Apne liye. Apno ke liye.

May 03, 2023

SBIL/CS/NSE-BSE/2324/19

Vice President
Listing Department
National Stock Exchange of India
Exchange Plaza,
Plot No. C/1, G-Block – BKC,
Bandra (East) Mumbai - 400 051
NSE SYMBOL: SBILIFE

General Manager
Listing Department
BSE Limited
Phiroze Jejeebhoy Towers,
Dalal Street,
Mumbai - 400 001
BSE SCRIP CODE: 540719

Dear Sir / Madam,

Subject: Disclosure of Earnings call Transcript under SEBI (LODR) Regulations, 2015

This is in continuation to our intimation letter (Ref. No.: SBIL/CS/NSE-BSE/2324/06) dated April 24, 2023 and in compliance with the provision of Regulation 30 read with Schedule III (Part A) (Para A) (15) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

An audio recording and said transcript of the earnings call held on April 26, 2023 with analysts/investors were uploaded on the Company's website at www.sbilife.co.in

You are requested to kindly take the same on records.

Thanking you,

Yours faithfully,

Vinod Vijay
Koyande

Digitally signed by Vinod Vijay Koyande
DN: c=IN, o=Personal, title=4318,
pseudonym=133271310598840719EOhJ8o9P1xjHS5,
2.5.4.20=b7aebdc9abb6c86a1a59955ee4cc02387f324e3db28d5f84bd727f0eb6aa6676,
postalCode=400042, st=Maharashtra,
serialNumber=de78ad2d4c41f28d429c68640e9584f845065c355bb616c82d15df626f7cca8f
, cn=Vinod Vijay Koyande
Date: 2023.05.03 16:54:34 +05'30'

Vinod Koyande
Company Secretary
ACS No. 33696

Encl: A/a

"SBI Life Insurance Company Limited Q4 FY '23 Earnings Conference Call"

April 26, 2023

MANAGEMENT: **MR. MAHESH KUMAR SHARMA – MANAGING DIRECTOR AND CEO**
MR. S. VEERARAGHAVAN – DEPUTY CEO
MR. SANGRAMJIT SARANGI – PRESIDENT AND CFO
MR. RAVI KRISHNAMURTHY – PRESIDENT, OPS & IT
MR. ABHIJIT GULANIKAR – PRESIDENT, BUSINESS STRATEGY
MR. SUBHENDU BAL – CHIEF ACTUARY AND CHIEF RISK OFFICER
MR. PRITHESH CHAUBEY – APPOINTED ACTUARY
MS. SMITA VERMA – SVP, FINANCE AND INVESTOR RELATIONS

Moderator: Ladies and gentlemen, good day, and welcome to the SBI Life Insurance Company Limited Earnings Conference Call. As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mahesh Kumar Sharma, MD and CEO, SBI Life Insurance. Thank you, and over to you, sir.

Mahesh Kumar Sharma: Thank you very much. Good evening, everyone and we welcome you all to the results update call of SBL Life Insurance for the year ended March 31, 2023. The update on our financial results can be accessed on our website as well as on the website of both the stock exchanges. Along with me, I have S. Veeraraghavan, Deputy CEO; Sangramjit Sarangi, President and CFO; Ravi Krishnamurthy, President, Ops and IT; Abhijit Gulanikar, President, Business Strategy; Subhendu Bal, Chief Actuary and Chief Risk Officer; Prithesh Chaubey, Appointed Actuary and Smita Verma, SVP Finance and Investor Relations.

Today's numbers are the direct outcome of the scale, quality and spread of the SBI Life business across the regions and the fundamental requirement of maintaining high-quality, consistent and sustainable business model. Now let me give some key highlights for the financial year 2023.

New business premium registered a growth of 16% over the previous year and stands at ₹295.9 billion, leading to private market leadership. Individual new business premium stands at ₹209.1 billion, with a strong growth of 27% and private market share of 24.3%. Gross written premium stands at ₹673.2 billion with a growth of 15%. Protection new business premium grew by 19% to ₹36.4 billion. Profit after tax stands at ₹17.2 billion with 14% growth over last year. Value of new business is ₹50.7 billion, registered a strong growth of 37% over the ₹37 billion in March 2022. VoNB margin is at 30.1% with an improvement of 420 bps over 25.9% in March 2022. Embedded value stands at ₹460.4 billion, registering a growth of 16% over the ₹396.3 billion in March 2020. Embedded value operating earnings stands at ₹90.5 billion, and operating return on embedded value stands at 22.8%. Assets under management grew by 15% to ₹3.07 trillion. Robust solvency ratio of 2.15 against the regulatory requirement of 1.5.

I will now update you on each of these elements in detail. So let me start with the premium. Individual new business premium has grown to ₹209.1 billion, with Y-o-Y growth of 27%. Single premium contribution is 30% of individual new business premium which is mainly attributed to growth in our individual annuity product. The company gained private market share by 92 basis points to 24.3%.

Individual rated new business premium stand at ₹152.2 billion with a growth of 18% over the previous year, while maintaining our leadership position with private market share of 22.3%. Group new business premium stands at ₹86.8 billion with a share of 29% in new business premium. We have collected total new business premium of ₹295.9 billion, registering private market share of 21.3%. The renewal premium grew by 13% to ₹377.3 billion, which accounts for 56% of the gross written premiums.

To sum up, gross written premium stands at ₹673.2 billion with a Y-o-Y growth of 15%. In terms of APE, premium stands at ₹168.1 billion registering a growth of 18%. Out of this, Individual APE stands at ₹153.8 billion with a growth of 19%. During the year ended March 31, 2023, total 21.98 lakh new policies were issued and registered a growth of 14% over the previous year. Since 2010, the company has maintained its leadership position in a number of policies issued and consistently delivered year-on-year growth for the last 10 years. This reflects the clear goal of the company to increase the penetration and achieve holistic growth. Individual new business sum assured registered a growth of 13% over the corresponding last year as compared to growth of 12% at private industry level.

Let me give you details about the product mix:

As of March'23, our guaranteed non-par savings products are contributing 18% of individual new business. And on individual APE basis, this comes to 24%. Non-par guaranteed product new business has registered Y-o-Y growth of 116%, mainly due to the new business contribution of Smart Platina Plus of ₹27.35 billion in the year ending March, 31, 2023. Individual ULIP new business premium is at ₹111.4 billion, which now constitutes 53% of the individual new business premium. Individual protection new business premium is at ₹10 billion, registering a Y-o-Y growth of 6%. Group protection stands at ₹26.4 billion with a growth of 25%, Credit Life new business premium has grown 23% that stands at ₹20.7 billion.

On APE basis, protection contributes 11% of new business and registered growth of 16%. Annuity business is at ₹49.7 billion and contributes 17% of new business premium. Under annuity the company is offering immediate as well as deferment option. Individual annuity business is growing at 134% over last year, this was mainly due to the new business contribution of smart annuity plus of ₹38.1 billion. Total annuity in pension new business underwritten by the company is at ₹84.2 billion, registering a growth of 16% over the same period last year.

Insights from the distribution partners, with strength of more than 58,000 CIFs, SBI and RRB Bancassurance business contributes a share of 67% and grew by 31% in the individual new business premium. And on individual APE basis, it stands at ₹104.2 billion with a growth of 19.3%.

Agency, one of the strongest channels registered new business premium growth of 19% and contributes 19% in the new business premium. Agency channel individual APE stands at ₹42.3 billion with a growth of 15%. As of March 31, 2023, the total number of agents stands at 2,08,774, a growth of 43% over the previous year. During the year, the company added a net of 62,717 agents.

During the year ended March 31, 2023 other channels, including direct corporate agents, brokers, online and web aggregators grew by 44% in terms of individual new business premium and 32% in individual APE. Protection new business premium through other channel registered growth of 25%.

Partnerships like Indian Bank, UCO Bank, South Indian Bank, Punjab & Sind Bank and Yes Bank registered a growth of 26% in individual new business premium. These partnerships have contributed 3% of the individual new business premium. During last quarter, we signed corporate agency agreement with Karur Vysya Bank. We are confident that these partnerships will further enable us to expand the insurance market across the country.

On profitability, the company's profit after tax year ended March 31, 2023 stands at ₹17.2 billion with 14% growth Y-o-Y. In the month of March, the company had declared and paid an interim dividend of ₹2.5 per share.

Our solvency ratio remains strong at 215% as of March 31, 2023. We are happy to share that we have more than doubled the VNB in a span of three years. Value of new business is ₹50.7 billion with growth of 37% as against ₹37 billion in the last year. VoNB margin is at 30.1% for the year ended March 31, 2023 as against 25.9% in the previous year, showing an improvement of 420 basis points. Growth in VoNB and VNB margin is driven by product -- a change in product mix, predominantly in the non-par segment. Embedded value stands at ₹460.4 billion, a growth of 16% over the previous year. Embedded value operating profit stands at ₹90.5 billion. Operating return on embedded value is 22.8% as against 20.6%. With our growth target and the product mix shift, we expect to maintain the healthy and sustainable VoNB growth rates.

Coming to operational efficiency, our opex ratio stands at 5.1% for the year ended March 31, 2023. Our total cost ratio stands at 9.6% for the year ended March 31, 2023. With respect to persistency of individual regular premium and limited premium paying policy, 13-month persistency stands at 85.5%. The company has registered a significant improvement in the 37 month and 61st month persistency by 236 basis points and 612 basis points respectively. As mentioned the opening remarks, asset under management stands at ₹3.7 trillion as of March 31, 2023, having a growth of 15% as compared to March 31, 2022. The company continues its sufficient usage of technology for simplification of process with 99% of the individual proposals being submitted digitally. 45% of individual proposals processed through automated underwriting.

To conclude, we continuously endeavor to maintain our leadership position and continue to further increase our market share by offering products that meet the evolving needs of our customers. With our widespread robust distribution networks, complemented by digital technology, our innovation strength and above all, our people power, we are placed to make the most abundant growth opportunities offered in evolving insurance sector. Company as well as other industry players are in line with the regulator's vision of increasing penetration and offering insurance to all. The company is committed to enhancing the digital experiences of customers, distributors and employees and offer right products to the customers. Further, we will continue to explore new partners, leverage existing partnerships and launch new products that meet customer needs and provide seamless customer experience.

Thank you very much for your patient hearing. And now we are happy to take any questions that you may have.

Moderator: The first question is from the line of Avinash Singh from Emkay Global. Please go ahead

Avinash Singh: Yes, hi, good evening. Great set of performance, strong numbers all across. Couple of questions. The first one is more around the growth outlook for FY '24, considering what has happened or what is happening around the regulatory front or tax front and how your sort of quarter 4 has gone by? Because if I recall correctly, last year we started with a strong growth momentum, but growth towards the end has slowed. So in this backdrop, some directionally the growth and margin trajectory for FY '24, again, I am not going to see quarter-on-quarter that's one.

Second is again, more around your key distribution channel that's SBI. So now with all sort of a regulatory changes happening, particularly on the commission front and all, so there's some kind of a doubt or question in mind about exclusivity of the channel and also any sort of a pressure on payouts, if at all, that has sort of an impact on your either growth or margin trajectory? Thank you. These are my two questions.

Mahesh Kumar Sharma: Yes, thank you very much, Avinash. The growth outlook, if you ask me, we expect, what we were expecting last year. So the growth will continue and we will have a 20% to 25% growth this year also. So we ended up with slightly less than 20%. But then that is largely on the back of various other factors. But if you ask me, the outlook remains similar because the demand is there. Insurance is a product which needs to be distributed and with all the regulatory changes, I think it has become easier to create better products, distribute them across. And with all these regulations, with the commission regulation changes, the EOM, all these things will lead to creatively designed products which can be beneficial for both the customer and the distributor and obviously for the company, because that ensures sustainability. So we look to continue the trend of growth. And as far as the commission payouts, etc are concerned, we will definitely be looking at all our distribution partners and how, we can increase the distribution of insurance products. The regulator has a vision of insurance for all by 2047, but then, the aspiration is that it should be, it should happen before that. And to do that, we need to actually expand the market.

And you will notice that we are the, probably one of the few companies which is actually selling more number of policies. If you look at the NOP growth, we have a very healthy NOP growth at 14%. And I don't believe anybody else has got a strong NOP growth. It's all mostly like, in the industry, if you see, we are the ones which is growing the NOP. And on top of that, if you look at the kind of products that we are distributing and the, principle behind our distribution, we keep the customer at the center. And therefore, anything that will be value-accretive for the customer, which, will be the guiding principle for us as always, the customer has to like the product, he has to need the product, and then, we'll be distributing that.

So, obviously, every distributor will have expectations of some good returns for the distribution that they do. But then what we would like to see is that the value that we create for distributors who actually, sell products with need-based products, to the right kind of customers with more persistency, where value is created for the customer as well as for the company. So, there we may look at, some kind of a new creative products which can, share a higher amount with some of the distributors. So, that is something which we will be definitely looking at with the new flexibility that are available to us.

Avinash Singh: Okay, sir. So, I mean, SBI and SBI Life relationship remains as it is?

Mahesh Kumar Sharma: Well, what I would like to say is that, like I said, we will design products that will be good for the customer and which can be distributed well, and there if we see that the value is increasing and we are able to penetrate the market much faster, then obviously distributors will also be rewarded without losing the customer's value proposition.

Avinash Singh: Okay, thank you.

Moderator: Thank you. The next question is from the line of Supratim Dutta from Ambit Capital. Please go ahead.

Supratim Dutta: Thank you for the opportunity. So, I would like to start off on the protection side. So, your individual protection, while overall for the year it has grown, for the quarter four it seems like it has declined slightly compared to PCP. So, could you tell us what's going on there because, the other peers appear to be reporting a strong growth on the retail protection side. So, just wanted to understand what's happening with SBI Life?

Mahesh Kumar Sharma: Yes, so, our protection has been growing year-on-year. So, every year we have grown. So, this time we have grown 6% for the year. Yes, you are right. So, for quarter four we have seen a slight decrease of about 5%. But then, if you look at the general mood around the last quarter, so, I think there was a little bit of talk, more talk about tax and things like that. And therefore, there were some, some of the things that did not sell as much as the others, the focus definitely is around what is happening around people's minds, the customer should be thinking about it.

But we feel that going forward protection being one of the areas which we feel is a very good product for the customer. So, we will continue to have our focus on protection and that, it's a win-win for everybody. The customer gets maximum protection for the minimum outlay and we also, the value that it gives to the company is also good. So, therefore, protection focus will be there going forward. It is a good customer value proposition.

Supratim Dutta: Got it. And a second question from my side. So, SBI Life as can be seen from the numbers, has not really benefited from the high ticket size policy demand. And, which gives you a much cleaner base in FY'24. But, from the government's perspective, it looks like we are also moving away from the old tax regime to a new tax regime which will have no deduction. So, could you let us know what proportion of your customers will really be benefiting from the 80C benefit and what could be the impact if that goes away?

Company Speaker: Sir, we don't know about how many customers are claiming 80C. Our only anecdotal thing is the seasonality of the insurance business is coming down every year. So, 80C, according to us, is not such a big driver of insurance business as compared to past.

Mahesh Kumar Sharma: So, one of the other things is that, earlier there were only a few instruments which actually, gave the 80C benefits. So, that was the time when people used to either go for a NSC or an insurance policy. But I think now the people are realizing the need for insurance and most of the people who buy insurance are people who want to buy insurance. So, more and more, I mean, more and more you will see people buying insurance because they want insurance and they feel the need for insurance and not to save taxes. And in any case, there are many avenues for 80C saving. But insurance, is a unique product which gives, it is the only product which gives you insurance.

Supratim Dutta: Got it. And last final, one data-keeping question. Could you let us know within your ULIP product basket, how many people have premium size or ticket size of more than 2.5 lakh and how many will be lower than 2.5 lakh?

Mahesh Kumar Sharma: So, right now, we don't have the information. I can't give you the information at this point. So, I'll let this pass.

Supratim Dutta: Sure. Thank you.

Moderator: Thank you. The next question is from the line of Shyam Srinivasan from Goldman Sachs. Please go ahead.

Shyam Srinivasan: Yes, good evening and thank you for taking my question. I guess the first one on ULIP in general, to fast-forward, we have not seen any growth for ULIP this fiscal year. And I'm looking at all the channels as well, which is either bank or agency, others, we have seen a decline throughout. So, our significance of ULIP in our overall APE has also come down. So, I just want to understand the thought process here around ULIP being a top product and how should we look at it for next year?

Mahesh Kumar Sharma: So, ULIP continues to be a very good product offering that we have. We have a very wide choice of products. And if you see, it's flattish. You know, at best, if you see, it's not really a decline or something like that. It is rather flattish. But then you will also see that we have some other product offerings which we didn't have earlier, like, for example, the Smart Platinum Plus. And that has got very good traction last year. So, the emphasis, especially from some of the customer's side, given that the markets have not been setting things on fire, has been towards some kind of guaranteed products. And, the COVID effect is also there. A lot of people are worried about the future.

And so they would rather go for guaranteed products. So, really speaking, it's not a very large shift. But, Yes, there is a significant shift that we can see. That is because we have these other products also. So, the product range that we have, overall, we have a growth in our business. And it's only a question of, interfaith. There has been some shifting here or there. But ULIP continues to be strong and going forward, I don't see that ULIP, will lose its relevance or something. It is a very good product. These are very good products that we have for various segments. And therefore, probably this year we should see some growth in ULIP as well as, of course, the strong growth in other products.

Shyam Srinivasan: Got it, sir. And my second question is just on the VNB margin at 30%. Can you comment a little bit about the ULIP margins as well? Where are they stacking up? And, do we have further levers for margin expansion for next year? We have not seen any growth in this product. So, how should we think about margins for next year?

Mahesh Kumar Sharma: Margins, we feel that margins are a question of what the, like I said, the customer value proposition. So, really speaking, the, margins are, you can take margins only up to a particular point. And that is as far as the margin growth is concerned. So, we expect margins to be around these levels. You know, we have been saying this for some time now. So, it could be 29, it could be 30, I am really not bothered about that because as far as, as long as my VNB is actually growing, value of new business is growing, as far as my EV is growing, I am not really bothered about the exact number that comes out there.

To your question about ULIP, we have a significant positive margin for ULIPs and we will continue to, sell ULIP profitably and also, give a good value proposition to the customers.

Shyam Srinivasan: Okay, sir. And last question, just I will be very quick about it. ULIPs, you typically had like a debt-to-equity ratio of 52%, 48%. In this whole changes related to debt, mutual funds, indexation going away. Does this value proposition of the way we are used to sell our product, does that change going forward?

Mahesh Kumar Sharma: See, our, what we have noticed is that our equity-to-debt in terms of ULIPs has actually increased. So, we used to have a 60 debt, 40 ULIP equity kind of thing. Now we are more like 52, 48 in terms of equity-to-debt. So, I think it's, there may be some changes here, there, depending on the time, exact time when, if the rates are going up or down or the markets are performing better or not. But given that we are giving very strong long-term returns on all our products in ULIP, I think the equity story is definitely likely to continue for some time.

Shyam Srinivasan: Got it, sir. Thank you and all the best.

Mahesh Kumar Sharma: Thank you.

Moderator: Thank you. The next question is from the line of Madhukar Lada from Nuvama Wealth. Please go ahead.

Madhukar Lada: Hi. Good evening. Thank you for taking my question. So, I see, on a quarter-quarter basis, there is a lot of volatility in the product mix. So, for example, the share of ULIP was about 51% in Q2, which went to about 65% and is back to about 52% in Q4. And what exactly sort of has played out? Is it by designing that you operate in a certain way? Or I just want to understand better as to how you do your planning and what sort of products are actually -- how sales is actually generated?

And second, I know that this question has been sort of asked before, but do you have, any broad product mix in mind? And are there any sort of limitations as to how much non-par you can sell? So, that would help us understand what sort of product mix we should be modeling and where margins could actually come up at?

Mahesh Kumar Sharma: Yes, you said it right. You know, it's an old question. I'll answer your second question first. It's an old question and I'll give an old answer, that we sell according to the customer's need and not what we want to sell. So, sometimes ULIP will be in demand, sometimes non-par guaranteed will be in demand. And as you will see, the proportions are largely, within a particular kind of range. And as we have said earlier, our non-par pickup was mainly on the back of a product which we didn't have in the portfolio, which we introduced last year, year before last, in fact, in March.

And actually worked very well for our customers. So, that would be one of the things, which you can see. ULIP, like I said, is a very good, basket of products that we have. And these products will find favor with, people who are aware of the financial markets, people who are looking for good returns, and we have given good returns in the past. And therefore, that demand is going to be there.

We have a plan overall for the year, and it has played out largely according to our plan. So, coming back to your volatility, so that is the whole thing. That is why the volatility that you may see a little bit of ULIP selling more here or there. So, it will depend a lot seasonally, geographically, depending on where people are having the demand, where people get the money, where people are thinking of doing their investments, along with the insurance, we should not forget the insurance proposition in all these products.

So that insurance need is felt and then there is a savings element along with it. And whichever way they want to take it, we are there to provide these products because we have all these products. And right now, we don't have any limitation to the amount of what we will sell. So non-par, I don't think I have a number limit on how much I'm going to sell non-par.

Madhukar Ladha: Understood. And you mentioned that you're targeting 20%, 25% APE growth. Would you say that your VNB would also track that kind of growth number?

Mahesh Kumar Sharma: Obviously. So the VNB is definitely a product of volume. One of the things is volume, one of the things is the product mix. So, obviously, VNB is going to be there.

Operator: The next question is from the line of Dipanjan Ghosh from Citi.

Dipanjan Ghosh: A few questions from my side. First, if you could just take up the investment variance number into the subparts for the year. Second, if I look at your real-world assumptions over the last few years as a percentage of your investments, it seems that from FY 2021 onwards, it has increased a bit. So I just wanted to get some idea of how confident are you on some of these assumptions. And lastly, on your non-SBI banca partnerships, if you can give some colour on the counter shift that you have across some of these open architecture partners? And how do you intend to scale those partnerships up over medium-term?

Mahesh Kumar Sharma: Yes. So, non-banca I'll take your last question first. As far as the non-SBI partners are concerned, they are growing. The bases are smaller, but the growth is good. The need is there. The customers are there. And they are the ones who need insurance and they have not bought insurance earlier. Obviously, this is the time to sell insurance to them. And I think a lot of the partners are also feeling the need to provide all the financial services to their customers.

And this is an opportunity for them to increase their stickiness also. And also to provide a customer with a need, which otherwise, we would have to satisfy from some other stable, so that is likely to grow. And continue to grow. And we would also like to have new partnerships as we have already said. We are taking in new partners. And we are doing pretty well in terms of the existing partnerships that we have.

And we will continue to grow those partnerships, especially because the customers are there, they need the products. So, that is the answer to the third question. Now coming back to one and two, I'll request Prithesh to give you a colour on those numbers.

Company Speaker: Sure. On your other question where you're referring to the real-world's scenario basically, you're looking to the unwinding rate, I think we see the unwinding rate is basically expected yield of your portfolio. It is a portfolio weighted yield which is a function of basically composition of your portfolio and yield curve. So, if you look into that, in the recent three years, what you're referring to, we are moving our composition also going towards the non-par business. So there is a mix coming in, which is longer duration

And you also see the yield curve is also going up. As a result, you see the expected unwinding yield has gone up. But if you see, if you compare it to the matter of significant change, so' 21 we have been 7.85. Last year, 8.17. This year, 8.60. You see the composition is coming, increasing, and that so the yield curve. So, we are very sure that what we are assuming is a thing. This is no assumption coming from your actual portfolio, actual yield curve, and your logged in yield. So, there is no assumption that we need to be worried about.

Coming back to your economic variance, I think you're referring to, which is around 2418. I think, in my view, if you're not showing economic variance, I think you should be asking more questions. If you're showing less, you should be asking more questions because this is the reality. If you see today, there is a lot of economic volatility. And this economic volatility really is reflecting to the, resulting into this economic variance. We should not worry about those things. We should worry more about the ALM aspects and cash flow making perspectives.

Dipanjan Ghosh: Just, 1 small follow-up on the second question. Just wanted to get some idea on whether you have changed your expected equity return assumptions for the back book?

Company Speaker: No, no. Nothing.

Operator: The next question will be from the line of Sanketh Godha from Avendus Spark.

Sanketh Godha: It was reflected in 1H number, also FY '23, how much EV sensitivity to the interest rate seems to have gone up because that number in FY '22 was less than two percentage. Today, it is four percentage, closer to four percentage. And, if I look along also the economic variance number, which is almost six percentage of the opening EV which for others who have looked at the numbers is less than 4 percentage. Sir, just wanted to understand, it seems that we have SBI Life as a company has become more sensitive to the macro requirement compared to competitive peers. Is it to do anything with respect to the hedging strategy what we are using or something we need to read in between these numbers?

Company Speaker: I think the economic variance I've already explained. The sensitivity, this increase is happening only on an account of the net worth. So, if you see that we have a net worth and net worth is, there is no corresponding liability. So, you see the sensitivity is going up. We also look into that, we are writing some non-par products as compared to unit linked things. Now what is happening in non-par is you reserve, your reserving ratio would be higher than your base estimate liability. And then you have the excess assets. So, these excess assets will have some volatility in terms of the interest rate.

And also you rightly said that we are having the FRA. So our objective is to do the cash flow matching, which is a real world matching. That we try to do that. In that process, you do hedging and then you get some economic higher interest sensitivity. So, I would just to give a comfort to you that because it is a product of two things. One is that we try to do as much as close hedging in the real world so that our economic balance sheet and real balance sheet should not be getting impacted. And secondly, in view of the excess net worth, which is not having liability, that's giving some of the sort of higher sensitivity.

So there's no work, we shouldn't be worried about the asset liability. Matching is very perfectly matched and liability is adequately provided for.

Sanketh Godha: Just a follow-up to it, because the net worth issue was even there in FY22. But the sensitivity was just 2%. It has almost doubled in the current year. Actually, the concern comes from there. And I understand that net worth doesn't have any liabilities and they are exposed and the market impacts those investments.

But given the number has doubled compared to the last year, so and on a bigger base. So that's the reason I was just trying to understand.

Company Speaker: So let me explain other things. What's happened? You look into both the part. One is the portfolio mix. So in non-par portfolio, when you are writing non-par portfolio, you are having the reserving requirement more than unit linked. Because in unit link, your asset equal to liability and you are having, you need not to do any excess asset in your book. In case of non-participating products, you keep excess assets to match those statutory liability. And this excess assets are keeping as a part of statutory balance sheet. This is giving higher sensitivity. Nothing else. So this is just a function of two things you can say.

Sanketh Godha: Can you quantify that excess assets in the non-par book? How much portion we'll have?

Company Speaker: See what's happened is, it is not because what's happened is there is a best estimate liability. There is a requirement that you work out, you put some prudence. So, if you are writing high margin product, you have additional prudence. And then there is a regulatory requirement you need to generalize and other aspects. So, difficult to quantify. So we are not going to quantify that.

Sanketh Godha: And the last one on margin. As you know, as you write to that every fourth quarter, you change the assumptions with respect to operation. So that led to 80 bps improvement in the margin. So, sir, just wanted to understand this 80 bps. What was the biggest contributing factor, whether it was opex or persistency or something else which led to that additional benefit?

Company Speaker: So it is a mix of all of these. What's happened is you see this in all operating fronts. So, that you can see the EV AOM. We made a positive operating variance in all the fronts. Be it the mortality, be it expenses and be it the persistency. What we did that is a mix. So we, some part of those we have capitalized. So in these 80 basis points, there is some element of the expenses, some element of the persistency and some element coming from the reinsurance side. Because we get a better term on the reinsurance that we have included that. So that's the reason we get 80 basis points on the new business.

Sanketh Godha: Got it, sir. And last one, we reported 30% margin based on 22% non-par mix. So, is it fair to assume that going ahead not to significantly deviate from our margin guidance, is the non-par contribution to remain in this range? Or are you expecting it to come down or go up if ULIP demand picks up? I know you answered this question, sir, but I just wanted to understand that still we try to toggle the business so that non-par will continue to contribute around 22 plus kind of a number.

Mahesh Kumar Sharma: I understand your anxiety to understand the whole way the margin will go up or remain the same or whatever. But we don't have a magic crystal ball to see that thing. What I have said is still stands. We will sell the products which the customers want. These are products which the customers really seem to like. The ULIP products, the non-par guaranteed products that we have. We have some very good protection products, the TROP products. So, you know, the mix will change slightly here, there. And I'm not going to be able to guarantee to you that this will be at some particular percentage or the other. So, if that will answer your question.

Moderator: The next question is from the line of Neeraj Toshniwal from UBS India. Please go ahead.

Neeraj Toshniwal: Hi, sir. In the opening remarks, you mentioned that you missed the 20% or shy of 20% APE growth because of some factors beyond your control. Wanted to know what were those factors and how confident you are on delivering 20%-25% for the coming year? Or for the FY24 rather?

Mahesh Kumar Sharma: So, you know, I can't point out a single factor or anything. There are many multiple things that have been taking place. So, as a company, you know, we try to grow and if you can see my agency force. My agency forces increased a lot this year. And, we are like, if you ask me, there are a lot of development things that we are doing. And based on that, we feel that going forward, we will be able to achieve this 20%-25% that we are looking for.

Neeraj Toshniwal: My question is more to the strategy because the banca growth has been very, very weak if I look at the numbers. Has banca focus has been on the deposits or how should one think about it? Because obviously, quarter four last year also it was weaker. But this time, on a lower base also, it is a weak outcome. So, anything to read there?

Mahesh Kumar Sharma: So, I look at the business as a, whole year kind of thing. There are seasonal variations. There are variations geographically and all. I wouldn't read too much into all these. 19% growth is very strong. I think on the kind of base that we have, a 19% growth and then to keep a margin of 30.1% on the value of new business. And to grow the new business, VNB by, how much is it, 37% and the EV by 14%. I think all these things are a very good indicator of growth.

And I mean, I can always look at a particular one week or something and say that, the business was not there or went up or down or whatever. March is one of those things that you will see. But there is growth in March and it's a minor point here or there. It's been probably not as spectacular as we have been able to grow earlier. But then that is also a factor of what happened last year. So the growth over March last year, so if the March was good, then obviously we don't expect spectacular growth over that all the time. But overall, I would still say that my own idea is that with all the things that we are doing in the company, we should be seeing 20% to 25% growth.

Neeraj Toshniwal: Got it. And on interest rate sensitivity, coming back to that, how much would this have been coming from group savings? Because that wouldn't have been properly or might not be as close to non-par savings business what we do. So any color on that?

Mahesh Kumar Sharma: Which one?

Neeraj Toshniwal: On interest rate sensitivity, I wanted to know what has been the contribution or higher since we've been coming from group savings business.

Company Speaker: So not much. I think we don't look at much line of business wise. So basically, our objective is to look into it in totality. So you have the balance, the total balance, not a similar thing. And we try to manage that. So in group, particularly, when you're referring to, we closely match our asset to the liability. And there's not much sensitivity coming from.

Neeraj Toshniwal: Got it. And on the credit life, do we have the numbers handy? How much would have been the share of credit life within the group?

Mahesh Kumar Sharma: Yes, that I can give you. Credit life. In terms of APE? ₹200 crores APE.

Neeraj Toshniwal: And what was the corresponding last year? Same number?

Company Speaker: Fully, you want full year numbers, right? So last year was ₹1,600 crores, ₹1,700 crores, roughly. This year, it is ₹2,000 crores. This is not rated. So rated, you take one. Yes, 10%. This is for full financial year.

Neeraj Toshniwal: OK, I was actually asking for Q4?

Company Speaker: Q4 ₹540 crores last year and ₹620 crores current year. That is 23. FY 23.

Neeraj Toshniwal: Got it. Got it. Thank you, sir.

Mahesh Kumar Sharma: Yes, thank you.

Moderator: Thank you. The next question is from the line of Akshen Thakkar from Fidelity. Please go ahead.

Akshen Thakkar: Congratulations, sir, on concluding a great year. Just two follow-ups to the comments that you made earlier. One was around the growth. Could you just, you know, you always targeted that high growth. But could you just help us understand what are the products, what are the channels that make you hopeful for achieving the 20%, 25% growth that you outlined? That was one. And second was to the question on relationship with the SBI bank, you did make a comment that you are sort of amenable to looking at new products, which could be a win-win both for the customer and also for the channel partners. But I just wanted to understand from SBI life, you know, P&L or margin point of view, if you do these products or terms of trade with SBI were to change, one concern that investors do carry is that does that land up impacting your VNB margin? Those two questions from my side, sir. Thank you.

Mahesh Kumar Sharma: So one of the things that I always say is that the whole idea of doing business is that it should be beneficial to the customer and all the stakeholders. So if you keep that in mind, then I think you get your answer out there. We will make sure that the customer gets a good value proposition. And distributors are rewarded well for the kind of good selling that they will do. If they get good customers, if they get good persistency, if they get good product mix, which then gives us a good margin, obviously, the distributor also gets a good proportion of that. And as far as channels for growth are concerned, like I said, we have very strong channels. So three channels that are very strong now, SBI, agency, and other banks.

Other banks are a smaller base, but they are likely to grow very well because the customers definitely need all the products that we have. Agency, as I said, today we are ending with the march with 2,08,000-plus agents. And this is an increase of over 62,000 agents over last year. And when these agents are developed and activated, and they will be activated over a period of time. Some of them have become active. Some of them will become active over time. And they will be more and more productive. We have one of the most productive agency sales forces in the country. So in the private sector, we have the most productive agency. And therefore, and of course, SBI as a channel, so we have the potential out there. There are a number of customers who need to be covered with insurance. So going forward, I don't see any dearth of avenues for growth.

Akshen Thakkar: All right, thank you, sir.

Mahesh Kumar Sharma: Thank you.

Moderator: Thank you. The next question is from the line of Nischint Chawathe from Kotak Institutional Equities. Please go ahead.

Nischint Chawathe: Thanks for taking my question. I'm looking at your average policy term. And I believe on the non-par side, your average policy term is closer to around 27 odd years for the last four quarters as compared to around 19 - 20, the previous year. So what would be the reason for this? And do we expect this to sort of sustain?

Mahesh Kumar Sharma: So when you see this is a product change, so you have more of traditional non-par guaranteed. This is a longer term product.

Company Speaker: Payout period. So earlier, it was endowment where one time money was getting paid. Now it is getting paid or spread.

Mahesh Kumar Sharma: Yes, so we have a product that goes, you pay 10 years. And then after from the 11th year, 25 years, you get returns. So overall, it becomes a 35 year product.

Nischint Chawathe: And the margins between both the products would be substantially different?

Company Speaker: No, no. Margins are similar to the things that this product is the income variant of the endowment. So earlier, we are having only endowment variant. Now we have launched the income variant, which is selling more. And margin is, you can see the margin because we are selling more proportion coming from this product. And we're growing the margins. So margin is similar to both the variants.

Nischint Chawathe: So incrementally, do you see a challenge in hedging this product as this kind of thing?

Company Speaker: Not at all because we restrict to the premium paying term max to the 10 year. And most of the business coming from 7 to 10 years. So that perspective is we're getting this hedging. So we don't see any challenge in that perspective.

Nischint Chawathe: Got it. Thank you very much.

Company Speaker: Thank you.

Moderator: Thank you. The next question is from the line of Sneha from Star Union Daiichi. Please go ahead. Ms. Sneha, the line for you is unmuted. You may go ahead with your question.

Sneha: How do you see the overall on the distribution mix? Which are the focus area we're planning to grow more over there? Bancassurance or other parameters, could you guide us?

Mahesh Kumar Sharma: Yes, I think I already answered this question before. Maybe you were not there on the call. What we have done is we have more than 2,08,000 agents today. And this is an increase of 62,000 agents this year. So that's one of the things that we are doing. And the other is, of course, in SBI and the other banks. So we have a good number of customers out there who still need insurance. So these are the main channels around which we will be selling. Obviously, we'll be selling some people directly online and through other channel partners.

Sneha: Okay. Got it, sir. Thank you.

Mahesh Kumar Sharma: Yes, thank you.

Moderator: Thank you. Ladies and gentlemen, that would be our last question for today. I would now like to hand the conference over to Mr. Mahesh Kumar Sharma for closing comments. Over to you, sir.

Mahesh Kumar Sharma: Yes, thank you very much. In fact, thanks to all the participants on the call who have given us so many insights and given us this feedback and also asked very relevant questions. And we hope that all of you have a very good time investing. And stay safe. And have a good evening. Thank you very much.

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