Apne liye. Apno ke liye.

July 31, 2023 **SBIL/CS/NSE-BSE/2324/76**

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General Manager
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Phiroze Jeejeebhoy Towers,
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Mumbai 400001
BSE Scrip Code: 540719

Dear Sir / Madam,

Subject: <u>Transcript of Earnings Conference call for Q1 of FY 2023-24</u>

This is in continuation to our intimation letter ref. No.: SBIL/CS/NSE-BSE/2324/75 dated July 25, 2023 and in compliance with the provision of Regulation 30 read with Schedule III (Part A) (Para A) (15) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we enclose transcript of the earnings conference call held on Tuesday, July 25, 2023

The transcript of the earnings conference call with analysts/investors is hosted on the Company's website at www.sbilife.co.in

You are requested to kindly take the same on record.

Thanking you,

Yours faithfully,

Vinod Vijay Koyande

Digitally signed by Vinod Vijay Koyande
DN: c=IN, o=Personal, title=4318, pseudonym=13327131059884O719EOhJ8o9P1xjHS5, 2.5.4.20=b7aebdc9abb6c86a1a59955ee4cc02387f324e3db28d5f84bd727f0eb6aa6676, postalCode=400042, st=Maharashtra, serialNumber=de78ad2d4c41f28d429c68640e9584f845065c355bb616c82d15df626f7cca8f, cn=Vinod Vijay Koyande
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Vinod Koyande
Company Secretary
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Encl: A/a

“SBI Life Insurance Company Limited Q1 FY’24 Earnings Conference Call”

July 25, 2023

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

Moderator: Ladies and gentlemen, good day, and welcome to the SBI Life Insurance Company Q1 FY '24 Results Conference Call. 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 star and then zero on your touchtone phone. Please note that this conference is being recorded.

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

Management: Thank you very much. Good evening, everyone. We welcome you all to the results update call of SBI Life Insurance for the quarter ended June 30, 2023. We thank you wholeheartedly for your time invested in our analysis. Update on our financial results can be accessed on our website as well as on the website of both the stock exchanges.

Along with me, I have S. Veeraraghavan, Deputy CEO; Sangramjit Sarangi, President and CFO; Ravi Krishnamurthy, President, Operations and IT; Abhijit Gulanikar, President, Business Strategy; Subhendu Bal, Chief Actuary and Chief Risk Officer; Prithesh Chaubey, Appointed Actuary; and Smita Verma, SVP, Finance and Investor Relations.

As you are aware, the Board of Directors has appointed Mr. Amit Jhingran as the MD and CEO designate of the company for a period of 2 years, subject to the approval of IRDA and shareholders' approval. Amit has been my colleague at SBI, and I want to assure you all that the company's growth trajectory and objective of creating long-term value will remain unchanged. And my team and I personally will ensure the smoothest leadership transition of the company.

Moving to performance update, our comprehensive product suite aligned with customers' need, coupled with our continued focus on improving the quality of business, maintaining a best-in-class cost ratio and persistency levels has led to a decent performance on an exceptionally high base of last year's June quarter.

During this quarter, we have taken a few tactical calls like stringing market portion in annuity business and investing in capacity building for employees and distributors with respect to handling the emerging needs of the customers and to support long-term growth. Now let me give brief highlights of our performance for this June quarter. New business premium registered a growth of 11% over the previous quarter and stands at INR62.1 billion, leading to private market leadership.

Individual new business premium stands at INR40.6 billion with a strong growth of 18% and private market share of 26.8%. Gross written premium stands at INR135.6 billion, a growth of 19%. Protection new business premium grew by 12% to INR7.8 billion. Profit after tax stands at INR3.8 billon, with 45% growth over the last period. Value of new business stands at INR8.7 billion. New Business Margin is at 28.8% in June '22. Assets under management grew by 25% to INR3.28 trillion. A robust solvency ratio of 2.15 as against the regulatory requirement of 1.5.

We shall now update you on each of the key elements in detail.

Let me start with the premium

Individual New Business Premium has grown to INR40.6 billion with a Y-o-Y growth of 18%. Single premium contribution is 38% of Individual New Business Premium, which is mainly attributed to growth in our individual annuity products. The company gained private market share by 229 basis points to 26.8%.

On individual rated new business premium, we stand at INR26.7 billion with a growth of 3% over the previous period and maintain our leadership position with private market share of 23.0%. As mentioned in the opening remarks, this is on the high base of last year's quarter 1 performance, which was one of the industry best with a growth of 86%.

Also, group new business premium stands at INR21.5 billion with a share of 35% in new business premium. Having said that, we have collected a total new business premium of INR62.1 billion, registering private market share of 22%. The renewal premium grew by 28% to INR73.5 billion, which accounts for 54% of the gross written premium.

To sum up, gross written premium stands at INR135.6 billion with a Y-o-Y growth of 19%. In terms of APE, premium stands at INR30.3 billion registering a growth of 4%. Out of this, individual APE stands at INR27.1 billion with growth of 4%. During the quarter ended June 30, 2023, total 4.19 lakh new policies were issued. Since 2010, the company has maintained its leadership position in the number of policies issued and consistently delivered year-on-year growth for the last 10 years. This reflects a clear goal of the company to increase the penetration and achieve holistic growth. Total new business sum assured registered a growth of 44% over corresponding period last year as compared to a growth of 42% at the industry level.

Let me give you the details about the product mix

As on June '23, our guaranteed non-par savings product contributed 14% of individual new business premium and on individual APE basis it is 22%. Individual ULIP new business premium is at INR19.3 billion, which now constitutes 48% of individual new business premium. Growth in ULIP is attributed to positive movement in equity markets. Individual protection new business premium is at INR2.1 billion, registering a Y-o-Y growth of 5%. Again, this is against the previous year quarter 1 strong growth of 55%, where individual production was showing a downward trend for the industry. Group production stands at INR5.7 billion with a growth of 15%. Credit life new business premium has grown by 8% and stand at INR4.5 billion. On APE basis, protection contribution was 12% of new business and registered a growth of 17%.

Annuity business is at INR13.1 billion and contributes 21% of new business premium. Under annuity, the company is offering immediate as well as deferred annuity auction. Individual annuity business is growing at 129% over the last year the same period. And this is mainly due to new business contribution of Smart Annuity plus of INR11.4 billion.

Total annuity and pension new business underwritten by the company is INR18.3 billion, registering a growth of 57% over the previous period.

Moving to our distribution partners, with a strength of more than 58,000 CIFs. RBI and RRB bancassurance business contributes a share of 66% and grew by 21% in the Individual New Business Premium. And on Individual APE basis, it stands at INR18.5 billion with a growth of 6%.

Agency-registered new business premium growth of 23% and contributes 19% in new business premium. Agency individual APE stands at INR7.2 billion as on June 30, 2023. The total number of agents stands at 222,832, a growth of 38% over the previous period. During the quarter, the company added a net of 14,048 agents.

During the quarter ended June 30, 2023, other channels, including direct corporate agents, brokers, online and web aggregators grew by 62% in terms of Individual New Business Premium and 18% in Individual APE. Protection business through other channels registered a growth of 63% on APE basis.

About the company's profitability, the PAT for the quarter ended June 30, 2023, stands at INR3.8 billion, with 45% growth Y-o-Y. Our solvency remains strong at 215%. Value of new business stands at INR8.7 billion. VoNB margin is at 28.8% for the quarter ended June 30, 2023. The shift in VoNB mainly on account of increase in share of ULIP business as compared to the previous year.

Operational efficiency

The opex ratio stands at 6.8% for the quarter ended June 30, 2023. Our total cost ratio stands at 10.8% for the quarter ended June 30, 2023. With respect to persistency of individual regular premium and limited premium paying policy, 13-month persistency stands at 85.1%. The company has registered a significant improvement in the 37th and 61st month persistency by 262 basis points and 645 basis points, respectively.

As mentioned in my opening remarks, Asset under Management stands at INR3.28 trillion as at June 30, 2023, having growth of 25% as compared to

June 30, 2022. The company continues efficient usage of technology for simplification of process with 99% of individual proposals being submitted digitally, 52% of individual proposals are processed through automated underwriting.

Before I conclude, on behalf of the management, I would like to clearly state that the company's aspiration of FY '24 growth remains unchanged, and our endeavour is to deliver better than industry growth. Secondly, our Promoter and Bank Partner SBI is aligned with our holistic growth target, and we have set out detailed plans to further leverage the network in depth through data analytics, clear performance benchmarking, segmented approach towards niche market segments, etc

Our agency channel has been a flag bearer and has outpaced the private industry in many parameters. Our aim is to maintain the undisputed leadership position among private players through capacity building, both in terms of quantity, that is number of agents as well as quality that is financial advisory considering the needs of the customers.

Lastly, as mentioned in my FY '23 annual results call, the value of new business will continue to grow at a healthy rate and margin will be range bound. To conclude, we continuously endeavour to maintain our leadership portion and continue to further increase our market share by offering products that meet the evolving needs of our customers with our widespread robust distribution network complemented by digital technology. And above all, our people power, we are well portioned to capitalize the growth opportunities offered in the dynamic insurance landscape. The company is aligned with the regulator's vision, and we'll continue to focus on various reforms, enabling deeper penetration of life insurance industry.

Thank you all and now we are happy to take any questions that you may have.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Avinash Singh from Emkay Global.

Avinash Singh: Two questions. The first one on growth. I recall your closing remark just now, yet I just want some clarification that in FY '23, your growth had a different pattern. And of course, you did not have a high ticket non-linked share like your peers. Now in that backdrop, if I recall, a 20% kind of an individual rated premium growth was the ambition FY '24.

Is that 20% kind of a number you still hold to? So that's one question, because your product mix has been different than peers that's why I'm going for absolute rather than talking of relative numbers. So that's on growth. On distribution, my question is if you can provide some color on non-SBI banks, I mean, the non-SBI Bank, how they have been doing in terms of growth, what there share in the mix?

And second, related to that, agency -- I mean, you have been very, very kind of a proactive in augmenting your agency network in the last 1.5 years. I mean, in that backdrop, I mean, do you expect this agency channel growth to accelerate further over the year or will it be flat, this growth is going to be muted this year.

Management: Yes. Thank you very much for the question. Let me assure you that we are looking at the same kind of growth that we have been talking about 20% to 25% is what I would like to see. But yes, 20% is definitely what we would expect. So that is the first thing regarding growth. Now coming to the agency channel, so agency, we have been growing the number of agents, and we have made some structural changes.

So the results will be visible over the next 3 quarters for this year. You will see in Q2 itself, the results of what the changes that we have brought about in agency. And this has always been the most productive agency, I think, in the private industry. And we will continue to be at the very forefront of productivity, activation and also the number of agents that we have.

So already mentioned, we have 2.23 lakh agents. And we are improving the productivity and activation. Now coming to the other bank partnerships. So we have excellent business there. Right now, we have 5% growth in the first quarter.

But going forward, like you would have noticed that we had a fantastic first quarter last year, which was like record breaking. I should say, we had 86% growth overall in the individual rated. And then we had overall 55% growth in the total NBP. Now to top that is very difficult, and we have still managed a slim growth over that.

But this just shows the kind of potential that we have, and we continue to perform at those levels. And so the last year number they were coming on the back of some not so good performances for the first quarter. But this performance, it comes right after the good performance of last year.

So I think that pertains very well for us. In terms of the other bank partnerships also, the first quarter is always to be compared with what growth we had last year. And going forward, we aspire to have a good growth number, plus 20% in any case is what we are looking for.

Avinash Singh: Okay. If you can help contribution of other banks in AP terms, I mean, what their percentage currently?

Management: 3%. Approximately 3%.

Moderator: The next question is from the line of Adarsh from CLSA.

Adarsh: So the question was, sir, the expenses management guidelines have been revised. So there is chatter around what payouts can you do to SBI, can one expect renegotiations and commissions or cost ratios to go up? If you can clarify if you have any discussion thought process around it?

Management: So see, the whole business of insurance, it depends on what value you create for the customers and what value create for the distributors. Obviously, it's going to be a balance there. With the changed regulations, we will be reevaluating. And IRDA requires us to have a policy around that. So, our policy is under formulation. The moment we have a clear policy on that, we will take it forward.

Adarsh: And...

Moderator: Sorry to interrupt, but the line for you is breaking up in between. We are not able to hear what you're saying. If you could please use the better connection, sir?

Adarsh: Yes. I'll try, otherwise, I'll come back, right? So just wanted to understand if these increased payouts will affect our VoNB margins. I think with lower VoNB margins you could indicate, even if the payouts are higher

Management: This is a very fluid kind of situation, not just because of these EOM guidelines or something, earlier, also we were very comfortably placed in terms of the percentage of expenses that we had, considering our EOM limits and also we never went up to the EOM limit in the past also.

And we are not looking to these guidelines as an excuse to change the way we look at business. So, our business will continue to be fair to our partners and our customers. So, I will not put any numbers out here. And I will definitely not like to commit to any kind of a drastic change in my way of doing things.

But what we will ensure, which we have been doing in the past, and that is why we have been so successful as a company is that we will make sure that there is enough on the table for the distributor and the customer.

Adarsh: And from a shareholder perspective, I just wanted to understand…

Management: Sorry, I'm not able to hear. Can you kindly come back for the next question? I'm very sorry about it, but we really can't make out -- this is breaking a lot.

Moderator: Yes. Sir, the line is breaking up in between. We request you to please rejoin the queue after you connect with a better connection, sir. Thank you. The next question is from the line of Sanketh Godha from Avendus Spark. Please go ahead.

Sanketh Godha: Sir, as I see the product, the margin compression largely happened, it seems to have happened because of your non-par contribution coming down. And that's the only product which has declined on a year-on-year basis while all other products seems to have done well. So just wanted to understand this is a conscious decision to not to grow?

Because I'm trying to link this number with the persistency also because persistently in the near-term cohort that is 13 month and 25 months have had deteriorated, compared to the last year or decline compared to the last year. Is the experience being for and that's why you're conscious to not to grow this particular business?

Or how do we read it? Because along this question, if the expense towards the parent channel is supposed to increase and non-par is not going to grow, then it will have an impact on the margin. I just wanted to understand your view on this particular point, sir.

Management: Yes. So Sanketh, good question. What I would like to say is that you have noticed very correctly that it is a non-par component, which has actually led to a reduction in VNB margin. So that is absolutely correct. But now to read too much into that would be, I think, slightly jumping the gun because like I said, last year, the same quarter, we had a huge growth in our premiums.

And one of the contributing factors was that we had this huge pent-up demand for non-par guaranteed income product, which we did not have earlier. We had a non-par guaranteed lump sum payment product, which was doing very well, Smart Platina Assure. But we launched Smart Platina Plus last year around March and March and to be precise, about seven, eight days in March and then the first quarter.

So the huge pent-up demand that we had and the agents and our distributors had already gauged due to which we had launched that product. That got taken up in the first quarter, and that is why you are seeing a de-growth in this quarter with respect to the non-par product.

But going forward, we are looking at a very steady growth in our non-par portfolio. And there is no conscious effort to reduce or change the mix. You will probably recollect that every quarter, I keep saying that we keep the customer at the center, and it is not a joke. We do keep the customer at the center. We offer products which are suitable. This quarter, we have seen a good traction for ULIP product returning. ULIP has always been a good product for us. ULIP has returned. One reason could be the market's excellent performance and our own funds excellent performance over the last five years. And this is something which people are looking at.

Last year, with the COVID uncertainties, non-par guaranteed was very favoured kind of product. And I don't see the demand going away anywhere. It is only that compared to last year first quarter, which again, I'll emphasize was one of the highest growth quarters that we had. That is the only reason why we are seeing a slight dip in that.

Management: So Sanketh, just to clarify, last year, non-par was -- in the first quarter was about 30% of our business. By the time the year ended, it was about 24%. And this quarter, there is a very slow start, we are at about 21%, 22% of our business coming from non-par. So we would expect around similar 24%, 25% of our business coming from non-par. So last year, first quarter was a little aberration, like our MD just explained.

Sanketh Godha: Got it. The reason I was asking, sir, the number absolute number, if I see it is INR5.8 billion or INR580 crores seems to be meaningful lower compared to the run rate of INR900 crores to INR1,000 crores what you did last year in every quarter.

So that is the reason I was just thinking that INR580 crores seems to be meaningfully low number in APE terms, compared to what you did every quarter last year. And I also was trying to understand the persistency falling

13th and 25th is something to read there, or any reason for the persistency fall?

Management: Yes. So that is something which we think that every year, we have this whenever we see that there is a dip or in persistency or there is no growth in persistency really up our efforts for renewals. And it's only a question of renewal, a lot of people were stressed in the last three years in terms of premium payments, etc. And I think the priorities also keep shifting -- so it's only a question of how much follow-up we continue to keep doing. And I think you will see within the next quarter, all these things normalizing.

Sanketh Godha: Got it. And just one on the previous question. If you can -- honestly, I just wanted to understand because our EOMs are substantially lower compared to the peers. And given now there is no commission cap, honestly, to any product. Sir, there is a likely possibility that to pay out to our distribution channels, especially parents, could go up and it could have a potential impact on the margin or any measures you have taken to counter that impact if it happens?

Management: See, I'll only say one thing that our partners and especially SBI as a partner has been very responsible in looking at the customers' requirements and also in growing the business responsibly. We do not envisage a situation where we are putting a position where we will have to dip into the customers' value to pay commissions or anything.

And we think that the payouts that are being made right now are largely in line with what should be paid out. There will be people in the industry who will probably try to gain market share or whatever. And there will be distributors who will demand more-and-more just because the leeway is available somewhere.

But I think IRDAI has also come out with a vast set of guidelines on what we need to look at before we formulate our policy with regard to commission payment and EOM. It is not that IRDAI has permitted companies to pay the entire EOM as commission and then go around because a lot of senior management compensation and everything is tied up with the kind of performance that each of these companies is going to have.

So I think IRDAI, as a regulator also recognizes & realizes that there is a potential for some kind of a misunderstanding in these guidelines, and therefore, we have come up with very, very extensive guidelines on what we should look at while arriving at the commission rates and the policy, the Board-approved commission policy. So, I don't see a drastic change coming up.

Like I said, we will keep calibrating what constitutes good value for the customer and what constitutes good value for the distributor. And obviously, like you said, the shareholder, so all these have to be balanced.

Sanketh Godha: Got it, sir. And last one, SBI productivity in the presentation is being mentioned as INR4.7 million per branch in NBP terms, which is almost one of the best in the industry. So I just wanted to understand the State Bank of India growth incrementally will be driven by productivity gains. I mean is there other room for productivity gains?

Management: Everything is there. All the possibilities are there. There is enough scope. India is hugely underpenetrated as an insurance market. So there is no dearth of growth. It is to increase awareness and to reach out to each and every person with a product that will suit his needs, do the analysis properly explain the product properly and you have a customer.

Moderator: Thank you. The next question is from the line of Rishi Jhunjhunwala from IIFL Institutional Equities. Please go ahead.

Rishi Jhunjhunwala: A couple of questions. So firstly, on retail protection. So, while we did really well in FY '22 when most of the other peers were struggling to grow protection, over the past four to five quarters, if you really look at it, the growth hasn't been that robust given the kind of under penetration we see in retail protection. And we are also seeing some of our peers who were lagging earlier have started to pick-up in terms of growth on weaker base of course. So just wanted to understand, I mean, what is it that we can do to accelerate it or the things there any particular reasons why this thing is slightly tepid than where it could be?

Management: Look, we have been continuously growing protection. So there is not a single quarter, I believe, when we have actually had our protection dip or have a negative growth. So we have been constantly growing. Right now, we have grown at 6%. And going forward, like we see the same trajectory like the previous years.

Whatever we have grown in the previous years in protection, we will grow. Protection has got a good potential, I should say. But what does happen is that when you have very good growth in all the products, then it is quite possible that in percentage terms, there may be slightly lower growth seen here in protection because everything is growing, so everything grows at 20% or something. So protection, even if it grows slightly less in terms of actual numbers, appears to have de-grown in percentage terms. So that is the only thing that I would say. I don't think there is any particular thing to be read into the protection growth numbers.

Rishi Jhunjhunwala: Understood. And just secondly, on the margin trajectory for fiscal '24. So just wanting to understand, is there any particular kind of mix that you are thinking would play out through the course of the year, given the kind of changes that have happened on taxation on EOM and everything, which could potentially change the mix of the margins, especially on the product side?

Management: I don't think so because I may sound very boring, I will again say that we do not push a margin down the throat of a customer. We ask the customer what he wants, offer him his needs. And then we have a whole bouquet of products. So, he selects from that.

It's not as if I'm saying that I have good margin in this product so I will sell this only. So that is not the approach that we take at all. And I don't think that we are going to change it right now. The thing with margins is that it cannot keep going up and up. Somewhere the customer value proposition will actually take a hit if the margin keeps rising. To give a very small example, if you get 100% margin, there is no way the customer is going to get any value out of it. So obviously, there is going to be some kind of a limit to the margins that we can achieve.

Now having said that, what do we do to maximize the margin given the product mix that we think our customers would take. So then we design the products in such a way that they are beneficial to the customer as well as to the distributor and obviously, leave some margin for us. And the margin is left only because there is a long-term value associated with that product. And so to answer your question, we would be looking to continue our non-par product, then we have a very good demand in ULIP. We will continue with that. We have a positive margin on ULIP also. And that is a very good thing.

Protection we will continue to grow. And I think with this Protection, Credit life, non-par and the kind of product mix that we have, we should be able to continue to have these margins. And I think our current margin is also very good at 28.8%, I think it's a good margin.

Rishi Jhunjhunwala: Sir, so just to clarify, have we reached up equilibrium on -- at a product level margin? And so as a result, from here on, the margin expansion would largely be driven by the mix change? Is that a fair way to assume?

Management: Possible, but I don't see the mix change and all. See what happens like last year, we had a mix change and we had a jump in the margins. But this is not something which we can expect again-and-again because there is a certain kind of a demand that is available in the market. Maybe if tomorrow, we come and see that there is another product or something which contributes a better margin, which has got a great demand. Maybe there is another spike coming up at that point of time. I can't see anything right now. We would have been very happy to be around this range.

Rishi Jhunjhunwala: Understood.

Management: More on organic basis, by improving other parameters.

Management: Not only that, I mean, I don't think margin is a very big thing. It's a good story to write. But I still think that you sell more-and-more. That is the way to make a company more profitable. You sell more-and-more. It's like a supermarket and boutique store.

In a boutique store, you will sell to and you get a fat margin on that. In the supermarket, you sell everything and you get steady margins on that. You have more customers coming in, customer who buys flour today will buy pista tomorrow. But in a boutique store, he comes to buy only pista and if he gets pista from the department store, it doesn't even come to your store to buy pista. So I don't think that it works that way. We are not looking at the margins per se, but we are looking at the sustainability of the business in the long run, how many customers, new customers we can get, how we can put them up the ladder of the margin journey.

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

Dipanjan Ghosh: So just two questions from my side. First, on the annuity business, if you can give some color on the individual annuity part. Was there any product repricing? Or what is the strategy around that going ahead? And second, I think on the agency, you mentioned there has been some strategic changes, which should give higher growth or deliver from 2Q onwards. So, if you can kind of elaborate on that part?

Management: Yes. Thank you. On the annuity, if you look at the individual annuity, we have grown by 128% in individual annuity. So basically -- there are two parts to it**:** one, I think the annuity rates were pretty decent last year. So that contributed. But it also contributed that our people reached out and created awareness, and they were able to get people to think about the post-retirement life and were able to sell more annuity. So that is as far as the annuity piece is concerned, there is nothing much to do there. Only thing is that we will be looking at these products very carefully and align the rates with the market so that we are not too much on either side of the market.

Coming to your question on the agency, we have made certain changes. I would not like to elaborate on all the changes that we are making. But some of the changes is that we are recruiting more-and-more agents, and we are having more engagement with the agents, and we are also helping them to garner leads.

So, we are doing a lot of activities where the agents can get leads. We are also showing them. We are training them much better, and we are having more-and-more closer interactions with our agents to show them that they already have a good market around in their own environment so that they can go and prospect for business much better. So, these are the two changes there will be a huge difference that you see in the days to come. As regard numbers, we have already started growing the numbers, the productivity will follow.

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

Nischint Chawathe: You reported a fairly impressive 17% growth in unit linked policies. So, I was wondering what is driving this? Is it just that because equity markets are doing well? Is it just that the offtake is strong or is there a conscious push from your side for ULIP?

Management: No, I don't think we have ever pushed or stopped pushing for ULIP. It is a function of the overall market, the way people are perceiving like you would see in the last couple of years, a lot of non-par guaranteed got sold. So, it was purely a function of the experience of the last three years where you were uncertain about your income and all and the first thing that you wanted to protect was future income.

And then now the people are thinking about the markets going up. And a lot of people we already had a very good customer feel around our ULIP products. We always were doing very well. In fact, some of the products and other products that we got in was because we were slightly overweight on ULIP, I should say. So, that is why we got many of the other products now. So therefore, the mix has become much better, but we are confident that ULIP will continue to do well because it's a very good product. We have been giving excellent returns to the customers over three years, five years if you see our returns they have been fantastic.

We keep explaining to our customers that the longer you stay with us, the more money you can make. And also, you stay protected with insurance. So, that is the most important thing. While you are building up your corpus, you are covered with insurance, which no other investment will give. So, this is something which actually works for us, and we will continue with that.

Nischint Chawathe: You're looking at share of non-par to kind of increase from 23% to like 25% by the end of the year. I mean if you're looking at the direction of the market, I think in all possibilities, non-par will remain here or go down given the way interest rates are headed. And probably ULIP will kind of continue to do well. So, in that sense, is it kind of fair to say that maybe the business mix of last year may not really be what this year would look like?

Management: So, the business mix is not really going to change much. I mean, like unless there is a sudden spurt in one of the demands for any of these products, sudden spurt in demand for ULIP or sudden demand, otherwise, like the non-par product is a guaranteed product, it's a very good product and when rates are going down also, then there is a very good need to lock into the higher rates. So, that is something which definitely will play on the minds of people, and there will be a demand for that product. There are different kinds of people. Some people would like to get into the market-related kind of return.

Some people would like the safer kind of returns. And the non-par product still offers a tax benefit if it is below INR5,00,000 in a year, and our big market is in that segment. So, I don't see a drastic change in the -- yes, I mean, like with patterns and all, you can never say. Today, I say 60, 25, 15 or something and tomorrow it turns out to be 58, 28 something, I mean, like it's okay. I mean like we are okay with that because we have the risk management strategies, and we also know where to invest and get good returns.

Nischint Chawathe: Okay. The second question is essentially on group protection that has grown pretty fast. So this is all group credit?

Management: Yes, group protection, it's a lumpy kind of thing. I mean, you get -- you work on various corporates for some time and then you get the business. So it's a big function of two, three things. One is connect, your ability to service. You have to prove that your product is well serviced quickly, your employees when they come for a claim or something, they will be serviced very fast and will not have to go through trouble and all that. So, that once the corporate is convinced, then the business comes up in a big amount.

Sometimes it's 1,000 people who are covered, sometimes it's 10,000 who are covered, I mean, like it's a very lumpy kind of thing. You can't say -- the effort for each corporate would be approximately the same kind of effort, but the numbers that you get will be different from for different corporates.

Nischint Chawathe: How much would be the growth in group protection?

Management: Group protection sir we have credit life. So, credit life that is something which has been growing very well for us and I think it will continue to grow very well because disbursements are going to keep growing as the market grows as everything, as everything economy grows, the disbursements will grow. And as the disbursement grow the attachment rates will be better. And even with the same attachment rate, the amount of credit life we sell will be higher.

Nischint Chawathe: Perfect. That answers my answers. Thank you very much.

Management: Thank you and all the best.

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

Madhukar Ladha: Hi. Thank you for taking my question. Sir, a couple of things. One, see on persistency, any particular cohort where persistency is lagging? Is it in the non-par segment or because we sold a lot of non-par last year, so 13-month persistency, is it getting impacted because of that, some color over there would be helpful? Second, what is the timeline for all this discussion with SBI on the increased commission payouts if at all and related to that, have we started building any part of it? So, based on whatever your expectation is, are we building any part of it in our current VNB that we have declared right now at 28.8%? So, and finally the agency channel this quarter year-over-year has declined by about 5%. Any color on that, what has resulted in that happening?

Management: Yes. So, persistency, I think we agree that there is a slight dip in persistency in the 13th month and a slightly higher dip in the 25-month cohorts. But like I said, it's something which we should be able to remedy with closer calling and explaining to our customers, we have a very good team that does this. And in the past also in the last three, four years, we have always seen that whenever there has been some kind of a flatness in the persistency, we have always been able to increase it and right now if you compare the persistency with what we had three years back, we have very good persistency, we have improved the persistency like anything. It's if you are comparing with March 23' yes there is a slight dip in 13th and 25th

No particular product contributing significantly to this thing as far as my own analysis is concerned. Of course, we will be looking at even more granular data and trying to see if we need to do something, some follow-up somewhere much more but that's about it.

Coming to the timeline, I never said that we were in discussions with SBI or anything. So, I don't think that whole question arises. SBI is a very close partner. And we have many other partners also now in banks. Discussions do keep happening all the time on all the aspects of the business. So, I will not say that we are talking about commission or whatever or whatever. So, there is nothing for me to say at this point of time on that. I think my earlier answer was very, very comprehensive on the EOM and commission.

So I don't want to say anything further to that. Agency, yes, you are right, there is a 5% drop in agency numbers. But as I said, we have initiated a number of steps. And we have grown the numbers quite healthily. And our initiatives are already there to keep the distribution engaged and also to train them and to make them. So it is by design that we have the best agency in the private sector. It's not by luck or by chance that we have the best agency.

In spite of having one of the strongest banca relationships, we still have the biggest agency. Our agencies crossed INR4,000 crores last year, which is much more than many of the company's total business in the industry. So, really speaking, there is nothing much to say about agency, development efforts are going on to take the agency channel to the next level. And yes, I would say that this is kind of flattening that comes when you are doing a lot of development efforts.

Madhukar Ladha: Sir, just one thing. Have you built in any increase in EOM in your margin reporting of this quarter?

Management: I would request Prithesh to answer this question.

Management: Thanks, Madhukar. See, if you see our EV disclosure on 31st March, each year we'll do that. You see that we make the operating profit even on account of the persistency and we always keep saying that when we set our best estimate assumption, we always use the assumption which is sustainable in longer term. We don't capitalize the movement up and down. To that extent, our VoNB margin and assumption used in computing VoNB margin is well stabilized. And with the certain fall in the persistency it is not going to impact our persistency assumptions.

In fact, if you recall, in the March, we have explained that there is a further scope to further improve the persistency on account of the experience. So, to conclude, I don't see this experience will have any adverse impact on our VNB margins.

Madhukar Ladha: Sir, my question was more with respect to EOM. So, are we building any increase in EOM in our VNB assumptions?

Management: The EOM, I think if you see we always use the expenses. So, what our MD also explained on the EOM part that our expense, we have most efficient company we use experience. And I don't see there will be much impact will come on the EOM prospective. We have not built up anything that going to be impact adversely.

Management: See, typically you see we don't change our assumptions in the first quarter. So, we change it once a year when we do that we will have a review of everything including any expenses that might come.

Madhukar Ladha: Understood sir. Okay, alright. That's it and all the best, sir.

Moderator: Thank you. The next question of MW Kim from JPMorgan Securities, Asia Pacific Limited.

Myung Wook Kim: Thank for the opportunity. I have two questions. The first is about the new business by movement. So, could you briefly share a bit detail on your operational assumption changes for the year? So twould this be more related to the year better than expected loading margin due to the bigger scale or are there other factors like persistency as already mentioned or the mortality. So, just want to understand that, where will you see the positive delta on the total margin? And the next question is about the vision on the higher surrender ratio. Is it due to your previous product related to the savings policy? Yes, that's two?

Management: So, I will explain the margin is coming on account of product mix, and then we explained that we don't change any assumptions in the quarter end. What we do that, we look into the year in experience. Based on that, we set our assumption. Our assumptions are truly aligned to the relevant actual experience and emerging trend to that extent. So, to that we have incorporated and, in this quarter, we have not seen any assumptions because we're comparing with the last June to this June. And in the month of March when we closed our year-end, we make the assumption change. That's the reason we see VNB walk there is an impact reflecting in the assumption change.

Management: On the surrender ratio, which you have mentioned about higher as compared to last quarter, it was predominantly due to the four years back products of the ULIP, which have been surrendered and the payouts are happening now. And because the market is on a higher side, so the AUM of those funds have been gone up substantially. So, that is the reason the spike, which has been seen here as a surrender ratio is being higher side. Otherwise, there is no difference between the current surrenders or the previous surrender.

Myung Wook Kim: That's all clear. Thank you.

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

Supratim Datta: Thanks for the opportunity. So, I have three questions starting with the first one. So, you have indicated that productivity for SBI branch is around INR47 lakh. Could you let us know what is the productivity in the metro branches versus the non-metro branches, that would be one. Number two would be, when I look at VNB walk, I can see that there has been a 110-basis point negative impact from operating economic assumptions and that typically translates into a 100-basis point risk free movement.

So, just wanted to understand what has resulted in this movement because when I look at the yield curve I don't see that there has been a significant movements, so that's number two. And lastly, on the group protection side, could you give us a split between group term and credit life and what is the attachment rate in SBI Life, so those are the three questions? So, the last one, if you -- I take the first one, about INR45 cr is coming from credit line and the remaining is from group GT.

Management: Yes, the first one was regarding the breakup. So, really speaking, it's a very vast kind of thing. So, we give the average, I think it is very indicative. I don't think there is anything to read into individual metro figures...

Supratim Datta: On economic assumptions, Prithesh will speak to you.

Management: So if you see the economic assumptions, if you see the yield curve as compared to the Q1 previous year, Q1 FY '23 versus Q1 FY '24. In the shorter end, you see there is yield curve is steeping up whereas in the longer term, there is a yield curve have flattened. So, what happened because in this quarter, we have the higher proportion of unit linked business. So that will have some impact -- adverse impact on that on the ULIP, whereas later duration when yield curve has flattened this have another negative impact on some of a other traditional business. So, that's the reason we see this impact. We're comparing this from the last quarter Q1 FY '23 versus Q1 FY '24.

Supratim Datta: Got it, got it. Thank you.

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

Neeraj Toshniwal: So sorry, I'm harping on the same question, likely payout increase to SBI Bank. Also wanted the color on the payouts to other than SBI Bank, what does the likely terms will be -- or will be having some revisions there as well?

Management So, I wouldn't like to discuss individual relationships or the rates at this point of time. I can say that we have been sticking to the guidelines issued by the regulator, and we have been able to do excellent business all along. And I don't see us coming under any pressure just because there is a change in the rules, like I said, we will keep the customer value and the distributor value in mind. Obviously, I have to think about my shareholder value also. So, all three things put together will determine what we do. We have been doing extremely well. I don't see a sudden drastic change in our course.

Neeraj Toshniwal: Can we expect contribution from the non SBI Bank to increase going forward, given there will be might be less different between the two banks now?

Management: See, I'll tell you one thing, wherever -- whatever relationships we already have with the bank, many of them we have a good percentage of the business that they are doing. So we have been adhering to all the rules earlier, and we have still been able to manage to do very good business with the other banks. So I think going forward also, we can expect good growth.

Neeraj Toshniwal: Okay. And in your opening comments, you did mention on data analytics. What are we doing there? And...

Management: Could you repeat what you were saying on opening comments, what did I say?

Neeraj Toshniwal: You did mention data analytics as one of your points. So wanted more color? What are we doing there? And can in that lead to…

Management: It works in many, many ways. One of the ways that it works is that our bank partners, we work with them and we do data analytics like, for example, YONO, the app that we are able to do. So in this first quarter, we have covered 2.3lakh lives with term insurance.

How do we do it? Very simple, the bank, along with our analytics, algorithms, they pitch to the customer a particular product. And the customer can buy it in three clicks. So that's one of the examples that I have. The other thing is that we use it on our own data to make sure that we give the next best product to our customers to pass it on to the distributor that this is a product that you should be selling to the customer now. This is the need for the customer, etc. A lot of ways in which we are using data analytics. So Abhijit, would you like to add something?

Management: On persistency also, we are using data analytics.

Management: Yes, propensity to pay -- so we follow more on wherever we find that the analytics show that somebody has got a lower propensity to pay the premiums on time, then we work on those people and then we get to -- sort of 100 million ways in which we are using it.

Management: Persistency analysis is one of them. So just what kind of profile and what kind of products we can offer today in terms of more product…

Neeraj Toshniwal: So basically, why I'm asking is because we were setting call center apart from getting the business from the local channel because we do very extensive or much higher than the ROE costing. I just wanted to understand the...

Management: I don't understand anything. There is a lot of break.

Management: I think it's not about our data analytics. It's not about the call center. Our Data analytics means…

Management: Yes, so call center, see, what you are saying Prithesh, I think what he means to say is whether we are using the contact centres also along with the analytics. Our model is that we don't directly sell when we get a customer through a particular channel. So the channel will sell for us. Any analytics is done through the channel.

Moderator: Thank you. We have the next question from the line of Swarnabh Mukherje from B&K Securities. Please go ahead.

Swarnabh Mukherjee: So, three questions from my side. First of all, so SBI has shown a little bit softer growth compared to what it was historically in the last two quarters. So just wanted to understand what is going on there? Is there any change in stance for the distributor towards a particular product segment, which is resulting in this? So, some insights on that would be helpful. That is the first one.

Secondly, in terms of the growth guidance that you have mentioned around 20%. So just wanted to check whether this is in terms of total APE? And if so, given that this quarter was a slow growth quarter, I think for the remaining three quarters, you need to grow at fairly strong rates to meet this guidance. So I wanted a little bit more granularity on your thoughts on from where do you expect this growth to come from? And also given that third quarter last year was a pretty strong quarter. So, you will have a high base there. So, I wanted to understand that.

And thirdly, sir, you had mentioned in the opening comment that margins going ahead would be range bound. So, I just wanted to know from you, where do you see the lower limit of that? For example, since we have mentioned that ULIPs have seen a lot of traction this quarter. If the mix of ULIP goes up, then can we see margin levels go down further? So yes, these are broadly three things that I wanted to understand.

Management: So SBI, like I said, we have grown some 7% growth in SBI. And in this quarter, over the last quarter. And the June quarter was a high growth quarter over the 2021 quarter, June quarter. So, to maintain that growth and further grow it even by 7% is a very decent thing.

And going forward, because the growth over the previous years was not so much in the later quarters, not 86% at all. So, I don't think there should be an issue with our growth because the numbers are already coming. And like we said, it's just a question of the first quarter generally used to be weak. Last year was very, very good. But every year, the subsequent quarters are very good, especially the second and third quarters are very good. And the fourth quarter has been also very good for us almost always. So, this is a pattern that we see. And therefore, we will end up achieving the target that we are looking for.

Coming to the next one, the margin. So, for margins have always maintained, and this is not the first time that I'm saying this, I have been asked this question every quarter, and I always say that we are happy with margins around 28% to 30%. And we continue to hold that view. We are not going to be held hostage by any particular number.

We are not going to change our entire business philosophy just to maintain say, 30% or 29% or some notional number. I think 28.8% is a very good number. But at the same time, we would like to be around this place. So that is why I said the range bound thing.

Swarnabh Mukherjee: Understood. Sir, in terms of SBI as a channel, if you could give some color? What is going on there?

Management: Yes. So SBI, already told you, that SBI has been growing very well. Over a very large growth, we have been able to grow by 7%. Going forward, we will continue to grow.

Moderator: Thank you. Ladies and gentlemen, we will take one last question, which will be from the line of Prayesh Jain from Motilal Oswal. Please go ahead.

Prayesh Jain: Just a question on ULIP. Have we seen any mix towards debt products more compared to equity? Or is there a demand for right now? And how does in case the way that matrix has moved, do you think that the debt product will be more in demand? And how would that impact your margins on ULIP in particular?

Management: So we don't see any movement towards debt or equity in fact, it's a reverse. Over the last three years or something, we have seen a massive shift towards equity.

Prayesh Jain: Yes. Okay. My question was more related to the way that it has moved on the mutual fund side and is there a demand for that you foresee that will come up from ULIP for debt products. And that could have some implication on the mix and resultant…

Management: I don't think my product is directly comparable to the mutual fund product at all. We assure, we have insurance. So, somebody who wants to build up a corpus, he builds up a corpus for say, he decided to build up a corpus for his child for 10 years or something. And he dies after two years, we give him the sum assured, which make sure that the goal is reached by his family even without his presence. There is no other industry financial sector, which can give this protection. So, the first thing is to disassociate the normal kind of investment from insurance. Insurance is totally different.

So, having said that, what we see is that as a trend, people who are going for ULIP products with our company are seeing extremely good performance of our funds, and they are taking more-and-more equity portion in their portfolios.

Prayesh Jain: Great. And mainly on the ticket side, while you had a very low share with regards to the 50000-plus ticket size. What has been your experience in 1Q with respect to that cohort? How is that kind of seen -- what is the kind of tail of that particular cohort?

Management: See, one thing is that the tax angle, there was some kind of a tax arbitrage for probably some people. I don't believe that INR5 lakh, anybody who was investing INR5 lakh was actually getting a very huge tax arbitrage or something. But yes, possible that people who were investing more than INR10 lakhs or INR15 lakhs or something could have been looking at it from that kind of angle.

But really speaking, all these people would have been those who would have either got annuities or invested in some similar kind of a thing, and that was already taxable. And now that this non-par guarantee is also taxable. They'll probably have a mature choice between the two.

Moderator: Thank you. I now hand the conference over to Mr. Mahesh Kumar Sharma for closing comments. Over to you, sir.

Management: Yes. So thank you, everyone. So kind of you to have come up and interacted with us. You may get in touch with our Investor Relations team in case you have any follow-up questions. Have a great evening, and all the best.

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

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