset is valued at book value. So with the market movement, be equity, there's no impact on the asset side. If you see the fall on this solvency is business as usual. So we make the dividend pay-outs. So that has some dent coming on that basis.

Subsequently, this quarter, we have retained protection and non-par and solvency requirement in the protection and non-par is higher than unit-linked product. That's the reason required solvency margin has gone up. And as a result, you might see some fall in solvency margin. But still, if you see compared with the last year to this year, last March to this March, it is stable at the same level.

Moderator: The next question is from the line of Mohit Mangal from Centrum.

Mohit Mangal: Just one question. Non SBI Banca partners. I just wanted to know how much of this 14,000 branches are actually actively selling our products? What products they sell? What are the growth rates? If you can give some color, that would be helpful.

Management: So non-bank partner, the experience is different from partner to partner. Obviously, the activation growth ratios are much lesser than activation ratios that we see in SBI. But the endeavor is to see that in every branch, we are able to sell at least few products. But as of now, that is not the situation.

Mohit Mangal: Okay. But what products they mostly sell, the growth rates, anything that you can share?

Management: So broadly speaking, 30% of the product portfolio is ULIP, 70% is non-ULIP as far as non-SBI banks are concerned.

Moderator: The next question is from the line of Neeraj Toshniwal from UBS Securities.

Neeraj Toshniwal: Congrats on the good set. Just wanted to understand on the guidance, given we have a higher base in agency and a lower base in banca, we are guiding on a kind of still lower growth from the banca and higher from agency. How confident we'll be making 25% growth on a high base in agency and is the 10% new normal, which will kind of remain or we can see improvement maybe going ahead?

Management: See, as far as agency growth is concerned, we are very, very clear about the trajectory which we are focusing for SBI Life as far as our next 2 to 3 years are concerned. This year, we have delivered with a base of 17% growth in FY '24. Now we have delivered 23%. And the kind of investments as we have been making in the agency channel and which is very consistent and our productivity per agent is also quite encouraging.

And our number of addition of agents are also quite good. We are expanding our reach across Tier 2, Tier 3 cities also through our branch. Last year, we opened 70 branches. This year, we are planning to open around another 87 branches. So all taken into account, we are very confident and optimistic that the agency can grow around this rate.

As far as banca is concerned, I think that, as already said, we are in the range of around 9%, 10%, which we are aspiring for the banca channel to grow. So overall, taken into account, it will be approximately around 14%, 15% growth, which we are looking for FY '26.

Neeraj Toshniwal: Got it. And sir, the VNB margin bit as somebody also asked, as given the mix is kind of improving, why are we guiding for a higher faster growth in VNB compared to what we are guiding currently?

Management: There are 2 aspects to look at it. One is that is growth, then corresponding to that, the product mix. But at the same time, we are also, as I said earlier, we are expanding our reach through opening of branches. We are putting a lot of investment in our infrastructure. That is like our IT cost plus our number of employees.

We have already crossed 26,000 employees. And this year also, we are going to add another 1000-500 employees. So if you see all together, there will be a contrast from the product mix growth vis-a-vis the expense. So in that, the situation, the range which we are guiding is around 28%, which is, I think, quite good as far as the current product mix, which we are proposing for FY '26.

Management: And also, as I said, some of the mix is going through ULIP to par.

Management: Yes.

Management: And not everything is going to non-par.

Moderator: The next question is from the line of Sumit Sharma from HDFC Securities.

Shobhit Sharma: Am I audible?

Management: Yes.

Shobhit Sharma: Sir, my first question is on your product mix. You said you want to continue increasing the non-par saving mix. So we are in the middle of the rate cut cycle and due to the rate cuts, the product offering becomes less lucrative. So how will we ensure that the product mix stay at the top of what we are expecting? And secondly, what would be the impact of margins due to the rate cuts as we may not be able to pass on that rate cut towards the end customers?

Secondly, there have been a significant reversal in the rewards section, if you look at the commission cost. We have seen similar trend in the last year Q4. So is there something else we have to read into that because the product mix in both the quarters have tilted towards the traditional products? These are my two questions.

Management: See, on non-par product perspective, as question, we're looking to first thing that we are looking to increase the mix of the non-par, including protection. So it's not only our non-par saving, is non-par and protection and annuity as well. So all together clubbing a bucket, we think improvement will happen on side. So, this is the part

As far as rate cut is concerned, as we keep mentioning that we keep doing the active pricing both annuity and non-par guarantee product. And interest rate as much possible, we try to pass on to as quickly as possible, pass on to the customer. So from that perspective, rate cut will not have any adverse impact to our margin as per non-par saving is concerned.

Now reflecting into rate cut will have less attractive, slightly passive but at the same time, we have to look into other financial instrument available in the market, be in the fixed deposit other part. And you might notice the equity market is also slightly volatile. So that will also make this non-par product more attractive.

Most important point that I would like to mention here in non-par saving is as a company, we are giving non-par saving, people give a guarantee. So even slightly lower guarantee, but longer-term guarantee continue to be attractive. And hence, we expect that we're able to drive this product mix that we are aiming for.

Shobhit Sharma: And sir, just a small follow-up on this. Sir, what's the IRR rate at which we are operating at currently?

Management: It differs from product to product.

Management: Product to product, different type of products.

Management: Yes. The second one, I think you were referring about the expense provision. So that is generally part and parcel of our overall mix and the partners. So we generally do that. And by end of the year, whatever is not done, we reverse that.

Moderator: The next question is from the line of Madhukar Ladha from Nuvama Wealth Management.

Madhukar Ladha: So, in the notes to accounts, it's also mentioned that there is a change in expense allocation methodology, which has resulted in about a INR48 crores increase in policy liabilities. And I mean, is that sort of set off against the assumption change that you've made? And can you explain what this is regarding?

And second question on what you mentioned about the COVID cohort, I wanted to just know, is that any particular type of policy or any specific product because of which this is what we've been observing. Or is it just because of that time frame?

Management: Regarding persistency, its across cohort and it is also similar for all the channels, including agency as well as other banca partners and banca. So we don't have any differential experience we have seen in this particular cohort. And as far as the expense allocation methodology, which we have changed, this is basically we do once in 3 years to 5 years as far as our expense methodology assumption change based on the feedback experiences and with the guidance.

That is what we have done. In fact, we have done it in the month of second quarter itself and this is just a disclosure. So, there is not much on this, it is just a change between the existing assumption to new assumption. So whatever has the change, we have disclosed that.

Management: Just to supplement on this side, we do this time, motion study things, try to refine these things. And you see the year-on-year, the time is spent and time, motion, there was some refinement happened. So we just incorporate those refinements in our expense allocation policy. And as a result, there is some expenses shift happen from the different LOB.

And when we also look into this each year, we look into our split of expenses, both in acquisition and maintenance perspective and really reflect in our calculation of VoNB. So there is a slight movement happened from unit-linked to non-par. And that resulted to slightly increase in non-par unit expense in the future. And that's a result, you see some increase in liability coming from in non-par segment.

Madhukar Ladha: So sir, just a follow-up. When you had an increase in policyholders' liability, that would mean that this is an adverse variance?

Management: No, no. It's not variance in perspective because we already explained that if you look at the operating profit, we see there is expense profit coming from. So if there is an expense profit coming from, there is a positive variance, that's not adverse.

What we said just realignment to reflect the current time, motion activity and that's reflected in the unit cost and that's why we incorporated in a very scientific way we do and that's reflected in our increase in liability in that perspective. There's no additional provisions that have been made that you might be referring to.

Moderator: Ladies and gentlemen, that was the last question for today's conference call. I now hand the conference over to Mr. Amit for closing comments.

Amit Jhingran: Thank you very much, everybody, for your time and queries. You may get in touch with our Investor Relations team in case you have any follow-up questions at any point of time. Thanks and regards.

Moderator: Thank you. On behalf of SBI Life Insurance Company Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.



Safe harbour: Please note that this transcript has been slightly edited for the purpose of clarity. Except for the historical information contained herein, statements in this release which contain words or phrases such as 'will', 'would', 'indicating', 'expected to' etc., and similar expressions or variations of such expressions may constitute 'forward-looking statements'. These statements by the Company and its management are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions and are not guarantees of future performance. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control, and actual results could differ materially from those presented in the forward-looking statements.