SBI Life
Apne liye. Apno ke liye.

November 1, 2022

SBIL/F&A-CS/NSE-BSE/2223/260

Assistant Vice President
Listing Department,
National Stock Exchange of India,
Exchange Plaza,
Plot No. C/1, G Block,
BKC, Bandra (East),
Mumbai - 400051

General Manager
Listing Department,
BSE Limited,
Phiroze Jejeebhoy Towers,
Dalal Street,
Mumbai - 400001

Dear Sir / Madam,

Subject: Transcript of Earnings Call held on October 21, 2022

This is in continuation to our intimation letter ref. no. SBIL/F&A-CS/NSE-BSE/2223/244 dated October 19, 2022 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.

Transcript of the earnings call held on October 21, 2022 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
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Date: 2022.11.01 19:13:18 +05'30'

Vinod Koyande
Company Secretary
ACS No. 33696

"SBI Life Insurance Company Limited Q2 FY23 Earnings Conference Call"

October 21, 2022

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

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY 2023 Earnings Conference Call of SBI Life Insurance Company. 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mahesh Kumar Sharma – Managing Director and CEO, SBI Life Insurance. Thank you and over to you sir.

Mahesh Kumar Sharma: Thank you very much. Good evening everyone. And we heartily welcome you all to the results update call of SBI Life Insurance for the half year ended September 30th, 2022. The update on our financial results can be accessed on our website, and as well as on the websites of both the stock exchanges. I have along with me, Sangramjit Sarangi – President and CFO; Ravi Krishnamurthy – President Operations and IT; Abhijit Gulanikar – President Business Strategy, Subhendu Bal – Chief Risk Officer; Prithesh Chaubey – Appointed Actuary; and Smita Verma – SVP, Finance and Investor Relations.

Now, let me give you some key highlights for this half year ended 30th September 2022: New Business Premium registered a growth of 27% Y-o-Y and stands at Rs.130.9 billion, leading to private market leadership. Individual New Business Premium stands at Rs.84.6 billion with a strong growth of 31% and private market share of 25.3%. Gross written premium stands at Rs.279.7

billion a growth of 21%. Protection New Business Premium grew by 32% to Rs.16 billion. Profit after tax stands at Rs.6.4 billion, 36% growth over corresponding same period last year. Value of new businesses Rs.21.2 billion registering a strong growth of 53% over the Rs.13.8 billion in September 2021. VONB margin is at 31% with an improvement of 630 basis points over 24.7% in September 21. Embedded value of the Company as of September 30th, 2022, stands at Rs.424.1 billion. Assets under management grew by 16% to Rs.2.83 trillion, robust solvency ratio of 2.19 as against the regulatory requirement of 1.5.

I would also like to highlight a few key initiatives taken by the Company, considering the various requirements of the customers:

We have launched SBI Life Retire Smart Plus product which is a unit linked pension savings product. This product offers a comprehensive range of pension savings, with varied fund options with an option to defer the vesting date as compared to our earlier version of Retire Smart which didn't have this feature. With a view to broaden our reach, SBI Life has tied up with India Post Payments Bank, a leading bank in rural markets. With this, we will be able to reach to our customers, especially the section living in unbanked and underserved areas, to become financially secure and empowered.

We will now update you on each of the key elements. Let me start with the premium, Individual new business has grown to Rs.84.6 billion with the growth of 31% Y-o-Y. Single premium contribution is 32% of Individual New Business Premium which can be attributed to growth in our Individual annuity product. The Company gained private market share of 196 basis points to reach 25.3% market share. On Individual rated new business premium stand at Rs.60.5 billion with a growth of 21% and private market leadership with a share of 23.7%. Also, Group new business premium stands at Rs.46.3 with a growth of 21%. In all we have collected total New business premium of Rs.130.9 billion registering private market share of 22.6%. Renewal premium grew by 16% to Rs.148.8 billion which accounts for 53% of the gross written premium.

To sum up:

GWP stands at Rs.279.7 billion with a growth of 21%. In APE terms, premium stands at Rs.68.3 billion registering a growth of 22%, of which Individually APE stands at Rs.61.2 billion with a growth of 22%.

During the half year ended, September 30, 2022, 9.29 lakh new policies were issued and this registered a Y-o-Y growth of 21%. Individual New business sum assured registered a growth of 14% over the corresponding period last year, as compared to a growth of 7% at private industry level. Considering our robust performance for H1 FY23, we continue to expect healthy growth in our performance in H2 FY23.

Let me give you details about the product mix; we are happy to report that the Company has steadily moved towards a more balanced product mix. So, on a half year basis our guaranteed Non-Par savings products are contributing 20% of the Individual New business and on APE basis, this constitutes 26%. Non-Par guaranteed new business premium has registered a growth of 221%, Y-o-Y mainly due to the new business contribution of smart platina plus which is Rs.12.69 billion in the half year ended September 30, 2022. This product was launched in March 22, and has seen a strong traction in the new business premium, mainly due to the product features, which are having a high acceptance in the market. ULIP has remain one of the flagship segments for the Company. Individual ULIP premium is at Rs.43 billion, which now constitutes 51% of Individual new business premium. Individual protection is at Rs.4.3 billion registering a growth of 17%. Group protection stands at Rs.11.8 billion with growth of 38%. Credit life new business premium has grown by 36% and stands at Rs.9.1 billion. On APE basis protection contributes 11% of the new business and has registered a growth of 23%. Annuity business is at Rs.19.8 billion and contributes 15% of New business premium. Under annuity, the Company is offering immediate as well as deferred annuities. Individual annuity business is growing at 136% over the same period last year. Total annuity and pension underwritten by the Company is Rs.32.8 billion registering a growth of 7% over the half year ended September 30, 2021. Group Fund Management business is at Rs.31.1 billion with a growth of 39%.

On our distribution partners with a strength of more than 54,000 CIFs, SBI and RRB Bancassurance business contributes 67% and grew by 38% in Individual New business premium. And on Individual APE basis it stands at Rs.41.3 billion with the growth of 24.5%. Agency, our other major channel registered a new business premium growth of 24% and contributes 18%. In new business premium, agency channel individually APE stands at 17.1 billion, with a growth of 12.5%. As on 30 September 2022, the total number of agents stands at 1,78,357. During the half year, the Company added nearly a net of 32,300 agents.

During the half year, other channels grew by 52%, which includes direct, corporate agents, brokers, online and web aggregators and 45% in Individual APE. Protection new business premium through other channels registered a growth of 38%. Partnerships like Indian Bank, UCO Bank, South Indian Bank, Punjab & Sind Bank and Yes Bank registered a growth of 62%. These partnerships have started contributing 3% of the Individual new business premium.

For profitability, the Company's PAT for the half year ended 30th September 2022 stands at Rs.6.4 billion with 36% growth Y-o-Y. Our solvency remain strong at 219% as on 30 September 2022. Value of new business is at Rs.21.2 billion with growth of 53% Y-o-Y against Rs.13.8 billion in the corresponding period last year. VNB margin is at 31% vis-à-vis 24.7% in H1 FY22, with an improvement of 630 basis points. We have aligned the value of new business and VNB margin for half year ended 30th September 2021 in-line with 30th March 2022 disclosures. Growth in VNB margins fueled by change in product mix with predominantly non-PAR segment has contributed and of course the business volume. With our growth targets and the product mix shift we expect to maintain a healthy VNB and VNB growth rates.

Coming to operational efficiency, OEPX ratio reduced to 5.6% for the H1 FY23 from 5.8% for a similar period last year, our total cost ratio stands at 10.2% for the first half compared to 9.5% for the last year, same period. With respect to persistency of Individual regular premium and limited premium paying policy, 13-month persistency stands at 85.2%. The Company has registered a significant improvement in 49th month and 61st month persistency by 276 basis points and 363 basis points respectively. We have witnessed improvement in persistency ratios across all the cohort. As mentioned in my opening remarks, assets under management standards at Rs.2.8 trillion as of September 30, 2022, having grown 16% as compared to September 30, 2021. The Company continues efficient use of technology for simplification of process. 99% of the Individual proposals are being submitted digitally, 43% of Individual proposals are processed through automated underwriting.

To conclude, we continuously endeavor to maintain our leadership position and continue to further increase our market share by offering innovative products that meets the evolving needs of our customers. With a widespread robust distribution network complemented by digital technology, our innovation strength and above all, our people power, we are well placed to make the most of the abundant growth opportunities offered in India's under penetrated insurance sector. We will continue to leverage existing partnerships and explore new partners and launch new products to meet customers needs. Thank you very much for a patient listening and we are now happy to take any questions that you may have.

Moderator: Thank you very much. The first question is from the line of Swarnabha Mukherjee from B&K securities. Please go ahead

Swarnabha Mukherjee: I have couple of questions. First one, I would like to have your comments on how do you see growth panning out in the second half, given that you have focus on diversification now and what is the expectation on ULIP now as it is slightly lower proportion of the mix than it used to be earlier. Given that, in Ulip generally the average ticket size will be higher than your rest of the product segment, correct me if I'm wrong in case that is not correct. So, how do we see growth panning out, APE going ahead for the second half that will be my first question. Second is on the margin side, so this particular quarter sequentially there has been an increase in contribution for ULIPs. And that has been the major change in the product mix along with non-PAR contribution also going down slightly. So, despite that focusing on expansion of the margin, just wanted your thoughts on how to repump into this. Again a function of the cost ratios being lowered this quarter, how should I look into this. And what is the operating assumption changes that have been shared in the VNB if you can throw some light on that, those are my question sir.

Mahesh Kumar Sharma: If you are looking at growth for the second half, our second half has always been very, very strong. So, if you see historically, Q3 and Q4 are extremely strong for SBI Life and we don't imagine that anything that should actually change all that. So our own projections are based on our historical trend of Q3, Q4 being the strongest quarters for us. So we look forward to a good robust growth there. ULIP have been maintaining earlier also.

Swarnabha Mukherjee: Yes, sir please go ahead, I just wanted if you could quantify what would be our growth guidance for the year at least.

Mahesh Kumar Sharma: So, I have already said earlier that we would like to grow at 20% to 25%. And that remains, and we are working towards that directionally we are going right. And like I said, Q3, Q4 being strong quarters for us, we are very confident that we'll be able to achieve our projections. ULIP, I have said earlier also in, I think I remember in all my earlier calls I have said this, that ULIP growth will be there, we see a lot of traction already happening for demand for ULIP, and ULIP will also continue to grow. Obviously, the non-PAR product that we have launched was a super hit with our customers and as a result of that, it appears as if the focus is slightly off ULIP, but ULIP will continue to grow because it's a very, the products that we have are very customer friendly products. You will also recollect that I just shared about a new product that we have launched Retire Smart Plus and that's also ULIP linked product and that is also expected to do very well going forward. So, the growth and the whole idea about ticket sizes and all you are right, the ticket sizes of non-ULIP products may be slightly lower. But then our whole idea is that ULIP will also continue to grow according to its usual pace, that we grow with at least that is the minimum that we would expect it to grow. And therefore, we don't see any major reduction in ticket sizes or in our ability to meet our targets.

Last question about the VNB margins, you were asking about margin how come the margins continue to be robust, even though you said that non-PAR has gone down or something like that no such thing has happened, non-PAR has grown.

Swarnabha Mukherjee: Non-PAR, I was pointing towards the mix change, so non-PAR sharing.

Company Speaker: Yes, but if the volume grows obviously that thing is going to be there, the contribution is going to be there. So, the volume has grown overall so if you see the growth, non-PAR has grown in this quarter.

Company Speaker: Also, just to add what our MD sir has mentioned, that you may see some slight reduction in this quarter, a quarter in non-PAR thing but within a non-PAR saving it also depends on the combination because you have several non-PAR products which having the higher margin, even the new product that last year we have launched they have a different option and each option has a different margin. So, there is a shift happening on that part so would optimize those margin within non-PAR and also in case of annuity we have different annuity on individual platform, which we launched subsequently and that is also helping us to enhance our margin. So, if you see this does contribute, and help us to maintain the margin that at current level.

Management: So, just to clarify the product mix change is only 2% compared to the other product mix has moved from non-PAR to ULIP only by 2% in this quarter, so it's not very material change. And Prithesh has answered the remaining parts.

Swarnabha Mukherjee: Yes, sure that's very helpful. Just a follow up on the growth side sir, the growth numbers guidance that you gave, is that on APE basis or NBP basis?

Mahesh Kumar Sharma: You can take it on APE basis.

Moderator: Thank you. The next question is from the line of Deepika Mundra from JP Morgan. Please go ahead.

Deepika Mundra: Sir, just I believe that on the VNB side on the base number there has been some restatement right for 1H 22?

Mahesh Kumar Sharma: Correct. What we have done is, whatever we had projected in March 22. That same methodology we have used on September 21, so you will remember that we had a, we were stating on a different basis, and we changed the methodology in March 22 and so to compare the September 22 figures, we have done the same thing with September 21 and come up with these figures. So, 24.7% that you are seeing is as per the new methodology.

Deepika Mundra: Right. So, could you help us with this that breakup for June 21 and September 21 or if you have it handy?

Mahesh Kumar Sharma: Breakup of what?

Deepika Mundra: Sorry, the second quarter number for VNB margin, which equates to the 31.5 in another same methodology.

Mahesh Kumar Sharma: We can calculate and give it to you, but I don't think we have it, I don't have it at this moment. Prithesh will answer.

Company Speaker: So, see earlier what MD sir mentioned that earlier we need to show the base number and then you have to give some sensitivity and effective price of things that we are model subsequently in the month of March and model was reviewed by TW at that point time. So, what we did that, just to be comparable number we have rebased those numbers and that is the reason those numbers become 24.7 and hence we are comparing our VNB margin growth from 24.7 to 31%. Now if you look into June as well, June Q1 also we have rebased same approach. So, while June opening number was 21.2 and base we have reinstated to 23.7 and closing numbers are 2022 was 30.4. So, if you want to compare the comparative number by June 21 the rebase number by 23.7 and September 21 it is 24.7.

Deepika Mundra: Okay, sir very clear. Sir this question on the EV sensitivity, it has gone up to 4% in the first half of versus 1.8 which was in FY22 any clarification on that, what is driving the higher sensitivity in EV?

Company Speaker: So, this is basically on the base effects. So, if you see the March, if you see the EV from the March to September has gone up significantly and when you do the sensitivity from current level base has changed and result you see higher sensitivity coming from the interest rate side.

Deepika Mundra: Sir sorry, would you mind elaborating a little bit on that?

Mahesh Kumar Sharma: So, what happens when you the yield is on 31st March was lower and when you do the sensitivity for 1% up, you do the sensitivity from that level. What happened from the March to September the yield has gone up and if you look into the shorter duration, yield has gone up more than 100 basis points and as a result there would be MTM losses coming from as compared to the March 2022. And that will be become your base and when you do sensitivity, you start with a lower MTM base. As a result, you'll see the base number will change. The major contribution coming from those funds included particularly the shareholder Fund, where there is no corresponding liability. So, while other LOB has a corresponding liabilities so it will get offset on that basis. In shareholder funds there is no subsequent liability so all MTM will impact your sensitivity. Subsequently, if you also look into this discounting because EVs are run out of business of future and initial year your base has increased. So, when you, it is not linear impact on the inforce business or EV. So, when you go and start looking with the higher number the impact will be different. And that's the reason you see higher sensitivity is coming out.

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

Avinash Singh: So, the first question, of course numbers are too good, but in terms of improvement of course, you have hired a good amount of agency workforce over the last one, two years. Now, at this juncture, what kind of productivity improvement, how do you see the growth across agency channel comparing vis-à-vis banks that of course has been firing. So, what are your sort of plans around agency and how do you see this performance improving, that's one. And second within Banca, ex-SBI what would be the contribution because some of the public sector banks, we are already almost with them for two, three years now. And they have of course a larger account. So, what is overall ex-SBI contribution in the Banca, these are the two questions. Thank you.

Management: So, agency, you are right we have recruited so what has happened is that in the COVID basically there were a lot of agents who were not able to perform, and we are not actually removed any agents from our rosters in the last, last year only we started that process once again to rationalize the number so, but what we have done is, we are going all out to get more and more agents and to increase the agency business. So, as you can see we have the biggest agency in the private sector by long margin, and our productivity, per agent productivity is two and a half lakhs, I don't think anybody else has got anything near that. And this is what we would like to grow. And it can go higher also, there's already been a growth of about 6%, 7% in productivity. But there is a lot of scope there and plus the numbers, if you see the net number have gone up by 32,000 and this is not my target, we are targeting a much higher number. So, once these agents in the same proportion start getting productive. I'm sure agency will contribute much more in the future.

The other question regarding the non-SBI Banca, so I can say that right now we have got 3% of the business comes from these banks. And our idea is that this should go way up, because if you look at the way SBI has grown, these public sector banks partnerships that we have if they can only, even take that same trajectory, the growth is going to be huge but having said that, you will notice that these relationships have grown by much bigger amounts, so almost 63% growth across the other partners. So, that's something which we have already achieved.

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

Neeraj Toshniwal: Yes, I wanted to understand our outlook on last quarter we spoke about that we'll be looking for passing on some benefits in terms of yield, over the course of time so where are we and how much would if any at all effect on our margin expansion. That is the first question, and second is on the Bima Sugam wanted to know that, that we are not too active on third party platform but would there be any change of strategy with the opening of this online exchange by the regulator?

Mahesh Kumar Sharma: Yes, so see outlook on interest rates it's a, basically a thing that we keep calibrating. Now if you look at the movement of interest rates, you really don't know whether there are going to be any more interest rate hikes. So, this is something which we are looking very closely and the product itself has got a very good demand that we have the non-PAR guaranteed, the guarantee that we are offering is finding very good uptake. Right now we are evaluating so we'll see how it goes. Obviously if I increase guarantee rates, the margin is going to go down by that much amount. There is no way you can increase the interest rates paid to the customer and increase the margin. So, that is not happening, but having it will be, we will keep close look on the interest rate movements and decide whether we want to do any such thing, obviously the customer is king and if the customer will buy only if there is a higher guarantee then obviously we will re-price and we will give a better guarantee there.

Bima Sugam is a good initiative by the regulator, it is going in the right direction with that kind of a thing we'll have to see what the contours of the platform are going to look like. And what kind of business can happen out there. But prima facie it's a very good idea and we were not on these earlier platform, because they were very expensive to be on, frankly speaking. So, I don't think it has got anything to do with our reluctance to be on a public platform. But we don't like to be on fixed platforms. So, platform which are fixed by somebody else, so therefore we were reluctant to be on other platforms. But Bima Sugam coming from the regulator and having all the right credentials, I don't think we will have any hesitation in going all out on that platform.

Moderator: Thank you. The next question is from the line of Anirudh Shetty from Solidarity. Please go ahead.

Anirudh Shetty: My first question was on our non-PAR book it's grown quite well. I just wanted to get a sense of you see enough availability of hedging instruments to keep growing this book at the pace that you all would look like to desire. And also, typically what percentage of this book is hedged for us and also, could you give a sense of what is the average tenure for this book, like how much would be different and how much is immediate?

Mahesh Kumar Sharma: So, the availability of hedging obviously we would like to hedge any kind of such a guarantee product, we can't go ahead without hedging unless you have a crystal ball and you know exactly how the interest rates are going to behave. So, failing to do that, we would like to hedge and we will continue to hedge so long as the availability is there. So, right now we don't see any problem with the availability, and we are able to hedge to the extent that we want to cover and I wouldn't like to give any percentage out here, it's something which we do at our end, but suffice to say that we are well hedged to take care of the uncertainties of the nature of the product it's a long term premium paying product. So, it goes from seven to 10 years, and therefore we are properly hedged there and we would like to continue to be hedged there and right now we are able to get what we want.

Anirudh Shetty: Got it. And sir there's a lot of opportunity to grow within the SBI branch network, can you just give us a sense of what is the share of branches that are activated, what is the long term number that we can kind of get to add and.

Mahesh Kumar Sharma: Almost all branches of SBI are generally active. So, maybe it may vary from month-to-month but on an average all the branches of SBI would be active with some minimum number of policies being sold. So, that is something which contributes to our growth in SBI, and that has been very steady if you can see over the past.

Management: And see our number are just under 40 lakhs per branch is what we have achieved and which is lower number than some of our leading private competitors, we hope to bridge that gap over years.

Anirudh Shetty: So, that was very helpful, what do you think is the right this productivity of 40 lakhs how do you see that trending over time, where do you think what is a more healthy number?

Mahesh Kumar Sharma: It can go up, see what happens is in India it is not a question of the availability of people to who need insurance, it is a limit of the people to understand that they need to buy insurance so, you keep talking to people and like any sale, you talk to 100 people, you get two, three sales. So, in insurance it is probably on the lower side there. So, you have to talk to a lot of people, it is not a very easy conversation to have. So, when you start the conversation saying that, suppose you die tomorrow, who will take care of your family. It's not a very easy conversation to start. So, that is why insurance business in India is taking a little while to actually reach that penetration level, which is there in many advanced countries. But having said that, there's huge scope. So, there's a lot of scope and if you ask me, I will tell you the global figures, overall figures that you see there is a 82% protection gap in India. So, the amount of protection that Indians need overall, only 18% of that is fulfilled. So, you know the kind of potential that exists out there. And that's true of SBI customers also.

Anirudh Shetty: Absolutely sir. And one final question, typically at these SBI branches how many SBI Life employees would be stationed over there as a rule of thumb?

Mahesh Kumar Sharma: So, I would like to say, but every branch should have one person who sells, who should typically be able to sell insurance.

Management: So, what happens is, we have support given to each and every branch of SBI. And unlike other players, we have multiple bank branches being handled by one BDM, of course there are some

Mahesh Kumar Sharma: No, not our employees he is asking about SBI employee. You are asking about SBI employees?

Anirudh Shetty: No sir SBI Life employees.

Mahesh Kumar Sharma: No, sorry I was talk about SBI employees, typically there should be one per branch at least that is the minimum that we need. And in bigger branches, there would be more, our own employees we have a very different kind of structure. So, there would be about one employee per 10 on an average, per 10 branches on an average, so that can change depending on the distance and all for example Northeast, I can't say that I will have 10 branches covered by one person, because the branches may themselves be 100, 200 kilometers away.

Anirudh Shetty: Do you see the need to add more because as you mentioned it's a touch, protection is a tough product to sell. So, do you think….

Mahesh Kumar Sharma: Our people not, see the whole idea of our model and why our model is cheaper is because we are following the regulatory instructions of the bank people doing the sale and our people are trading, hand holding them, helping them with the sale process. So, that is the model that we are following and that is why we are the lowest cost if I were to put one person per branch to sell from my side that I would be beating, I will defeating the requirements of regulation also and at the same time it would be a very, very high cost model.

Moderator: Thank you. The next question is from the line of the Dipanjan Ghosh from Citi. Please go ahead.

Dipanjan Ghosh: Two questions from my side. One is you alluded to the change in product mix within the non-PAR segment which kind of supported the margins during the quarter. So, do you like to throw some more color into the mix of the products in terms of policy term or customer age or tenure. And second, on credit life last year you have been guiding that you're focused on increasing the attachment rates at SBIs counter. So, what is the kind of progress that you see out there on that particular segment?

Mahesh Kumar Sharma: So, see the non-PAR, basically what Prithesh was trying to say is that there are products and therefore, you can't really put a figure from outside on what it is, we do the exact calculations and then we arrive at the margin. So, there are different products, there are different tenure for example even the non-PAR guarantee product it would have a tenure, 10P product and there would be an 8P product, then there would be a 9P product or a 7P product. So, every one of these will be having different margins. So, even a right shift in that demand would change the margin and really speaking. So, it's a very big deal what Abhijit said very clearly there is only a shift of 2% in the overall mix towards ULIP, and on top of that their credit life has grown very robustly. And also if you look at, so that can be explained by the inter product changes in margin, etc it would be very difficult. We would have to sit with an Excel sheet and talk about how many of each of those products got sold and all that. We know that but I don't think we can, we need to this on the call but the other thing is Credit Life like to say, yes we would like to increase the attachment rates. And we have increased the attachment rate from 47% to 48% in the similar period, last year we ended with 50% attachment rate. And this year, we would want to take it much higher. SBI has also taken higher targets because they feel that this is a very good product for their customers to protect themselves and their families. And in fact, the product itself is called a Smart Family Protect. So, this is something which we will try to increase the attachments rates.

Moderator: Thank you. The next question is from the line of Sanketh Godha from Spark Capital. Please go ahead.

Sanketh Godha: Sir the EBITDA of higher base impacted the growth in second quarter. And we all also have a higher base problem in third quarter of FY22. So, what makes you to tell you confidently that the growth of 20% or 25% can be achieved for full year, because we have a decline in the second quarter and same is possible in third. Even if we grow by 20%, or in the fourth quarter still the guidance of 20%, 25% seems to be tough to achieve. So, if you can give a little more color on that thing it will be useful sir.

Mahesh Kumar Sharma: Yes, absolutely you got a very good question. But, what you probably have ignored is that there was a peculiar circumstance in the last year in which you had April, May being totally washed out. So, that pent up demand spilled over into part of it, of course everything doesn't get fulfilled because people forget, people don't buy, people don't fulfill, but part of it gets fulfilled in the next quarter. So, that was the spike that I was talking about and not the normal spike. Normally, we have a seasonality which we take for the first quarter, the second quarter, the third quarter and fourth quarter. The third and fourth quarter generally we get the highest seasonality because the numbers, the demand and the sale everything happens in the third and fourth quarters, in fact whole of India works on the basis of a busy second half rather than the first half. So, the Kharif season is always less busy than the Rabi season. So, that is where all the money comes, that is where all the harvesting takes place, that is where all the things happen. And as a result of that, the money flow, the demand and especially the year end demand, by before the year end people want to do a lot of things within their budget. So, as a result, naturally during the last two quarters, there is always more activity and last year also having it's not a question of the base, the base is only to explain the lack of, happening lack of growth in the second quarter. If you look at the numbers, they are very robust numbers in the second quarter also, only thing is when you compare it with a quarter of only last year, there is an issue out there where it is not showing a growth, but if you look at sequentially, it is a very good growth. So, going forward every quarter three and quarter four has been stronger than quarter two, always in the past for SBI Life. So, that is where our confidence comes.

Sanketh Godha: Got it sir, and last quarter Q1 quarter you mentioned that income plans of non-PAR in Platina contributed almost 30% of the total business, if you can put a color how much it contributes either for only for second quarter. And can I say when you said that the product within the product, product within the non-PAR design helps in margin expansion. So, is it higher contribution of income plan or higher spreads you made in the current quarter contributed to the margin expansion?

Management: So, non-PAR, Prithesh go ahead.

Prithesh Chaubey: So, are absolutely right that non-PAR income plan is higher margin and has help us to enhance the margin as well. And you see that, depending on the premium paying term, we have the seven, eight and 10, so 10 has higher margin that's really help us, now we have other non-PAR products which is endowment, and if you compared to the endowment versus the income plan. Their income has high demand and this year, this quarter particularly Q2 while we see this slight decline in the non-PAR proportion overall, the proportion has increased more towards the Platina Plus with the income plan and that's really help us to give this margin.

Sanketh Godha: Sir what that number sir, last quarter it was 30% if you have that number handy?

Management: So, 22 to 25 somewhere around.

Management: So, if you see this quarter it is around 25%.

Sanketh Godha: Okay, got it sir. And the another question which I had was sir, we started VNB based on the revised methodology which you applied for FY22 full year numbers. Can you restate that which you reported in 1H FY22 not based on the methodology we use in FY23, because if I use that number of H1 FY22 what you have reported and look at EV growth it looks muted 10% so naturally the growth should be better than the 10 because assumptions may probably not appropriately in FY22 on that. So, sir if you can recheck that number would be very useful sir and, related to it wanted to understand how much EV got impacted in 1H FY23 because of MTM.

Mahesh Kumar Sharma: So, see we have not published our AOM from a EV and since we have not published our AOIM work, we have not restated number publicly, we're not disclosing those numbers. End of the year for the financial year we will go and do that so you get a right comparison from the March and in next March because March number are already under new base. So, we have not done that so we don't want to force those number at this point in time.

Sanketh Godha: Okay.

Mahesh Kumar Sharma: And same question on your MTM as well, because again this is economic variance coming from that. So, since we have not publicly disclosed those numbers, we do not want to comment on MTM, but the moment you will see this, our MTM losses would be similar to the sensitivity that we saw in 31st March not different than that. Second point is, if you look into the EV growth which you might be seeing as a muted, the first six months of the year EV growth of 10% is quite significant, because most of the business will keep improving in the second half. So, EV growth will be much higher every….Third point though we have not given the AUM, I can confirm that in operating variance all the aspects including the mortality, expenses, and persistency we have a very positive variance, we are expecting even better, because we are putting assumption as far as mortality is concern. And we have not diluted our COVID provisioning as on 31st March 2022, we still have that carry forward. So, by end of year we see more operating variance and you might be seeing more of robust ROAV. But at that point in time, we have to wait till our year end March 23 we will do that.

Sanketh Godha: Got it sir. And the last one from my side, see we are seeing improvement in the cost ratio, we are seeing improvement in the persistency. Our VNB which is 31% is for first half is still based on last year cost and persistency we have not touched assumptions yet. Sir, even just wanted to understand that lever itself is still available for you to report a margin even better than what you had reported in 1H sir?

Company Speaker: See, we can expect that margin would be better in same product mix, but if you see the product which will be changing over the next six months. So, while margin will be more or less similar I do see there will be some investment coming from but, I don't see any risk downside margin from the current level. I'm currently it is not exactly 31%, we are looking for some range of 29%, 28%, to 30%, 31% range. But definitely in the March sign we expect.

Mahesh Kumar Sharma: Yes. So, basically, this is largely conjecture because like I keep saying and I've said this till I will am also bored of saying it that we are basically selling products which that customer wants. And that doesn't change, I'm not pushing anything down anybody's throat because it has got higher margins. Obviously the margin will depend a lot on the demand that is there, but we will continue to give meaningful products to our customers and they will find it useful and as a result we will grow, we will grow our VNB, we will grow our EV. And margin, of course, will be a high healthy margin.

Moderator: Thank you. The next question is from the line of Madhukar Ladha from Elara Capital. Please go ahead.

Madhukar Ladha: So, most of my questions have been answered just, I wanted your comments on the new draft, regulations on commission and expensive of management. Our expenses of management are significantly lower than that 70% limit, I believe that will go to 50% to 55%. So, what I wanted to understand is, how can this impact us and could it lead to a scenario where our largest distribution partner and parent, then demands for higher commission payouts, your sort of thoughts.

Mahesh Kumar Sharma: I cannot speak for our distribution partners. But the whole idea is that a business is good, as long as it is sustainable. And so long as it is, it's like nobody would want to kill the golden goose. So, if you're doing good business and you're getting good results out of it, good revenue out of it, I don't think you will want to kill the business by saying that you give me everything and leave nothing for growth. So, I don't envisage such a situation first thing. Secondly, what is being attempted is, that there are a lot of companies which have been constrained because of these regulations. And they would like to have more freedom in the way they spend the expenses of management. So, that is where the regulator is looking at giving some higher degree of freedom, but I'm very, very confident that the regulator will still be looking very carefully at how it is being spent and how it is being managed. So, that there are no wrong practices coming in. So, I'm very confident that the regulator would think about all these things and there would be a good framework for that. Having said that, we have never been challenged in terms of either UM or commission payments so we don't think it is going to affect us directly. But, like you were saying the scenario that you were thinking about, any such scenario looks like coming up then you see what we need to do.

Madhukar Ladha: Sir, while SBI may not take all of it as commission, but there can definitely be a scenario where there is some sort of payout increase, have there been any discussions, anything on that?

Mahesh Kumar Sharma: This is all very conjectural, because this is very, very conjectural so, I wouldn't like to comment on this, if there is something concrete that comes up then we will discuss this.

Moderator: Thank you. The next question is from the line of Nitin Aggarwal from Motilal Oswal. Please go ahead.

Nitin Aggarwal: I have two questions on the annuity product, so first like what is really driving such strong market share gain in this business, like I want to understand how important pricing is behind the growth of this product, like you have always said that ROP product the customers are not so price sensitive, and they want money back in return. So, how competitive this product is when it comes to pricing and if you can also provide some color on distribution mix in respect to this specific line of business?

Mahesh Kumar Sharma: So, annuity product it is something which is very transparent in the sense that everybody, a person can go and search for annuity products and he will know what kind of returns he will get. So, if I'm able to sell a product it has to be competitive. So, that's what we have, we have a very competitive product and we are giving value for money and that's why it's selling.

Management: And all channels are selling, both saving and annuity products.

Mahesh Kumar Sharma: Yes, all channels are selling.

Nitin Aggarwal: Okay. And sir how do you see the growth going further in this product as interest rate rises and banks are also increasing deposit rates which can go up sharply?

Mahesh Kumar Sharma: So, see I don't think there is a direct connection between deposit rates and these products, because these products are totally different in structure. Deposit you will get for three years or maximum 10 years, today you can get a deposit for 10 years and you can lock in a rate of interest for 10 years back. In their annuity product you're getting for life. So, that flavor is totally different, in the deposit you get the money back and you have to deploy it again. So, there are two things out here, one is liquidity that you have the money, but again you will have to deploy it, and there is no guarantee what rate you will get it in. So, if it is a Euro, if you see in the last 30 years, the rates of interest have gone down to zero and minus also. So, if somebody imagines that after 10 years we will put it in FD, and then he will put it again at a better rate or something like that after 10 years, he will not get interest at all, you'll have to probably pay interest to do that, in the annuity product I cannot afford to do that, I have to give him whatever I have committed today, I have to keep paying him till somebody certifies that he is no longer there. So, there is a huge difference I don't think that this is driven only by interest rates. It is driven by the returns that are generated and the guarantee. So, you are able to give a guarantee that 50 years down the line if you're alive, I will give you this much amount. That is what is driving that business and it's a totally different demand and supply thing to fix deposits or any other investment, you can compare it probably with a 40 year bond or something but that's about it.

Management: We do see a lot of growth in this annuity business and particularly we see the….

Mahesh Kumar Sharma: Yes, because most of the India is not covered….

Management: It is maturing so we'll get a lot of NPS is converted to annuity products and retirement is happening for the people will buy.

Management: Most people don't have any pension or protection.

Management: In terms of demography, so this is on a small base, but the fastest growing demography in India. People above 50, 60 years age.

Moderator: Thank you. The next question is from the line of Anshuman Deb from ICICI Securities. Please go ahead.

Ansuman Deb: I have two questions, one is that you mentioned you had a tie up with India Post Payment Bank, and so has been the case for another leading private life insurers. I just wanted to understand the competitive intensity around, the tier two distribution or tier two kind of a places, has it increased. And, how comfortable is SBI sharing an open architecture with a leading private life insurer that is a question number one. And the question number two is, our sensitivity have increased, sensitivity interest rates so in terms of strategy do we have a strategy to kind of lower it down, or by changing the what you mentioned about products being decided by the consumer, but changing the product mix or changing other things to keep a control on the sensitivity to interest rates. These are the two questions.

Mahesh Kumar Sharma: So, see when you're talking about open architecture and with private insurer you're already in that kind of a situation with some of the banks. So, we are already in competition with other insurers in three public sector banks and two private sector banks, apart from this IPBP relationship that we have just started. So, there is no question about that we are the leading insurer in all these relationships, so we have the leading share in all these relationships so I don't think we are bothered with open architecture, per se. We got a very strong brand name, we have got very strong products, and they've got very good servicing and we have got a very good Company. So, I don't think we are bothered about that too much and of course we will keep pace with whatever developments are there.

So, coming to India Post Payment Bank Limited, basically the idea is that these are, this would expand our reach into the hinterland, into the deep rural areas, into the unbanked areas or underserved areas. So, State Bank is one such medium. So, we have about 23,000 branches then we have about 9000 branches of RRBs and so, this is another attempt on our site to cover all those black dark spots that we would like to think, where we don't have our complete presence in rural semi urban areas. And this would help us to do that and also in the urban areas also, then we could probably expand this whole thing. The idea is that there are more than 600 branches of 635 plus branches of IPBP, which are then connected to all the post offices. So, we are trying to have a model which we can then scale up and this is not going to happen overnight, we'll work on it. But we think it's a very exciting opportunity. And for a country like ours, we have two purposes out here one is of course, to grow the Company and to make a sustainable profits and all that, increase the customer base but very importantly to develop insurance in India, we would like to be known as a Company that actually grew insurance in India. So, that is something which we will take a lot of pride in. If we are able to achieve this objective of giving more and more Indians insurance cover.

Management: And sensitivity is just to aid that we explained earlier as well. This is a shift on account of the base effect. And particularly the shift in the is not parallel shift because it has gone up on sizable. And something happened on account FRA of writing guarantee product. Having said that, we should not be worried about the sensitivity by interest rate because this investment that we are making, we are making by held to maturity and in case interest will go subsequently, we will able to make more money on the side as far as the EV growth is concerned. So, there is no strategy that we are going to change in the performance, visually we will be able to manage that.

Mahesh Kumar Sharma: But you have said it yourself very clearly, that the consumer is at the center and therefore there is no attempt to fix the whole product mix what we would probably do is we'll try to introduce more products, which will find a better acceptability with the customer to try to influence their buying decision, but not the other way around trying to push our existing product where they are not suitable. So, firstly we find what is suitable for the customer, what he needs and then we'll give it to him. And if his needs are slightly different than we will develop a product and give it to him.

Ansuman Deb: I was just coming from the perspective that you also said right, for example in the first half. If I were to calculate the economic variance, you said you can use the sensitivity to calculate it.

Mahesh Kumar Sharma: Yes, absolutely.

Ansuman Deb: So, what I'm trying to say is that let's say I am projecting a two-year EV and I'm assuming or let's say the hypothetical year 200 basis point increase in interest rates, then your sensitivity is the highest. So, I'm trying to say that on that perspective as a business strategy we truly have a benchmark sensitivity that it should not go above that or something like that.

Mahesh Kumar Sharma: But basically the sensitivity is a concern so basically you use it to free what is likely, what could likely happen in the unlikeliest case, like for example the sensitivity is done on say plus 2%, minus 2% and all that. And that is not something which we are anticipating to happen in the next say one year or so. But if it does happen, what happens so the 4% sensitivity out there is three gauge maybe, higher than 2%. But it is still not something which will affect the Company negatively in the long run.

Management: See, there's are two point we'd like to mention here. One is that our sensitivity when 4% is similar to our other peers as well as the market. So, not very high sensitivity. Second point we need to look into that, if you look into our public disclosure in the past, we have successfully able to reduce our sensitivity vis-à-vis in last four to five year. This as we mentioned earlier, is the sensitivity at this point of moment and that also reflects some of the movement in the yield curve and how the same yield curve had changed. When anyone has to look into the longer term, you can look into March or even give a longer period. I am not going to change this strategy because six month we have not seen a lot of things in fact some impact coming from the FRA. But if you see other side because non-PAR saving were writing, we're getting priority valuer. So, this sensitivity is in our mind while framing our strategy in the product mix and other though our first preference is to customer. At the same time, we always adopt a long-term view in each and every places that we mentioned. And hence we are not to worry about the start or movement in the case of sensitivity and interest rate and that's the reason I mentioned that we should not be more worried about this recent particularly for the interest rate of scenario because we are writing the product annuity with longer term and able to lock in this thing, able to cope even the un-hedged book, we are able to reinvest our coupons on a higher yield, ultimately it is going to help us in the economic positive variance in future.

Moderator: Thank you. Ladies and gentlemen this was the last question for today. I would now like to hand the conference over to Mr. Mahesh Kumar Sharma for closing comments.

Mahesh Kumar Sharma: Thank you very much everyone. For all the questions, the questions that we get in the conference always keep us on our toes and it gives us an opportunity to understand our Company even better than we ourselves could. So, thank you very much once again, wish you all a very Happy Diwali and hope that going forward we all keep ourselves insured and safe. Thank you.

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