SBI Life
Apne liye. Apno ke liye.

August 03, 2022 SBIL/F&A-CS/NSE-BSE/2223/131

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 July 28, 2022

This is in continuation to our intimation letter ref. No.: SBIL/F&A-CS/NSE-BSE/2223/114 dated July 26, 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 July 28, 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
DN: c=IN, o=Personal,
2.5.4.20=b7aebdc9abb6c86a1a59955ee4cc02387f324e3db28d5f84bd727f0eb6aa6676, postalCode=400042, st=Maharashtra,
serialNumber=de78ad2d4c41f28d429c68640e9584f845065c355bb616c82d15df626f7cca8f, cn=Vinod Vijay Koyande
Date: 2022.08.03 19:16:16 +05'30'

Vinod Koyande
Company Secretary
ACS No. 33696

"SBI Life Insurance Company Limited
Q1 FY 23 Earnings Conference Call"

July 28, 2022

Moderator Ladies and gentlemen, good day, and welcome to Q1 FY'23 Earnings Conference Call of SBI Life Insurance Company Limited.

As a reminder, all lines will be in the listen-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 pressing "*" then "0" on your touchstone phone. Please note that this conference is being recorded.

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

Mahesh Kumar Sharma Yes, thank you very much. Good evening, everyone. And we heartily welcome you all to the results update call of SBI Life Insurance for the quarter ended, June 30, 2022. An update on financial results can be accessed on our website as well, as well as on the websites of both the stock exchanges.

Along with me, I have Sangramjit Sarangi, President and CFO; Ravi Krishnamurthy, President - Operations and IT; Abhijit Gulanikar, President - Business Strategy, Subhendu Bal - CRO; Prithesh Chaubey - Appointed Actuary; Smita Verma - SVP, Finance and Investor Relations.

Now let me give some key highlights for this quarter ended 30, June, 2022. New business premium registered a growth of 67% year-on-year and stands at INR55.9 billion leading to a private market leadership. Individual new business premium stands at INR34.3 billion with a strong growth of 87% and private market share of 24.5%. Gross written premium stands at INR113.5 billion, growth of 35%. Protection new business premium grew by 63% to 7 billion. Profit after tax stands at INR2.6 billion with an 18% growth over corresponding quarter last year. Value of new business is INR8.8 billion, registering a strong growth of 130% over INR3.8 billion in June, 2021, And the VONB margin is at 30.4%, which is an improvement of 665 basis points over 23.7% in June '21. We have aligned the value of new business VONB for quarter ended 30th June, 2021 in line with the 31st March 2022 disclosures.

Asset under management grew by 13% to INR2.623 trillion. Robust solvency ratio of 2.21 against regulatory requirement of 1.5.

I would also like to highlight on a few key initiatives taken by the Company. Considering and keeping the pace with customer needs, we have launched SBI Life Smart Annuity Plus. It offers a comprehensive range of annuity with an option of deferred annuity pay-out.

With a view to broaden our reach, SBI Life has tied up with Paschim Banga Gramin Bank a leading RRB in West Bengal. We have also signed an agreement with major FinTechs, RenewBuy and PhonePe Insurance Broking Services Limited to be agile with changing customer behavior. With this, we have successfully delivered customer-centric profitable growth in this quarter.

We will update you on each of the key elements in detail and will start with the premium, being one of the prime focus areas of the company, individual new business has grown to INR34.3 billion with a growth of 87% year-on-year. Single premium contribution is 28% of the individual new business premium, which is mainly attributed to growth in individual annuity product. The Company gained the private market shares by 569 basis points to 24.5%.

On individual rated new business premium, we stand at INR25.8 billion with a growth of 86% and private market leadership with the share of 24% having improvement of 511 basis points over the corresponding quarter.

Also, group new business premium stands at INR21.6 billion with a growth of 43%. As we said that we have collected total new business premium of INR55.9 billion, registering private market share of 21.9%. The renewal premium grew by 14% to INR57.6 billion, which account for 51% of the gross written premium.

To sum up, gross written stands at INR113.5 billion with a growth of 35%. Total APE stands at INR29 billion, registering a growth of 80%. Out of this individual. APE stands at INR26.1 billion with a growth of 87%.

During the quarter ended June 30, 2022, a total of 4.14 lakh new policies were issued and registered a growth of 61% over the quarter ended June 30, 2021. Individual new business sum assured registered a growth of 52% over the corresponding quarter last year, that compared to growth of 60% at private industry level. Considering the adverse impact of COVID-19 in Q1, FY ’22, followed by a strong performance in subsequent quarters of FY ’22, we expect a steady growth in our performance over the coming quarter and to end the financial year 2023 on a strong, healthy note.

Coming to the product mix, we are happy to report that the company has seen strong growth across all product segments. Our guaranteed non-par savings products are contributing 23% of individual new business premium, and in the total APE business, this contributes 28%. Non-par guaranteed product new business has registered a growth of 621% y-o-y, mainly due to the new business contribution of Smart Platina Plus, a new product which we launched in March last year of INR6.1 billion in the quarter ended June 30, 2022.

This product was launched in March and has seen a strong traction in the new business premium, mainly due to the product features witnessing high acceptance in the market.

ULIPs have remained one of the flagship segments for the company. Individual ULIP businesses is at INR17.6 billion, which constitutes 51% of individual new business premium and has showed a growth of 42%.

Individual Protection is at INR2 billion, registering a growth of 55%. Group protection stands at INR4.9 billion with a growth of 66%. Credit Live New business premium has grown by 73% and stands at INR4.1 billion. On APE basis, protection contributes 11% of new business, and registered a growth of 46%.

Annuity business is at INR6.5 billion and contributes 12% of new business premium. Total annuity and pension underwritten by the company is INR11.6 billion, registering a growth of 7% over quarter 30, June, 2021.

Group Fund Management businesses at INR15.2 billion, with a growth of 93%. All our distribution partners, we have a strength of more than 54,000 CIFs. SBI and RRB bank insurance business contributes a share of 55%, and grew by 107% in Individual New Business Premium. And on Individual APE basis, it stands at INR17.4 billion with a growth of a 100%.

Agency, another strong channel registered new business premium growth of 50% and contribute 17% in new business premium. Agency channel individual APE stands at INR7.6 billion with a growth of 64%. As on June 30, 2022, the total number of agents stands at 1,61, 923. There is improvement of 61% in the agent's productivity levels on individual NBP basis as compared to the corresponding quarter last year, and greater use of technology is assisting in better engagement in the entire value chain from recruitment and training through to lead generation, sale and customer service.

During the quarter, other channel grew by 82%. This constitutes direct corporate agents, brokers online, and web aggregators. So this grew by 82% in terms individual new business premium, and 89% individual APE. Protection new business premium through other channels registered a growth of 23%.

Partnerships like Indian Bank, UCO Bank, South Indian Bank, Punjab & Sindh Bank, and Yes Bank registered a growth of 125% overall. These partnerships have started contributing 3% of the individual new business premium.

On profitability, the company's profit after tax for the quarter ended 30th June, 2022, stands at INR2.6 billion with an 18% growth y-o-y. Our solvency remains strong at 221% on June 20, 2022. Value of new business is INR8.8 billion with a growth of 130% y-o-y as against INR3.8 billion in the corresponding quarter last year. VNB margin is at 30.4% vis-à-vis 23.7% in Q1 FY '22, with an improvement of 665 basis points. Growth in VNB and VNB margin is scaled by significant new business premium growth and change in product mix with predominantly non-par guaranteed saving segment growth. With our growth targets and product mix shift, we expect to maintain the healthy VNB growth rates.

On operational efficiency, OpEx ratio reduced to 6.6% for the quarter ended 30th June, 2022 from 7.2% for the quarter ended June 30, 2021. Our total cost ratio stands at 11.2% for the quarter ended 30th June, 2022, vis-à-vis 10.5% for the same quarter last year. With respect to persistency of individual regular premium and limited premium paying policy, 13th month persistency stands at 85.6%. Company has registered as significant improvement in 49th month persistency of 403 basis points. We have witnessed fair growth in almost all the cohorts.

As mentioned in the opening remarks, asset under management stands at INR2.6 trillion as on June 30, 2022, having growth of 13% compared to the last year, same quarter.

The Company continues efficient use of technology for simplification of process with 99% of individual proposals being submitted digitally, 40% of individual proposals are processed through automated underwriting.

To conclude, we have focused on striving ahead against all odds by building a robust value system and foundation that are an amalgam of multiple forces, including our investors, customers, distributors and our own people and other stakeholders.

As we move forward, digitalization and automation will remain at the core of ensuring customer satisfaction. We continue to aim toward sustainable and profitable growth in the long term.

Thank you very much, and we are now happy to take any questions that you may have.

Moderator Thank you very much. We will now begin with a question and answer session. Anyone who wishes to ask a question may press "*" and "1" on the touchstone telephone. If you wish to remove yourself from the question queue, you may press "*"and "2". Participants are requested to use handset while asking your questions. Anyone who would like to ask a question, please "*" and "1" at this time. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first questions from the line of Dhaval Gada from DSP Investment Managers. Please go ahead.

Dhaval Gada Yes. Hi, sir. Congratulations on strong numbers. I just had a couple of questions. First is relating to the non-par segment. So we've seen very strong growth this quarter. And if you look at – like, FY '22, which is about INR1,700 crore of new business premium, already in 1Q we did about close to INR800 crore. I just wanted to understand this product mix shift that we see, do you see it a sustaining throughout FY '22? Like do you see far more traction of Smart Platina Plus for the rest of the year as well? Any thoughts, comments around that?

Mahesh Kumar Sharma Yes, so, this is a product which we found was customer preferred and customers wanted. Our Platina assures -- Smart Platina Assure, which we launched earlier also was doing very well. And this is a band where you have income. So that income product, we felt that we didn't have in our bouquet. And we introduced that. And the customers have taken, I mean, it's got very good traction.

I think going forward also there will be good traction for this. And therefore I'm sure that there will be more non-par Platina being sold going forward.

Dhaval Gada And sir, what's the margin differential between company margin and this non-par segment margin? You mentioned in the presentation that a large part of the margin shift that we've seen is…

Mahesh Kumar Sharma Yes, it'll obviously higher. We don't want to go into exact numbers. We don't give out exact numbers, but then the idea is that it is definitely very margin accretive. So it is definitely there.

Dhaval Gada Understood. And sir, the second question is around the assumption -- operating assumption change you mentioned in the margin slide, the margin walk, that there have been some negative operating assumption change. If you could just specify what drove that, that would be useful.

Prithesh Chaubey See, just to clarify, we have not made any change in our operating or methodologies. Assumptions remains unchanged as we have used in the 31st March, 2022. Since we have given this walk from the last June to this June, this March changes are coming. This is part of the normal exercise that we always do at year-end. As I said, this is mainly on account of modality of incidents that we explained in the March column.

Dhaval Gada Understood. And sir, the last question is relating to the reserve that we have towards COVID-19 pandemic. What I mean, how do you see this evolving at the end of the year? Like do we see write backs in the fourth quarter, if any? Or we'll use in during the course of the year? I mean, how do we intend to utilize these reserves?

Mahesh Kumar Sharma Frankly speaking, I need a crystal ball for this because last two years also we had made some provisions for COVID related things. There was One Wave, Second Wave, Third Wave. So we really don't know how the whole thing is going to pan out. As far as I can see there's a very strong vaccination program in the country, which is very successful. Overall hospitalization and mortality rates have come down hugely.

So naturally speaking if the trend continues, yes, this whole thing could be actually super fluid and we could actually write it back. But right now, I can't predict. So with two years experience of the pandemic, we have actually kept this reserve. I think it's a very prudent way of doing things going forward.

In any case, I think one of the things that every insurance company will do going forward, and I think every company in the world is going to do is going to keep a slightly higher pandemic reserve than we were doing earlier. So earlier in '20, when the pandemic struck, we had a reserve INR42 crore or something. I don't remember the exact number right now, but I think it was around INR42 crore. Today, we know from experience that we need much higher when actually a pandemic strikes. So even with that point of view, I think we need to keep a higher amount as reserve. So I think that is how I look at it.

Dhaval Gada Got it, sir, and wish you all the very best. Thank you.

Mahesh Kumar Sharma Thank you very much.

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

Swarnabha Mukherjee Thank you for the opportunity, sirs, and congrats on a great set of numbers. So first question is again, sir, on the traditional savings product, and particularly through the banca channel. So I think banca has generally been heavily skewed towards the ULIP product. And this quarter that has been kind of now that mixes move towards this traditional savings. So is this a strategy that we are going to see through the banca channel going ahead also, or if the sentiment related to the ULIP comes back in general, we are hearing that there is some amount of weakness in -- for the ULIP product in the industry. So if the sentiment comes back, then will the mix to the earlier set of numbers, if you could throw some light on that?

Mahesh Kumar Sharma Yes, so I think my answer would be what I've been saying quarter on quarter for the last many quarters that we don't actually determine the consumer behavior. So this is a product which we have launched which has got acceptance in the public. I think there are circumstances which are encouraging people to go for guaranteed return products, but ULIP is also growing. So if you can see vis-à-vis last year same quarter, our ULIP has grown by 42%. And it's not small , even though there was a base effect. But still even if you didn't have the base effect, you'll still find that there was some growth over what would've been the ULIP numbers. So that way I don't think that we would like to fix the customer preference.

And right now as we see there is a good demand and this product probably -- people were probably waiting from our table. And that is why you see this good, very good demand. And not only in banca channel, I think you are reading it wrong. We have it -- have the same kind of demand in the agency channel also.

So -- and the agency channel is very different from the banca channel, just like chalk and cheese. So I don't think there is anything to do with the bank customer or anything as such. People are finding it a useful, good product, good returns. And that is what I think is helping the product.

Swarnabha Mukherjee Sure, sure, sir. Helpful. Sir, in terms of par also will that similar comment apply because par, what we have been seeing is that it was slightly timid in the past few quarters, and it has now come back very strongly this quarter. So has there been any new product introduction in par or…

Mahesh Kumar Sharma So par, I think there was a shift from par to non-par, I think in the last couple of years, you would've seen, that as our non-par Platina grew in popularity, I think we had some loss in the par because I think the whole market is probably related. So right now we have a very good -- we have very good products.

I think it's only a question of the customer exercising the choice. And our training of our own agents and all does help them to refresh some of the products that are already in the table. And sometimes what happens is that you have that aha kind of movement and the agent think that this is something which I -- my customer would like very much. And then you start clicking.

So this is I think that is all there is to it, but I -- from what we see from the ground, and we have asked these questions very pointedly to our marketing people, and we find that there is more requirements for par. And going forward, I think this will also grow slightly more, at least. At least from this level, it is going to grow.

Swarnabha Mukherjee Sure, sir. Sir, what is the share of the new product in non-par out of the non-par APE?

Mahesh Kumar Sharma 30%.

Swarnabha Mukherjee Okay, sir. And couple of data points, if you could share, generally you have shared this in the past calls. So the split of Group protection under Group Credit Life and Group Term Life, as well as for individual protection under TROP, if you can give the links.

Mahesh Kumar Sharma I request that we send you the figures because right now I'll have to actually look for it in the doc that I have. So can I send it across to you offline?

Swarnabha Mukherjee Yes, yes.

Mahesh Kumar Sharma Thank you.

Swarnabha Mukherjee Yes. Thank you.

Moderator Thank you. The next question is from the line of Adarsh Parasrampuria from CLSA. Please go ahead line. He seems to have lost his line. So we'll move to the next question, which is from the line of Sanketh Godha. Please go ahead.

Sanketh Godha	Yes. Yes. Thanks for the opportunity. Sir, you said the non-par business, which is 28.3% of the total APE. Out of the total non-par, 30% was contributed by new product launches, that is income plan, right, sir?
Mahesh Kumar Sharma	Yes.
Sanketh Godha	Yes. And what was the margin profile or income plan compared to a non-par product in that sense? And I just wanted to understand in the past, we have said that the non-par, probably not more than -- 15% if of the total APE because it spoiled the distribution setup. If we do a lot of non-par, if the product – if the cycle is not in their favor, so now it is 28.3% of the total business. From the full year point of view do you expect this 28.3% to moderate, to like 15% to 20% for the full year?
Mahesh Kumar Sharma	Yes, I don't know. I mean, looking at the trends, I think that it should be around this level, say, 25% to 30%. I think that that would be my own intuition on this. And as far as the margins are concerned, I think it's almost -- it's all comparable. It's not very different.
Sanketh Godha	Got it, sir. Somewhere, we have struggled in the current quarter with respect to the annuity business because it's flat year-on-year both in APE terms and individual business terms, so it's more slowed down in the business or it is in the individual business?
Mahesh Kumar Sharma	The annuity, I think, annuity has grown by…
Sangramjit Sarangi	So annuity grew by 3%.
Mahesh Kumar Sharma	3%, Yes.
Sangramjit Sarangi	But overall, if you see, the focus is there. And overall pension in the annuity business has grown by 18%.
Mahesh Kumar Sharma	Yes. So pension and annuity business has grown by 18%. There is definitely a focus out there, but then like I said some of this will depend a lot on the customer demand also
Sanketh Godha	Got it. And finally sir, just on -- when you said pension product, it is predominantly ULIP pension product that's what you're referring to, or -- because when we look at the other peers, ULIP has struggled for everyone because the market being little choppy. Everyone has struggled to grow the ULIP business. So in our case, it seems to be still – decently very good. So sir, just wanted to understand…
Mahesh Kumar Sharma	You know, ULIP business depends a lot on the returns that you give to your customer. It doesn't depend on whether -- you are not trying to actually sell ULIP to people who don't want it. We sell ULIP to people who understand the product and therefore they also understand the -- how much they need to wait for. And also sometimes the market fluctuations will be there. And yes, they have options to choose between various funds, including debt, equity, balance. So there are so many kinds of funds that we have at each of those -- so we see some shifts going from one to the other or something. But I have to say that right through our equity portion has grown rather than debt over some -- over the last couple of years or so. Going forward, I don't know how much that will sustain because markets have not been very good. But then if people understand markets, then maybe this is a good time to invest also.
Sanketh Godha	But this – which of the ULIP -- how much portion would be ULIP pension for that?
Mahesh Kumar Sharma	ULIP pension, one second. Let me check about pension.
Sangramjit Sarangi	We'll come back to you, Sanketh.
Mahesh Kumar Sharma	Yes. So we'd like to come back to you with that figure.

Sanketh Godha And sir, last one, in the non-par, which is 30% is an income plan right now, given it's a new launch, whether it might become higher contributor in the entire non-par side going ahead given the traction will be there in this particular product? And we believe that income plans generally have a better margin profile than the non-par plan. So this 30%, how do you see it to improve going ahead, or it'll remain at these levels only?

Mahesh Kumar Sharma Well, very difficult to predict, but if you see the demand, then maybe it'll actually grow a little more on that product than on some of the other products that we have. Having said that, all other products also have -- are feel good demands. So in spite of the very strong growth, if you look at the growth figures in the segment, then it is not only this product which has grown, but this is a new product. And obviously the latent demand would get satisfied earlier than later. And then after that, it'll probably settle into a pattern. I really cannot predict the pattern, but I suppose there will be some more growth in this product going forward.

Sanketh Godha Got it. And sorry, last one sir. How much of this non-par is backed by FRA and how much is backed by PPD, sir?

Mahesh Kumar Sharma So we have both the products partially paid bonds and FRAs. And we are doing a hedging depending on the kind of requirement that we have and our own policy of hedging. So we are in line with our policy of hedging.

Sanketh Godha Got it, sir. Yes, that's it for my side. Thank you.

Mahesh Kumar Sharma Thank you very much.

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

Shyam Srinivasan Hi, good evening. And thank you for taking my question. Sir, just first one on the protection business. I think retail protection, we have seen 50%, 60% growth. So this continues to be a slightly outlier to some of the peers who are seeing decline. So if you could just walk us through some of the dynamics around what is driving that market share, gain and ROP. Are we just harvesting our own customer pool, or are we able to compete effectively with external customers as well? So some thoughts or color there will be helpful, sir.

Mahesh Kumar Sharma Yes, so if you look at our protection growth, we have had a decent protection growth in our agency channel also. And so that is -- if you want to talk about competition, that is competition. You have to go in the market and get it. The divide is there. And our growth, if you look at the requirement in India for protection, there is a huge protection gap. So almost everybody needs protection.

Now, our growth in protection is about 47%. And that growth comes out of selling good products. So we've been saying this earlier also, I think earlier questions used to be, why are the others able to sell more? Why are you not selling as much as the others and things like that?

So we always used to say that we have a steady growth because we are looking at the customer's need and we are fulfilling that need. Again, the same question used to be for that term with return of premium. And there was this halo around pure term insurance. You can see what has happened to your term insurance. There are something which are not sustainable and something which are probably forced on people.

So this TROP is something which is an ideal product for India. And I think we have -- it's a very sweet spot where people understand this product and people also understand that if they survive, they get something back. These are two things which help to spread insurance awareness also in the market. So I think we should say that rather than being out outlier, we are the pioneers in doing this spreading of insurance in a sensible manner.

Shyam Srinivasan Got it, sir. That's helpful. Sir, second question is on Guaranteed. I think you called it out as 23% of total APE, right? So it seems to be related to your own pass, that number has jumped up quite a bit, quarter-on-quarter, even year-on-year, right? So what is a comfort level in the sense that you talked about your hedging, you said that it's under Casper policy, but we can't write unlimited number of such policies, right? Maybe there is unlimited amount.

Mahesh Kumar Sharma If I can hedge everything, I can write unlimited. So that is the main thing. See, we are very comfortable as far as our position right now is. And as far as we are able to do that and customer demand is there, I think we'll continue with this approach. Plus, of course, the recalibration will come in terms of pricing. So what happens is that when the interest rates grow in the market, the expectation will grow. Then you reprice the product, then it depends on how much you reprice it, whether you are in line with the market, whether you are more than the market, whether you’re less than the market in repricing. So that will also determine what kind of growth comes. So these things will be determined by the demand, what the customer needs and what we can sustainably do going forward.

Shyam Srinivasan Sir, last question on this, just a technical, so average duration on this portfolio, if look at your presentation, seems to suggest a very 20 plus years kind of duration, is that right? Or you have a limited pay, which actually makes the average duration on that portfolio lower?

Prithesh Chaubey This is a limited pay. So maximum premium pay in terms of the product is 10 pay for the income plan and the 7 pay for the endowment plan. So this can’t be 20 years, it will be much lower than that.

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

Mahesh Kumar Sharma Yes. Thank you.

Moderator Thank you. Ladies and gentlemen, in order to ensure that the Management will be able to address questions from all participants, we would request you to please limit your question to two at a time. Should you have a follow up question, please rejoin the queue. Thank you. The next question is from the line Adarsh Parasrampuria CLSA. Please go ahead.

Adarsh Parasrampuria Yes. Hi sir. Sir, I'll have a follow-up on the previous question. The constraint on what you can send given that you're seeing demand will be on hedging.

Moderator So sorry to interrupt you, Adarsh, your audio is not very clear. I would expect you to come under handset mode.

Adarsh Parasrampuria Okay. Yes, I've just moved. So sir, the question was a follow-up on the previous one. So you've had a spectacular result, a lot of it driven by the mix change. The only constraint, always for every player, is the hedging. And since you believe that a lot of this momentum that you're seeing can continue, it'll really help all of us if you could, in a little bit more detail, explain your hedging policy. And because for us, it'll make your margin outlook a lot more sustainable if there isn't very effective hedging policy on this?

Mahesh Kumar Sharma Yes. So see, what happens is what are you hedging against. So we are hedging against the change in the interest rates. So what is the period that you need to hedge for? The period up to which you are uncertain about the influence? So the influence will come at future point of time and at that time you don't know what is the return you are going to get, and that is what you are hedging. So till there is visibility, let's say, in the next year, two years or whatever, at any given point of time, the kind of visibility that we have, we would be comfortable in investing directly for that portfolio. And anything beyond that, what will happen is that we'll have to wait and watch what are influences and what is the rate at that point of time?

So then instead of waiting and watching, we hedge that. So that is exactly what we are doing right now. I don't know if that gives you the clarity that you're looking for.

Abhijit Gulanikar Sir, what we are saying, Adarsh, is for the future outlook, for Year 3 onwards, whatever are the expected premium inflows, majority of the inflows are hedged. We will not be able to share percentage, but majority inflows are hedged, and that is as per Board approved policy.

Adarsh Parasrampuria Sir, if you just throw some light on what's the premium paying terms in most of these policies, like what you've sold this INR800 crore, approximately a ballpark number of what the premium paying term is? Are these like five, seven years only, or are these mostly longer product?

Mahesh Kumar Sharma 7 to 10 years. So the product is 7, 8, 10.

Adarsh Parasrampuria Got it, sir. Sir, now coming to the second question, obviously, if you believe you can deliver a similar momentum or in the same vicinity, maybe about six months back, you had guided to a 30% margin over a three year period and we are like fifth quarter or just starting FY '24, and your margins are north of 30%. And if you sustain this product mix, then obviously it -- the margins look sustainable. So just wanted to understand how you all are looking at it, how the Board is looking at it? Because this is a phenomenal jump in margins and just wanted to understand how sustainable it looks to you all.

Mahesh Kumar Sharma So margin is not something that we are chasing per se. We are looking at the bigger picture. We need to have the value of new business go up, we need to have the EV go up. So that is what will show that we are growing as a company and we are doing -- going in the right direction.

And margin is one of those factors -- so margin, I will not be stuck on a particular number for the margin because going forward, if I sell more of some of the other products, for example, ULIP, if I sell slightly more of ULIP, then the margins can slightly come down from this level also. But then the value that I deliver will continue to grow because we are looking at good growth going forward, upwards of 25% growth in premiums.

And I think that is a -- that is something which we think is sustainable as we see it now. We have done extremely well in the last couple of years given that there was a pandemic and we had virtually zero business in some of the months, at least for weeks, we had some -- much lesser business. So we think that we will be able to sustain.

Nothing is unlimited, but if you look at the potential that you have in India, it's humongous. The potential that you have for insurance is huge. Almost 82% of the people are not covered to the extent that is required. The protecion gap is 82%. And if you look at the coverage of insurance to GDP is 3.2%. So the scope is vast. So it can literally -- actually the whole business can grow to anything from here.

Adarsh Parasrampuria Got it, sir. This is helpful. Thanks.

Mahesh Kumar Sharma Thank you.

Moderator The next questions from the line of Avinash Singh from Emkay Global. Please go ahead.

Avinash Singh Yes, hi. Good evening. A couple of questions. Firstly, on your accounting profit. I mean, coming from that last year's base, when there was a kind of a few COVID Delta Wave, the profit accounting terms, of course not a very key number, but looks a bit muted. I mean, is that largely an impact of higher new business strain because of the change product mix and…

Mahesh Kumar Sharma Yes, Yes, absolutely. You got it on the button.

Avinash Singh Okay. And the second in terms of your distribution, I mean, of course you have typically a very gradual branch addition track record, and it's sustainable. Now you are close to 1,000 branches and of course your largest bank distributor is only present almost across India. So now, I mean, in terms of branch addition is – now you are done, or you're going to stop, or you own branch addition will also continue at the same pace you have been doing for the last couple of years?

Mahesh Kumar Sharma So we have been growing at a very, what do you call it, sensible pace, I should say. If we look at the potential that is available and any areas which we have not covered earlier, that we think there is good potential, or any area that has got very good potential and we have inadequate staff or representation out there. So that is -- those are the places that we grow. And I think we will continue to look at it in the same fashion.

We have never had to open branches and then close them. So we do have a very good approach to this whole thing. We do a very scientific analysis of the kind of business that is available, and then we grow that. So the branch network also, I think at, at least as of now into the near term or even the midterm, foreseeable future, I don't think we are going to actually stop expansion.

So expansion will be there but as you can see, the numbers are not huge. So we probably add about 30, 40 branches every year and that is, I think, very, very sustainable

Avinash Singh And one data keeping, I mean, what sort of a run rate currently your individual term is seeing on Yono platform. I mean, is some momentum continuing or has sort of the momentum come to a halt?

Mahesh Kumar Sharma Yes, Yes, there is a good traction on the Yono platform. And this year we have taken good targets to further ILS also. So that is something which we will continue to focus upon.

Avinash Singh So sir, what's the current rate on protection side. I mean, retail protection on Yono platform

Sangramjit Sarangi Yono, we are only selling protection, actually.

Mahesh Kumar Sharma Yes, right now we have only protection on Yono.

Avinash Singh Yes. What is a premium run rate. Any sort of number?

Sangramjit Sarangi Premium is small. At this moment it is very small, but we are aiming for a big number along with other products going to be introduced in this platform. So in this year we are expecting good jump as far as the Yono platform is concerned.

Avinash Singh Okay. Okay. Thank you, sir.

Moderator Thank you. Request participants to please limit your question to two at a time. The next question is from the line of Neeraj Toshniwal from UBS. Please go ahead.

Neeraj Toshniwal Hello. Congrats on huge set of numbers, sir. Just wanted to know last year in August, we did repricing of both non-par product and the term insurance plan, and we told that we -- another year we won't be changing anything especially for the non-par protection. Where are we in terms of repricing both the products now? We already have a launch of new variant of the non-par saving. Wanted your thoughts. And are we looking to maintain our spread there with the rising interest rates and with the dates going up? How we are thinking about it?

Mahesh Kumar Sharma So, like I said, for the non-par savings products, our pricing will depend on the market conditions, the interest rates. So going forward also, we'll keep a look at the interest rate movement. And we don't want to be very far away from the market.

Prithesh Chaubey Just to add that we keep mentioning that we do very active pricing for all our non-par products, particularly in view of the interest rate movement and our term and condition on which we are getting the forward rate agreement on that side. Accordingly, we are actively repricing, looking through the market scenario and our objective is to optimize available both for the customer and for us, and intention is to maintain the spread that we're getting today. So as long as we're able to maintain this spread and able to hedge this interest rate, I think will continue to keep doing that. So difficult to comment that when we'll do that, we have continuous pricing. So one by one, as and when required, we will keep repricing.

Neeraj Toshniwal Okay. And, more color around the protection will be helpful, as in to understand the -- because now the whole industry is now doing ROP similar to what we're doing. Has competition really increased or it doesn't affect us, because our…

Mahesh Kumar Sharma I don't think it affects us much because we are expanding the market. We are going and selling -- these are products, which people -- new people who are not covered by insurance are buying. And if they see value in the product, we will continue to buy that. And we will keep looking at the pricing to make sure that it is sustainable for us and it is viable for the customer.

Neeraj Toshniwal Got it. And last question for ULIP, what to understand -- though we have done well in terms of y-o-y growth when it comes to low base, so where do we think the ULIP kind of settling for the full year given overall industry is struggling. We have done little bit better, but still it'll be…

Mahesh Kumar Sharma I think ULIP should be somewhere around 55% around. So it could be, say, somewhere around 50% to 60%. But ideally, my own feeling is that it would somewhere around 55% to 60%.

Neeraj Toshniwal Got it. That is helpful. Thank you so much, sir.

Mahesh Kumar Sharma Yes. Thanks.

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

Madhukar Ladha Hi, good evening, everyone. Congratulations on an exceptional set of numbers. I have a few questions and sorry, I joined in a little late on the call, so I may have missed this if it's already discussed.

First, do you have some sort of limit for how much non-par you could write? I understand that there is a lot of demand, but internally have you sort of kept a limit for yourself that of my entire product mix, this is the extent to which I'm okay writing non-par?

Second, there is a change in assumptions which has impacted margins by about 50 basis points. What is that?

Third, on the individual annuity business, can you -- so my calculation suggests that we've done about INR60 crore, can you just verify that?

And finally, the next two quarters were very strong sort of last year, so now the base is very high for us going into the balance part of the year. And we are hearing some talk about the rural slow down. Maybe you can give us some context, some commentary around the demand environment and how confident you are of growing on this base for the balance part of the year?

Mahesh Kumar Sharma Yes. So first let me talk about your individual annuity. Yes, you have a correct figure, I think is around…

Sangramjit Sarangi INR51 crore.

Mahesh Kumar Sharma INR51 crore on individual annuity, and as far as the limit to the non-par is concerned, we don't have an internal limit, but my own sense is that we would be around this kind of a level, maybe 25% to 30% of our portfolio, because I do see the other parts also growing.

So a lot of it is growing. When you come back to growth, then Yes, as of now, we -- obviously there is a base effect to all these numbers. So I don't think we'll continue to grow at 87% of something in some of the things, but our target is about 25 plus percent and then after that sky is the limit. So 25% is what we will aim to have. And my sense is that we should get there.

Yes, coming to the assumptions, I'll ask Pritesh to…

Prithesh Chaubey There is no change in this quarter. The impact that you were seeing in the – what is the assumption is the change that we are done in the month of March at year-end. Since we're showing this walk from December to -- sorry, June to this June, this impact is coming from, but there is no change in assumption. And the changes that we have done in March is mainly account of reinsurance writing some of the things and moderating. Nothing else.

Madhukar Ladha Got it. Understood

Mahesh Kumar Sharma Thank you very much.

Madhukar Ladha So 25% on last year's base

Mahesh Kumar Sharma That is what we are targeting, yes. For the full year.

Madhukar Ladha Okay. Okay. All the best.

Mahesh Kumar Sharma Yes. Thank you.

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

Deepika Mundra Good evening, sir, and congratulations on a great quarter. So just want to understand at the product level margin, is there any product where the margin is changing? Particularly on non-par, are you seeing significant benefit of higher spreads which is helping the margin other than just the mix increasing?

Mahesh Kumar Sharma So like we said, we'll try to optimize the prices so that we also have a sustainable product and the customer also gets value. So I don't see sudden changes in that kind of thing.

Deepika Mundra Understood, sir. That is my only question. Thank you.

Mahesh Kumar Sharma Thank you so much.

Moderator Thank you. As there, no further questions from the participants, I now hand the conference over to Mr. Mahesh Kumar Sharma for his closing comment.

Mahesh Kumar Sharma Yes. So I'd like to say thank you so much for supporting. And we hope to continue to deliver all those expectations that we have from all of you, and from our customers. And going forward in this year, if we have a COVID free year, and if there are no other disruptions, which I essentially hope there won't be, I think we'll be able to come up with a good performance by the end of the year.

Once again, I thank all the stakeholders, all our friends here for – on the conference for listening patiently to us. Have great evening, and wish you a very safe and healthy future. Thank you.

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

****