

BUY

TP: Rs 2,217 | ▲ 21%

SBI LIFE

| Insurance

| 25 October 2025

A strong quarter

- Significant VNB margin expansion of 100bps YoY to 27.9%, aided by a favourable product mix despite the GST rate cut
- APE growth robust at 10% YoY in Q2FY26, aided by a strong group APE growth
- SBILIFE is attractively valued with its long-term story intact. Management reiterates APE and VNB margin guidance

Performance above expectations: SBI Life reported stronger than expected performance with APE and VNB beats of 4% and 6% respectively in Q2FY26. This was largely driven by a favourable product mix, strong VNB growth and margin expansion, despite the headwinds of GST rate cut and disallowance of ITC.

APE growth remains robust: APE increased 10% YoY to Rs 59.5bn and Rs 99.2bn in Q2FY26 and H1FY26 respectively. This was aided by group APE growth (up 54% YoY). Individual APE rose 7% YoY in Q2FY26. Management reiterated individual APE growth of 13-14% guidance in FY26E, above industry growth that is expected to be at 12% in FY26E.

Impact of GST reform: The impact of GST rate cut and disallowance of ITC is expected to weigh on VNB margins with an impact of 174bps on an annualised basis for FY26E. However, the company aims to offset this impact through multiple strategies that is improved product mix, enhanced customer profiles, and operational efficiencies. It maintained VNB margins guidance in the range of 26-28%.

Favourable product mix: The company remains focused on driving protection products growth. Protection segment grew 18% YoY in Q2FY26 (up 31% YoY in H1FY26) on an APE basis, which contributed 9.9% to the overall mix in Q2FY26. Management aims to increase the share of protection to over 10% of the total APE, underscoring the strategic shift towards high-margin and longer-tenure products. Further, non-par, too, witnessed growth of 40% YoY in Q2FY26 with the mix being at 19.9% in Q2FY26, on APE basis.

Maintain BUY on SBI Life: SBILIFE reiterated the focus on investing in its agency and other distribution channels, to aid the business growth coming from the parent bank, which is likely to support APE growth. Additionally, the emphasis on protection products is likely to aid margin expansion. Favourable movements in the yield curve and cut in deposit rates will likely support the non-par products, going forward. We maintain BUY with TP of Rs 2,217, from Rs 2,144, assigning a multiple of 2.1x to its Sept'27E P/EV.

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Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	SBILIFE IN/Rs 1,840
Market cap	US\$ 21.0bn
Free float	45%
3M ADV	US\$ 18.5mn
52wk high/low	Rs 1,912/Rs 1,373
Promoter/FPI/DII	55%/22%/18%

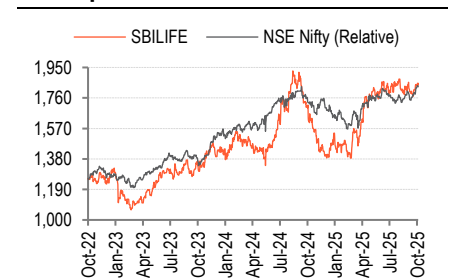
Source: NSE | Price as of 24 Oct 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
NBP (Rs mn)	3,55,768	4,66,566	5,55,213
APE (Rs mn)	2,14,200	2,42,622	2,76,561
VNB (Rs mn)	59,548	64,295	74,671
Embedded Value (Rs mn)	7,02,500	8,26,693	9,72,153
VNB margin (%)	27.8	26.5	27.0
EVPS (Rs)	701.2	825.2	970.4
EPS (Rs)	24.1	26.6	34.3
Consensus EPS (Rs)	24.1	27.1	31.6
P/EV (x)	2.6	2.2	1.9

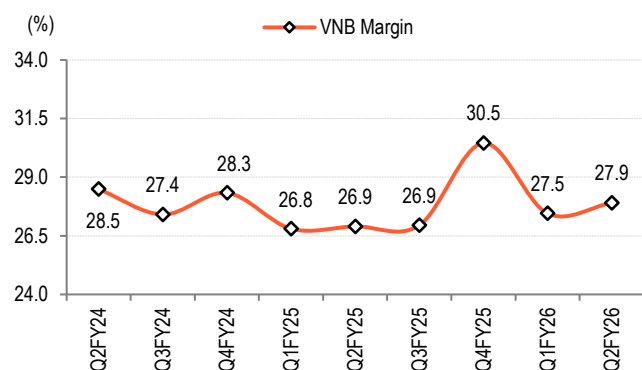
Source: Company, Bloomberg, BOBCAPS Research

Stock performance

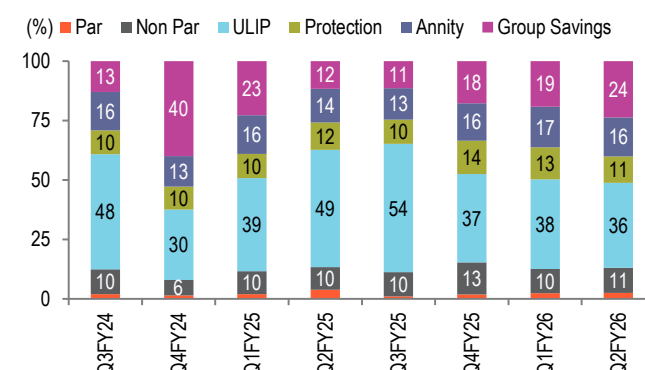


Source: NSE

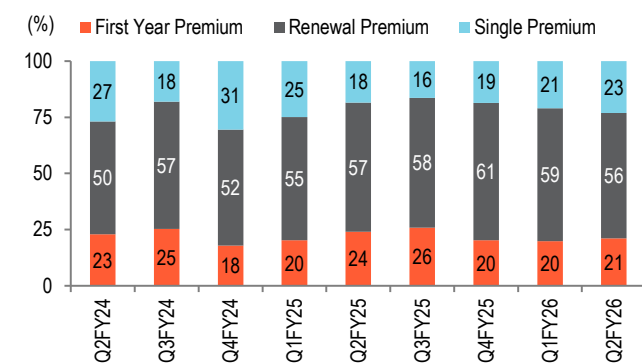


Fig 1 – Improvement in margins was led by the shift towards favourable product mix


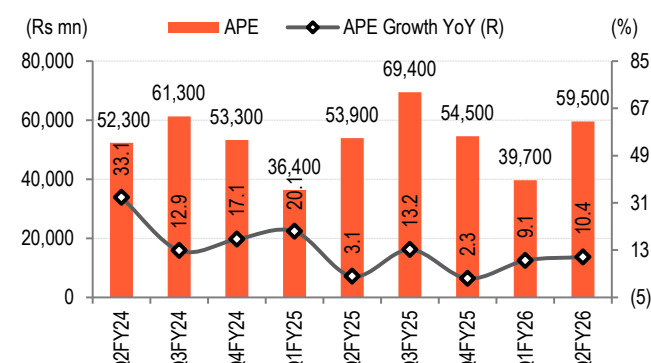
Source: Company, BOBCAPS Research

Fig 2 – ULIP share moderated at 36% in Q2FY26


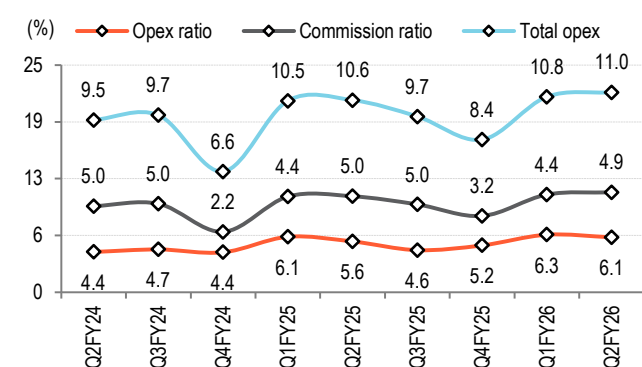
Source: Company, BOBCAPS Research

Fig 3 – Single and renewal premium supported growth to gross premium


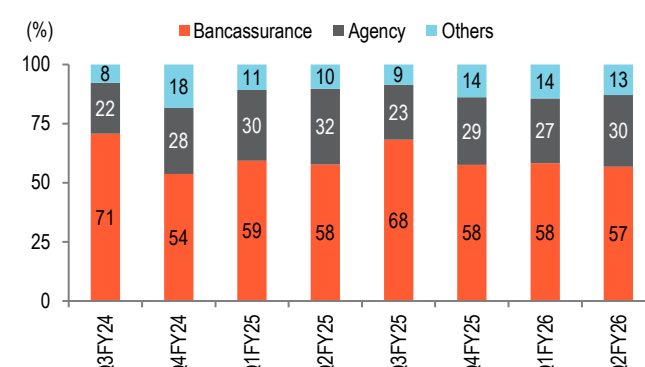
Source: Company, BOBCAPS Research

Fig 4 – APE growth grew 10.4% in Q2FY26 at Rs 59,500 mn


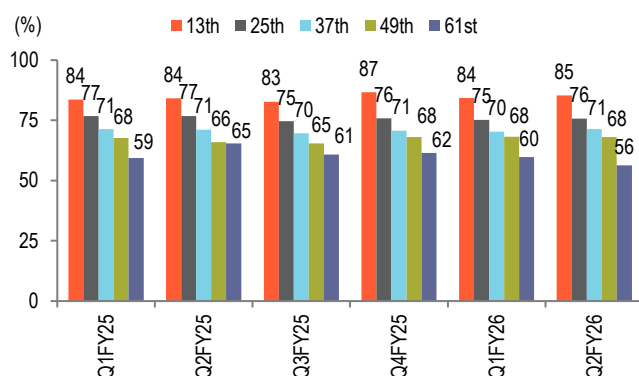
Source: Company, BOBCAPS Research

Fig 5 – Opex ratio stands at 11%


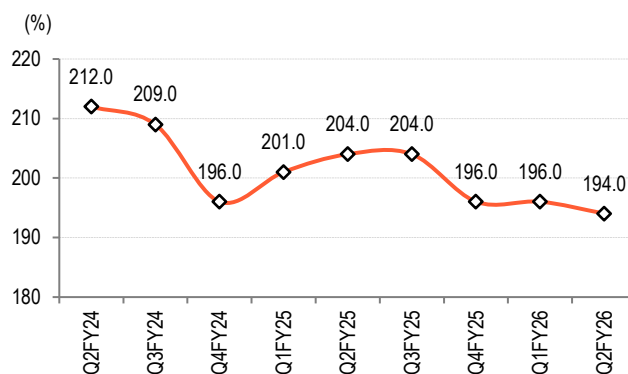
Source: Company, BOBCAPS Research

Fig 6 – Agency channel share rises to 30% with strong growth expected


Source: Company, BOBCAPS Research

Fig 7 – 13-month persistency came in at 85%

Source: Company, BOBCAPS Research

Fig 8 – Solvency ratio remained on similar levels

Source: Company, BOBCAPS Research

Fig 9 – Policyholder's account

(Rs mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)
Gross premium income	2,50,839	2,04,132	22.9	1,78,139	40.8
First Year Premium	52,895	49,157	7.6	35,395	49.4
Renewal Premium	1,40,028	1,17,212	19.5	1,05,463	32.8
Single Premium	57,916	37,763	53.4	37,281	55.3
Reinsurance	2,356	1,471	60.2	6,354	(62.9)
Net premium income	2,48,483	2,02,661	22.6	1,71,785	44.6
Income from investments (Net)	(20,553)	1,97,531	-	2,15,251	-
Other income	162	(41)	-	(77)	-
Contribution of funds from Shareholders' A/c	0	0	-	0	-
Total	2,28,092	4,00,150	(43.0)	3,86,959	(41.1)
Commission on					
First Year Premium	7,953	6,472	22.9	5,055	57.3
Renewal Premium	3,542	2,937	20.6	2,239	58.2
Single Premium	908	739	22.8	567	60.2
Others	0	0	-	0	-
Net Commission	12,403	10,148	22.2	7,861	57.8
Expenses of Management	27,592	21,569	27.9	19,152	44.1
Operating Profit	1,88,097	3,68,433	(48.9)	3,59,947	(47.7)
Provision for taxes	186	545	(65.9)	453	(58.9)
Benefits Paid (Net)	1,34,821	1,40,102	(3.8)	1,01,184	33.2
Change in actuarial liability	60,392	2,30,532	(73.8)	2,58,999	(76.7)
Surplus/Deficit	2,001	4,661	(57.1)	4,682	(57.2)

Source: Company, BOBCAPS Research

Fig 10 – Shareholder's account

(Rs mn)	Q2FY26	Q2FY25	YoY (%)	Q1FY26	QoQ (%)
Transfer from Policyholders' Account	2,057	2,545	(19.2)	3,216	(36.0)
Investment Income	3,223	2,826	14.1	2,929	10.1
Other income	0	0	-	0	-
Expenses other than those related to insurance business	146	85	71.8	76	93.9
Transfer of funds to Policyholders' Account	0	0	-	0	-
Provisions for diminution in value of investments	2	(184)	-	(41)	-
Profit before tax	5,132	5,469	(6.2)	6,110	(16.0)
Provisions for tax	186	175	6.2	166	12.1
Profit after tax and before extraordinary items	4,946	5,294	(6.6)	5,944	(16.8)

Source: Company, BOBCAPS Research

Earnings Call Highlights

Business highlights

- Gross premium income came in at Rs 2,50,839 mn, representing a YoY growth of 22.9%, supported by strong growth in single and renewal premium growing 53.4% and 19.5 % respectively. First year premium grew 7.6% at Rs 52,895 mn.
- New Business Premium stood at Rs 183.5 bn in H1FY26, a 17% YoY growth, with a private market share of 22.2% and a total market share of 9%.
- Individual-rated new business premium reached Rs 86.8 bn in H1FY26, a 7% YoY growth, with a private market share of 22.6% and a total market share of 16.1%.

Product and Channel Mix

- Protection business is the most benefited segment, due to the recent GST rate cuts. Management expects the growth in business to increase and contribute more than 10% of total APE, going forward.
- Management highlighted that the focus remains on protection business, which now contributes 9.9% to APE. The business grew 33% YoY on an APE basis.
- ULIP margins are expected to improve on increased rider attachments.
- Of the products eligible for rider attachments, 38% currently have riders attached. Currently, riders are attached only to new businesses, but the company is planning to extend them to renewal businesses.
- The agency channel has experienced a shift in product mix, with contribution from the non-par segment rising by 738 bps. ULIPs now account for 62% of the business, down from 70% in Q2FY25, supported by robust 83% growth in agency individual sum assured.
- The Banca business from SBI and RRB contributes 57% of the total APE business.
- Non-SBI share in Individual APE stands at 3%, while the remaining 11% is contributed by the group business.
- SBI branch productivity on individual APE terms stands at Rs 4.6 mn.

VNB and VNB Margin

- The VNB grew 14% YoY to Rs 27.5 bn in H1FY26, with margins of 27.8% compared to 26.8% in H1FY25. The shift in VNB is primarily due to changes in product mix vs H1FY25. Excluding the GST impact, VNB growth stands at 17% in H1FY26, with margins at 28.5%.

GST Impact

- The total GST impact for H1FY26 was 80 bps, of which 20 bps came from the business that was retained after September 22, 2025, representing about 11.5% of the total business in Q2FY26. With a profile upgrade of over 100 bps and a growing protection share-including a current rider attachment rate above 38% and upcoming launches-the company expects the improved product mix and profile in

H2 to more than offset the 1.74% GST impact. Consequently, margins in H2 are expected to remain largely stable, with any downside limited to 20 bps.

Growth Guidance

- SBI Life expects individual APE to grow at 13–14% in FY26.
- The company reiterated its VNB margin guidance of 26–28% for FY26.
- Management expects the Banca and agency channels to grow in the mid-teens in H2FY26.
- ULIP share in non-SBI banks is much lower, at less than 25%, and is expected to grow at around 15%.

Others

- SBI Life introduced 2 products in Q2FY26: Smart Shield Plus, a protection product, and Smart Money Back Plus, a participating product.
- Smart Money Back Plus received a strong response, with 8,500+ customers opting for the product within 15 days of its launch.
- Smart Shield Plus contributes 11% of the total protection sum issued.

Valuation Methodology

SBILIFE reiterated the focus on investing in its agency and other distribution channels, to aid the business growth coming from the parent bank, which is likely to support APE growth. Additionally, the emphasis on protection products is likely to aid margin expansion. Favourable movements in the yield curve and cut in deposit rates will likely support the non-par products, going forward. We maintain BUY with TP of Rs 2,217, from Rs 2,144, assigning a multiple of 2.1x to its Sept'27E P/EV.

Fig 11 – Revised estimates

(Rs mn)	New		Old		Change (%)	
	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
APE	2,42,622	2,76,561	2,41,322	2,73,387	0.5	1.2
VNB Margin (%)	26.5	27.0	28.5	29.0	(200bps)	(200bps)

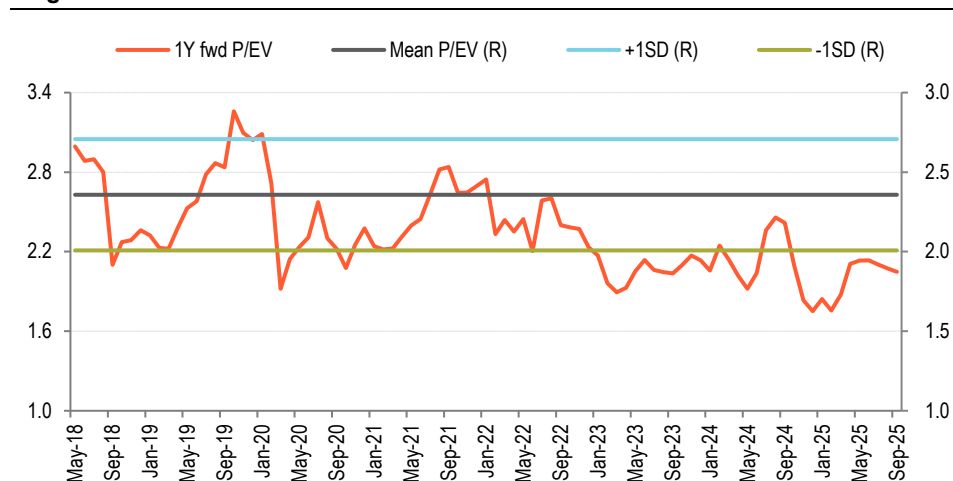
Source: BOBCAPS Research

Fig 12 – Actual vs Estimates

Rs mn	Q2FY26A	Q2FY26E	Variance (%)
Gross Premium	2,50,839	2,30,227	9.0
APE	59,500	57,173	4.1
VNB	16,600	15,612	6.3
VNB Margin (%)	27.9	27.3	59bps

Source: Company, BOBCAPS Research

Fig 13 – 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.
- **Losses from capital and bond markets:** Prolonged weakness in capital markets could hamper the 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			
APE	Annual Premium Equivalent	NBP	New Business Premium
EOM	Expenses of Management	ROEV	Return on Embedded Value
EV	Embedded Value	ROP	Return of Premium
EVOP	Embedded Value Operating Profit	RWRP	Retail Weighted Received Premium
HNI	High Net Worth Individuals	ULIP	Unit Linked Insurance Plan
IRDAI	Insurance Regulatory and Development Authority	VNB	Value of New Business

Financials

Revenue Account (Technical)

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Gross premium income	8,14,306	8,49,846	10,36,812	12,33,807	14,68,230
First year premium	1,74,757	1,93,716	2,22,509	2,46,761	2,93,646
Renewal premium	4,31,923	4,94,078	5,70,247	6,78,594	8,07,527
Single premium	2,07,626	1,62,052	2,44,056	3,08,452	3,67,058
Net written premium	8,05,871	8,40,598	10,26,444	12,21,469	14,53,548
Income from investments	5,03,666	3,17,141	3,60,114	4,00,991	4,46,034
Other Income	16,777	13,448	14,793	16,273	17,901
Total income	13,26,314	11,71,187	14,01,352	16,38,732	19,17,482
Commissions	32,553	37,388	42,622	48,376	55,632
Operating expenses	39,819	44,908	51,644	59,391	68,299
Benefits and bonuses paid	4,31,074	4,89,018	5,95,338	6,96,237	8,13,987
Change in liabilities (net)	7,84,313	5,57,001	6,65,060	7,77,455	9,08,844
Others	0	0	0	0	1
Total expenses	12,87,760	11,28,315	13,54,663	15,81,458	18,46,764
Surplus before tax	38,554	42,872	46,689	57,274	70,718
Provision for tax	10,833	13,038	15,650	18,331	21,475
Surplus after tax	27,915	29,945	31,166	39,090	49,413
Trf to shareholders' a/c	25,977	27,397	29,002	36,376	45,982
Balance being FFA	1,938	2,548	0	0	0

Income Statement (Non-technical)

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Trf from policyholders' a/c	25,977	27,397	29,002	36,376	45,982
Income from investments	10,341	11,145	13,345	15,347	17,649
Contr. to policyholders' fund	(16,276)	(13,459)	(14,805)	(16,286)	(17,914)
Others	(620)	(136)	(170)	(207)	(207)
PBT	19,421	24,947	27,372	35,229	45,509
Provision for taxation	(483)	(814)	(684)	(881)	(1,138)
PAT	18,938	24,133	26,687	34,348	44,372
Dividend+Interim div.+DDT	2,705	2,707	2,707	2,707	2,707

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Equity	1,49,086	1,69,854	1,91,909	2,23,550	2,65,214
Policyholders' funds	36,51,022	41,80,690	48,13,186	55,54,227	64,22,693
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
Total liabilities	39,27,830	45,09,232	51,66,956	59,42,876	68,56,309
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	0	0	0	0	0
Total assets	39,27,830	45,09,232	51,66,956	59,42,876	68,56,309

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	4,66,566	5,55,213	6,60,704
APE (Rs mn)	1,97,200	2,14,200	2,42,622	2,76,561	3,16,093
VNB (Rs mn)	55,500	59,548	64,295	74,671	86,926
VNB margin (%)	28.1	27.8	26.5	27.0	27.5
Embedded value (Rs mn)	5,82,600	7,02,500	8,26,693	9,72,153	11,41,795
ROEV (%)	21.8	20.2	17.4	17.2	17.1
ROE (%)	13.6	15.1	14.8	16.5	18.2
Opex ratio (%)	4.9	5.3	5.0	4.8	4.7
Cost ratio (%)	8.9	9.7	9.1	8.7	8.4
Solvency ratio (%)	-	-	-	-	-
EPS (Rs)	18.9	24.1	26.6	34.3	44.3
BVPS (Rs)	148.9	169.6	191.6	223.2	264.7
EVPS (Rs)	581.7	701.2	825.2	970.4	1,139.8

Source: Company, BOBCAPS Research

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BUY – Expected return >+15%

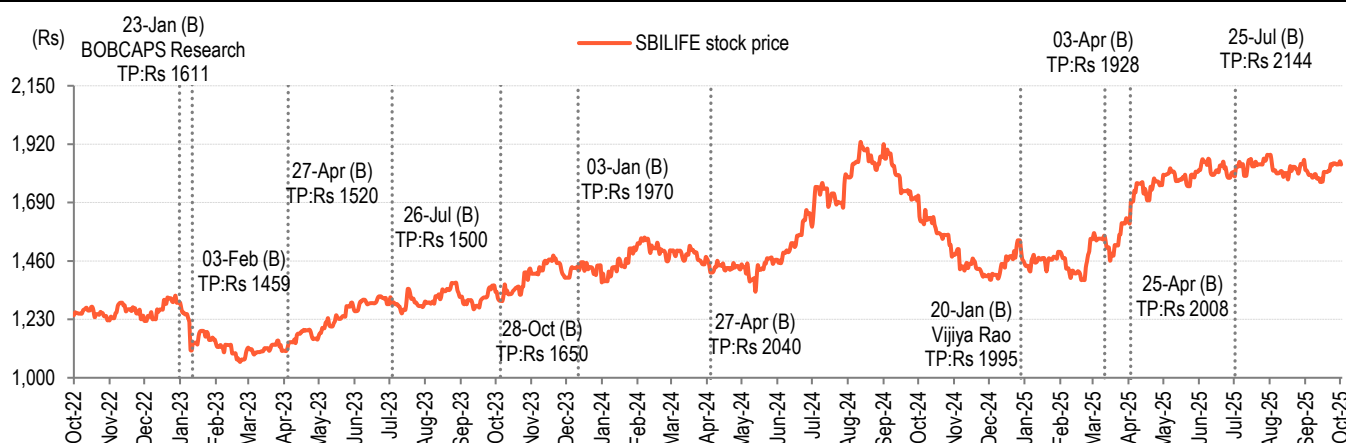
HOLD – Expected return from -6% to +15%

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

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