SBI Life
Apne liye. Apno ke liye.

January 27, 2023 **SBIL/F&A-CS/NSE-BSE/2223/382**

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Dear Sir / Madam,

Subject: Transcript of Earnings Call held on January 21, 2023

This is in continuation to our intimation letter ref. no. SBIL/F&A-CS/NSE-BSE/2223/367 dated January 17, 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.

Transcript of the earnings call held on January 21, 2023 with analysts/ investors is also uploaded on the Company's website at www.sbilife.co.in

You are requested to kindly take the same on records.

Thanking you,

Yours faithfully,

Vinod Vijay Koyande

Digitally signed by Vinod Vijay Koyande
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Vinod Koyande
Company Secretary
ACS No. 33696

"SBI Life Insurance Company Limited Q3 FY23 Earnings Conference Call"

January 21, 2023

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

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY '23 Earnings Conference Call of SBI Life Insurance Company. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing 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.

Mahesh Kumar Sharma: Thank you very much. Good evening, everyone. And we heartily welcome you all to the results update call of SBI Life Insurance for the period ended December 31, 2022. Update on our financial results can be accessed on our website, as well as on the websites of both the stock exchanges. Along with me, I have Mr. S. Veeraraghavan, Deputy CEO; Sangramjit Sarangi, President and CFO; 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.

Now let me give some key highlights for this period ended 31 December 2022. New business premium registered a Y-o-Y growth of 14%, and stands at

INR 215.1 billion, leading to private market leadership. Individual new business premium stands at INR 152.4 billion, with a strong growth of 31% and private market share of 27.2%. Gross written premium stands at INR 473 billion, a growth of 15%. Protection new business premium grew by 25% to INR 25.5 billion.

Profit after tax stands at INR 9.4 billion, with 13% growth over corresponding period last year. Value of new business is INR 36.3 billion, registering a strong growth of 44% over INR 25.3 billion in December '21. And VNB margin is at 29.6%, with an improvement of 478 bps over 24.8% in December '21. Assets under management grew by 17% to INR 2.99 trillion.

Robust solvency ratio of 2.25 as against the regulatory requirement of 1.5. I would also like to highlight on a few key initiatives taken by the company, with a view to offer whole life saving products and keeping in mind the evolving needs of customers.

We have launched SBI Life Smart Lifetime Saver, an individual, non-linked, participating, whole life insurance savings product, especially designed for customers who are looking for a product with income for whole of life. The product offers annual guaranteed as well as non-guaranteed survival income.

We will now update you on each of the key elements in detail. Let me start with the premium. Individual new business has grown to INR 152.4 billion, with a growth of -- Y-o-Y growth of 31%. Single premium contribution is 30% of individual new business premium, which is mainly attributed to our growth in our individual annuity product. The company gained the private market share by 262 basis points to 27.2%.

On individual rated new business premium, we stand at INR 111.4 billion, with Y-o-Y growth of 23% and maintaining our leadership position with private market share of 25.7%. Also, group new business premium stands at INR 62.7 billion, with a share of 29% in new business premium. We have collected total new business premium of INR 215.1 billion, registering private market share of 23.1%.

The renewal premium grew by 15% to INR 257.9 billion, which accounts for 55% of GWP. To sum up, the gross written premium stands at INR 473 billion with a Y-o-Y growth of 15%. In terms of APE, premium stands at INR 122.6 billion, registering a growth of 20%. Out of this, individual APE stands at INR 112.4 billion with a growth of 23%.

During the period ended December 31, 2022, a total of 15.67 lakh new policies were issued, and it registered a growth of 20%. Individual new business sum assured registered a growth of 14% over corresponding period last year, as compared to growth of 5% at private industry level. Considering our robust performance for the period ended December '22, we continue to expect strong growth in our performance for Q4 in FY '23.

Now something about the product mix. As on December '22, our guaranteed non-par savings products are contributing 17% of individual new business and on individual APE basis, this contributes 24%. Non-par guaranteed product new business has registered a Y-o-Y growth of 147%, mainly due to the new business contribution of Smart Platina Plus of INR 19.4 billion in the period ended December 31, 2022.

This product was launched in March '22, and has seen a strong traction in the new business premium, mainly due to the product features witnessing high acceptance in the market. Individual ULIP new business premium is at INR 83.7 billion, which now constitutes 55% of the individual new business premium. Individual protection new business premium is at INR 7 billion, registering a Y-o-Y growth of 12%.

Group protection stands at INR 18.5 billion with a growth of 30%. Credit life new business premium has grown by 27% and stands at INR 14.5 billion. On APE basis, protection contributes 10% of the new business and registered growth of 18%. Annuity business is at INR 33.6 billion, and contributes 16% of new business premium. Under annuity, the company is offering immediate as well as deferred annuity option. Individual annuity business is growing at 139% over last year. This is mainly due to new business contribution of Smart Annuity Plus of INR 25.3 billion. Total annuity and pension new business underwritten by the company is at INR 60.4 billion, registering growth of 10% over the same period last year.

With strength of more than 54,000 CIFs, SBI and RRB Bancassurance contributes a share of 69% and grew by 37% in individual new business premium. And on individual APE basis stands at INR 78.2 billion with a growth of 25.3%.

Agency, one of our other strong channels, registered new business premium growth of 22% and contributes 18% in new business premium. Agency channel individual APE stands at INR 29.5 billion, a growth of 15.1%. As on December

31, 2022, the total number of agents stands at 1,93,635. During the period, the company added 47,578 agents net.

During the period ended December 31, 2022, other channels, including direct, corporate agents, brokers, online and web aggregators grew by 48% in terms of individual new business premium and 42% in individual APE. Protection new business premium through other channels registered a growth of 36%. Partnerships like Indian Bank, UCO Bank, South Indian Bank, Punjab & Sind Bank and YES Bank registered a growth of 49% in individual new business premium. These partnerships have contributed 3% of the individual new business premium.

Now to come to profitability, the company's profit after tax for the period ended December 31, 2022, stands at INR 9.4 billion with 13% growth Y-o-Y. Our solvency remains strong at 225% as on December 31, 2022. Value of new business is at INR 36.3 billion with a growth of 44% Y-o-Y as against INR 25.3 billion in the corresponding period last year. VONB margin is at 29.6% vis-a-vis 24.8% for the period ended December 31, 2022, with an improvement of 478 basis points.

Growth in VNB and VNB margin is driven by change in product mix, predominantly in non-par segment and business volume. With our growth targets and the product mix shift, we expect to maintain a healthy VNB growth rate. Operational efficiencies parameters are robust. Opex ratio stands at 5.2% for the period ended December 31, 2022. Our total cost ratio stands at 9.7% for the period ended December 31, 2022.

With respect to persistency of individual regular premium and limited premium paying policy term, 13-month persistency stands at 84.6%. Company has registered a significant improvement in 49th and 61st month persistency by 178 basis points and 491 basis points, respectively. We have witnessed improvement in persistency ratios across major cohorts.

As mentioned in my opening remarks, assets under management stands at around INR 3 trillion as on December 31, 2022, having growth of 17% as compared to December '21. The company continues efficient use of technology for simplification of processes, with 99% of individual proposals being submitted digitally. 45% of individual proposals are processed through automated underwriting.

To concludes, we continuously endeavor to maintain our leadership position and continue to further increase our market share by offering products that meet the evolving needs of our customers. With our widespread robust distribution network complemented by digital technology, our innovation strength and above all, our people power, we are placed to make the most of abundant growth opportunities offered in India's underpenetrated insurance sector. We are committed to enhancing digital experiences for our customers, distributors and employees. Further, we shall continue to explore new partners, leverage existing partnerships and launch new products that meet customers' needs and provide seamless customer experience.

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

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

Avinash Singh: A couple of questions. First one on the FFA build up. This -- I mean, of course, till Q3, you generally have a FFA build up in Q4, you release something. But the kind of quantum of FFA build up in the Q3, it seems to be on the higher side. So can you just please explain why this sort of a bit of a FFA you're building is something to do with your product mix or something else that I'm not getting? That's one. Second, if I am understanding it correctly, the VNB sensitivity to reference rate is negative. But if I see the VNB margin walk Y-o-Y, there I see a positive impact of risk free rate going up. So what am I missing here? That's the second.

And thirdly, if I look on the commission side, I mean, of course, you are much lower versus peers. But I mean, overall, if I see even kind of a factoring in the new business growth being higher, a bit higher growth on the commission side. Is it something to do with the product mix changes or have you sort of increased some bit of commission in existing product in existing channels? So, 3 questions.

Mahesh Kumar Sharma: Yes. I'll take the last question first. So the product mix has changed and therefore, the commission mix has changed. So this is purely on the basis of product mix. We have not changed. Largely, we have not changed anything significant in the commission rates as such. Coming to the other points, Prithesh kindly go ahead with the FFA build up and what's missing on that.

Company Speaker: Let's take the VNB one. So when we compute the VNB, we don't take any assets backing. So that's the reason why interest rate go up, you see the positive variance coming from. When you do the sensitivity, we do take the asset backing benefit. So if you see, we are writing a lot of non-par products and to hedge the interest rate risk, we do write forward rate agreements. Now, when interest rate will go up, MTM losses will incur on the FRA. And that's the reason you are seeing the sensitivity is giving a negative direction in upward scenario, where as in normal walk, you are getting a positive. In general, if I have to remove this FRA benefit, you might be seeing the positive sensitivity on the interest rate as well.

Avinash Singh: So if you can help me on FFA, yes?

Company Speaker: And FFA, you see the FFA we normally assess our asset share calculation, declare the bonuses and recommend in the third quarter. But certainly we see a lot of improvement in the par persistency over the period. And when a policy get revived, you will get significant premium and then you have to ultimately go and declare those bonuses. So, these are natural things.

And second thing, you see, the par business has not grown to that extent that need to happen. So more par business you write, more FFA you utilize. So that's the reason FFA is building up. There is no changes done to build up the FFA. It's a normal thing. And end of each year, we will review these things. And additional FFA will be utilized to distribute the bonus to the policyholder in the current year and the future as well.

Avinash Singh: And one just a small data keeping if you can allow. Can you, I mean, give a broad idea of number of in-force policies currently in SBI Bank channel? I mean, I just want a broad sort of a number to get broadly that, okay, where -- I mean, we could be where it's a potential. So number of in-force policy in SBI Bank.

Mahesh Kumar Sharma: I think we will send you the information, okay, because, I'll have to dig it up.

Avinash Singh: Okay.

Moderator: The next question is from the line of Ansuman Deb from ICICI Securities.

Ansuman Deb: Yes. My question is on the product trends that you're seeing. So, we have seen a little bit of improvement in the ULIP mix in this quarter. So, I just wanted to understand the sense of demand that you're seeing on ground, be it protection because some of your peers have indicated that there has been an inflection point in terms of quarter-on-quarter growth in protection. And also non-par segment because of the higher interest rates and you have shown improvement in ULIP. So if you could give a broad outlook on the demand outlook on each of these segments.

Mahesh Kumar Sharma: So, see, basically protection is something which is growing. And so for us also it's growing. And till December end, we have 25% growth over last December. So, this is a good trend that we have. And we think that it will be there for some more time, even though there is no COVID effect like last two years, when there was a sudden spurt in the demand in some of the quarters.

But we have been growing steadily over the last four years in protection quarter-on-quarter. So, we will continue to keep growing at a good pace in protection. Now coming to ULIP. So, we had said earlier also that when other things are all equal, then, obviously, we have got very good ULIP products, which have been in good demand.

So, ULIP demand will be back. And even though it was growing always, but I think the growth has slightly accentuated in this quarter. So, that is definitely there. Going forward, I think non-par guaranteed will continue to see a good traction. ULIP, of course, will definitely, because right now the markets are also good. And I think people have come out of that fear of the markets suddenly moving or something. So maybe the demand will go up, but we had earlier also seen good traction. Even when the markets were doing so many things, we were seeing good traction in ULIP. So, we will continue to see good growth in ULIP.

Ansuman Deb: And one just follow up on that. Any particular channel where you are seeing an improvement in ULIP and if you have any overall margin guidance for this margin and volumes guidance for this year?

Mahesh Kumar Sharma: It is across the board. So the ULIP growth and the business growth, both is there in all the channels. So, I don't think we will pick out any particular channel for any particular product.

Ansuman Deb: And would you have any margin or volume guidance for this year FY '23?

Mahesh Kumar Sharma: Yes. So margins have been very good for us. So it will, of course, change a little bit here, there with the product mix. But largely, it is going to be around what we have right now.

Moderator: The next question is from the line of Swarnabh Mukherjee from B&K Securities.

Swarnabh Mukherjee: Sir, so couple of questions. First one on the product mix. So now ULIP mix for the third quarter is quite close to what it used to be earlier. Now, I wanted to understand, would we be having some kind of a target mix in mind or we will kind of offer the products to the customer and then let the product mix take the shape? What would be our strategy in this because earlier I thought -- yes, so just...

Mahesh Kumar Sharma: Last, what you said is what I've been maintaining for a very long time now. We actually have the entire product suite and we offer to the customers and whatever comes out of that. Of course, we get the feedback from the customers, what products are good, what are -- and we do keep changing or adding products to the bouquet. But largely, we don't really aim for a particular product mix.

But then what we would be looking at probably is about 60% around, thereabout ULIP and remaining to come from the other products. So that's largely around. So, I wouldn't be worried about 4%, 5% here and there, because finally what the customer wants and if it is giving good margins and it's giving a good product to the customer, then I think it's a win-win for both us. I think you must have got my reply.

Swarnabh Mukherjee: Sir, Yes, broadly got it. So I just wanted to understand that between second quarter and third quarter, what had changed that resulted in this appetite for ULIP? Is it only the markets or anything in the product that we have done or any commission structure we have changed for our channel?

Mahesh Kumar Sharma: We have been maintaining all along, I don't know if you were on the call last quarter and the quarter before. I have always been maintaining that ULIP demand will be there. It has always been there. It's only that the pent-up demand for non-par was probably very high in the beginning couple of quarters because we didn't have that product in our suite. And now that we had that product, we had a huge demand for that and that growth sort of probably overshadowed all the other growth. But otherwise, our ULIP has been growing steadily. And I think it's just part of that, continuation of that. There is nothing spectacular about it.

Swarnabh Mukherjee: Okay, sir. That's helpful. In the non-par product, this new variant, what would be the contribution in terms of APE within the non-par basket?

Mahesh Kumar Sharma: 23%. 22%?

Company Speaker: 26%.

Mahesh Kumar Sharma: 26%.

Swarnabh Mukherjee: 26%. And given that, this environment, I mean, this particular segment is very competitive and few players have also increased pricing.

Mahesh Kumar Sharma: I'm sorry. 22%, yes. 22%.

Swarnabh Mukherjee: Okay. So given that this segment has become very competitive, so how are we -- in terms of margin, are we able to maintain the margin or are we taking some amount of impact on the margin to ensure that there is a pickup in our product?

Mahesh Kumar Sharma: I don't think we are taking any impact on the margin or anything of that sort. And really, that -- the non-par product, like I said that there was a demand and there was a pent-up demand and that was what we saw earlier and I think the demand will go on.

Swarnabh Mukherjee: Okay. And sir, just to clarify, because these are all income products and longer duration, would it be fair to assume that they will have a margin profile, which would be much better compared to the endowment variant that we had, the older version?

Mahesh Kumar Sharma: Yes. It will be slightly here or there, slightly high.

Moderator: The next question is from the line of Shyam Srinivasan from Goldman Sachs.

Shyam Srinivasan: Just the first one on the SBI productivity per branch, I think we had about...

Moderator: Good afternoon, Mr. Shyam. But we are unable to hear you clearly. Your voice is sounding little muffled.

Shyam Srinivasan: Okay. Is it better now?

Moderator: Yes. Please go ahead.

Shyam Srinivasan: Yes. So the SBI productivity per branch, the number was about 40 lakh last first half. We've seen it jumped to 62 lakh. Is it just seasonality that the bank starts doing more in Q3, Q4? Is that the explanation or have we done anything in terms of a strategy to kind of push up the productivity in the SBI branches?

Mahesh Kumar Sharma: The seasonality takes care of that. It is normal.

Shyam Srinivasan: So when I look at you and compare versus some of the private peers, this number we are now closer to where some of them are. Do we think there is upside here from a productivity per SBI branch perspective and what's working for us? Because we have now bridged the gap between them. But if I were to look at penetration numbers of SBI Bank customers, I don't think it's the same. So just if you could help us understand what's happening at the branch level?

Mahesh Kumar Sharma: So, we have been expanding the market. If you look at the number of policies that we sell, the growth has been huge. I'll just give you a sense of the number. NOPs growth over last...

Company Speaker: Policies? Number of policies growth was 22%.

Mahesh Kumar Sharma: Yes. 22% policies growth. And in a market, where almost -- if you look at the industry, the policy growth has been negligible. So in that industry, like you look at 1-year CAGR, 3-year CAGR, our number of policies growth is huge. So that explains the slight difference in productivity that you may find with other players.

So, we are selling everywhere, not only in Mumbai, Delhi, but we are selling in all the places across the country. And we are introducing newer, newer players to the market, newer buyers to the market, newer people who are insured. Obviously, the ticket sizes are going to change a little bit and therefore, the productivity is going to be slightly lower. But going forward, we would track the number of people that we cover the NOPs, plus the average ticket sizes, which are increasing and plus the number of branches that are selling. So, all these parameters will keep increasing.

Company Speaker: Shyam, to just clarify further, we do expect our productivity per branch of SBI to go up. And you rightly pointed out that we have not penetrated the customer base of SBI. There is still some leeway there for us to catch-up and increase our business through the SBI channel.

Shyam Srinivasan: Is that just data point? Is that number like 2% of SBI Bank customers have an SBI Life policy? Is that...

Mahesh Kumar Sharma: It is very rough because we don't have the exact data of SBI customers. I wouldn't...

Shyam Srinivasan: Fair enough, sir. Second question and last question. Yes. Got it. Second and last question just on protection. Just going back to some of the earlier participants. 9 months we have got 18% APE growth, but retail has been slower than group. But if I look at Q-o-Q like Q3 versus Q2, there is actually no growth. In the sense, it's flat. If I were to look at Y-o-Y on retail, Q2 was a 3% or 4% decline. Q3 is just plus 4%. So just want to understand competitive dynamics here, sir. I think many of our peers now have launched the ROP product. Some of the peer 2 days back has 30% coming from ROP versus 0, 3 or 4 quarters back. So anything that you're seeing from a competitive standpoint that is leading us to lower retail protection growth?

Mahesh Kumar Sharma: See, our customer base is totally different from what the others are selling to. So, I'm not trying to sell to the same people. So the question of somebody preferring somebody else's TROP over mine is like very vague because our agency is one of the strongest and we are there in so many banks. So, really speaking, when I'm pitching to the customer, I'm pitching to him and we have been selling TROP for such a long time. It is probably some kind of a catch-up that many of these people may be doing on the TROP because they didn't have this product.

And now they are able to pitch that product or something like that. But having said that, our protection growth has been quite strong. If you compare the particular quarters that you are comparing right now, you will find that they have grown -- our protection has grown in those quarters. And that is why you may find that the comparison is like flat. So that is the only reason I can ascribe to it. Our demand for protection has not been affected by any other company bringing in any product, singular product.

Moderator: The next question is from the line of Madhukar Ladha from Nuvama Financial Services.

Madhukar Ladha: Congratulations on a good set of numbers. I had two quick questions. One, what are the margin buffers you have? I know that you change your assumptions at the end of the year. So, I wanted to get a sense of, if there are there any areas where you could see some positive or negative variance, some color on that, persistency, mortality expense assumptions that could help or drag margins? That -- and second, your agency continues to do very well and you've beaten peers by a big margin, if I look at it over a longer duration of time. So, can you help us understand what really has driven this good performance?

Mahesh Kumar Sharma: So about the margins, really speaking, we don't have anything to say. So, we have given you color about the products that we are expecting to sell and all that. So, I wouldn't like to add anything to that. But about the agency, see, the idea is that we are doing a lot of things there. We have increased the agency force and now we have not yet got the entire fruit of the efforts that we have put on the ground.

So, we have increased the agency force by a huge number this year, almost 45,000, 46,000 people we have increased this year. And that -- the benefit of that is going to come now. So really speaking, whatever we see in the agency, we'll probably see the growth coming -- heavier growth coming forward -- going forward. So, we are doing the right things out there. We are taking care of our agents.

We could say that we are generating so much employment out there. And our training philosophy and our training methodology is very good. And we have a very good salesforce for supervising these agents. So, I think these are the things. You do the right things and you'll get the right results.

Madhukar Ladha: Sir, one more question on -- with the new framework coming or at least right now in introductory phase, commission caps are expected to be removed. Wanted to understand how is SBI thinking about it? Have we had any discussion? Could SBI come and increase commission rates for us?

Mahesh Kumar Sharma: So, really speaking, that you'll have to ask SBI. But right now we don't expect any such thing. More importantly, it's not only the commission cap that matters. It is a whole other host of things that are actually involved in that. And then even if the caps are gone, it is not as if you can simply pay through the nose to get business. You have to have a Board approved policy, and then there will be so many other things that are to be taken into it. So, I don't think that it is going to change the ground reality too much.

Moderator: The next question is from the line of Sanketh Godha from Spark Capital.

Sanketh Godha: Sir, when we see the non-par business which you said, pent-up demand led to the growth, but if you look at from second quarter to third quarter, the growth seems to be plateauing around INR 950 crores and INR 960 odd crores. So given the deposit rates are moving up across the bank, is it required that we need to up the IRRs in the non-par product to probably drive the growth further from what you have achieved till date? That is the first question what I have.

And the second question, sir, is that our ticket size in non-par is 60 percentage of probably ULIPs. So if we really want to achieve the growth what we have guided somewhere around 20 to 25 percentage for the entire year and subsequently. So ULIP still remains the core given the ticket size is higher. Sir, really, given this quarter growth is driven by ULIPs predominantly or more importantly by ULIPs, sir, you believe that ULIP is core in the entire thing to manage the growth, otherwise we will have a quarter like second quarter where we struggled to grow?

Mahesh Kumar Sharma: As you know, the first 2 quarters were almost entirely driven by non-par product. So, I don't think that it is -- we have to fall back on ULIP or something like that. I think it's a very, very drastic statement to make. What I would say is that as we have said before, we will let the customer determine what he wants.

And if we find that the demand is not there or demand has gone down because we are also talking to the people on the ground, we are talking to the customers. It is not as if the customers are buying it blindly or something. Our people are talking to the customers.

And when we get the feedback that there is a question of the pricing involved, then, obviously, we'll take a calibrated look at that because we'll have to look at the market, how we see the long-term interest rates going. All those things we will calibrate and then we'll take a calculated call on that. But right now, if you tell me whether I believe that only ULIP can grow, I'm sorry, I don't think that is the correct position.

The other thing is, will I say that I will grow my non-par irrespective of how -- what the customer wants, no, I will not do that. I will -- we will try to strike a good balance between what the customer wants and what we will be able to offer. So, that is how we will try to do, create value for the customers, at the same time not actually burning a hole in our pocket.

Sanketh Godha: But, sir, are you getting an incremental feedback from the customers or your branch managers or agency channels that now you need to increase the IRR because your products' IRR looks a little -- not competitive versus the bank deposit rates?

Mahesh Kumar Sharma: I have not received any such feedback.

Sanketh Godha: And sir, couple of more questions. One question is that there was a news article or there was a diktat from the Finance Ministry that PSU banks should avoid miss-selling. So taking the statement on face value, do you think there could be some cautious approach by the State Bank of India to incrementally grow given it has come from the Ministry?

Mahesh Kumar Sharma: Our miss-selling ratios are the lowest in the industry, period. So, I don't really need to think about miss-selling as one of the reasons for any reduction in growth.

Sanketh Godha: And the last one, sir. If you can tell us, at the end of nine months FY '23, what is our hedging coverage ratio? What are the future cash flows based on persistency what you expect? How much you have hedged with all the possible instruments like forward rate agreements and PPTs today?

Mahesh Kumar Sharma: I think it's too much of a futuristic kind of a....

Sanketh Godha: Sir, I'm asking current coverage ratio, sir. So today what -- based on the anticipated cash flows, what is the coverage ratio you have today?

Mahesh Kumar Sharma: Yes. So, we have hedges -- enough hedge, sufficient hedge according to our policy.

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

Neeraj Toshniwal: Sir, I had few questions. First is on group protection. If I look at it on sequentially, it has actually come off. Is it coming from GTI or credit life? So if you can split the growth numbers for both credit life and GTI?

Mahesh Kumar Sharma: Yes, I'm sorry. Yes, the growth is mainly from credit life.

Neeraj Toshniwal: Can you substantiate it? How much would that be in the growth number? And GTI, we are cutting down on -- the kind of mix, if you can give the numbers?

Mahesh Kumar Sharma: I think we'll have to give it to you later.

Neeraj Toshniwal: And what is the attachment rate now? Have we seen -- because of the improving disbursements, has the attachment rate started moving up?

Mahesh Kumar Sharma: About 50%.

Neeraj Toshniwal: About 50%, that's interesting. And the second question was, if I look at the data in terms of channel mix, what we have given in presentation, ULIPs are actually down on agency channel. While I was expecting that because the SBI disclosure would have picked up. So have we -- any kind of KPIs we have kind of given to different channels because there is sharp improvement in ULIP from the Banca channel, while on a Y-o-Y basis, there has been some decline on ULIP from the agency channel. Can we have some color on that?

Mahesh Kumar Sharma: There is some kind of a difference. Even though we would like to believe that all the channels have a similar profile of customers, there will be some differences between channels. So that sort of accounts for it. But having said that, ULIP demand as we have seen has -- is already there. So if it is there in Banca, it will also be there in agency. So maybe you will see it in this quarter.

Neeraj Toshniwal: Yes. But it has actually declined by 8% on Y-o-Y. So might be last year was very strong, could be a impact of these?

Mahesh Kumar Sharma: I don't think there is any specific reason for it.

Neeraj Toshniwal: Sure. And can we substantiate the growth from other Banca channels, if you can give that number?

Mahesh Kumar Sharma: Yes. I think it's 54%, we have grown in the other banks. So, that is other banks and other corporate agents.

Neeraj Toshniwal: Are we see any stress? Sorry?

Mahesh Kumar Sharma: It's on a lower base. It's a 54% growth.

Neeraj Toshniwal: Coming from a lower base, you have kind of mentioned. So is it that the other banks have been focusing more on deposits, is this the case? What we are hearing that deposit acquisition is a focus for few of the banks because we have SBI support, its fine.

Mahesh Kumar Sharma: I think I said that we are growing faster, that is by 54% in the other banks.

Neeraj Toshniwal: Yes that I got it. But I just wanted to understand, if there is any pressure of deposit accretion across the industry, not particularly in the Banca channel.

Mahesh Kumar Sharma: Actually deposits, I think all the banks are now looking for deposits. But I don't think it directly affects insurance sale because that would imply miss-selling. So, I don't think there is any -- our own ratios of miss-selling are very, very low, lowest in the market. I have already said that to the last caller.

Neeraj Toshniwal: No. This wasn't my question on miss-selling that I'm aware it's very low, next to LIC. It's lowest for us. The question was more on deposit accretion, nevertheless.

Mahesh Kumar Sharma: Yes. So there is no competition between life insurance purchasing and deposit accretion.

Neeraj Toshniwal: And the last question is on the composite license. What are your thoughts? And if we will...

Mahesh Kumar Sharma: These are exciting times where there are lot of changes happening. So, we'll take a look at what it entails and what it means and we'll evaluate.

Moderator: The next question is from the line of Dipanjan Ghosh from Citigroup.

Dipanjan Ghosh: So just a few questions from my side. First is you have reported very strong growth in the individual annuities business. So just wanted to get some sense of the price sensitivity in that segment and are you seeing some pressure, especially when the market leader has been consistently raising rates?

Second, you mentioned about the new par product. So, just wanted to get some sense of the margin profile on that product compared to your other products that were there earlier?

And last, I think, on the SBI channel part, I think there have been lot of discussion in this call also. You have mentioned that your attachment rates have been going up. But let's say, on a medium-term basis, what is the strategy to increase the mining of the captive customer base that SBI is setting out there? Are you trying to deploy more manpower? Or is it just the ecosystem benefits that you want to accrue? So just wanted to get some perspective on these three parts?

Mahesh Kumar Sharma: Yes. So the first point, I actually -- I'm sorry, I was not able to note down. So what was the first question?

Dipanjan Ghosh: The first was on the individual annuities business, so we have seen the...

Mahesh Kumar Sharma: Yes. Sorry. That's fine.

Company Speaker: Annuities has been growing throughout the year, and we have changed the rates couple of times. But in annuities, there has been strong demand across all areas and across all channels. So annuities has been growing. It is not so much rate saver, if you ask me very frankly.

Mahesh Kumar Sharma: Yes. Coming to the par product, so the margins are positive. It gives us -- delivers a good margin. But for any mix that we have, I think it's always good to have -- offer all the kinds of products to the customer because the traditional products, especially par products have very good role to play in both insurance and also savings build-up. So, these are very good products. So, this product is -- we've got new features in this product. We think it will do very well. So that is as much as the par piece is concerned.

At SBI, see, what happens is that SBI has a lot of customers and insurance awareness is something which we are trying to create. And as and when we are able to create more and more awareness, more and more demand comes and we are able to do better. So, I think that is one of the things. The other thing is, of course, SBI does a lot of analytics on its data and they also come up with, who will buy what kind of thing. So, they have a very strong technology background.

Dipanjan Ghosh: Sure. Can I squeeze in one more question?

Mahesh Kumar Sharma: Yes. Sure. Go ahead.

Dipanjan Ghosh: Sure. So just on the non-par. Let's say, over the past few quarters, over the past 3, 4 quarters, what would be the change in, let's say, tenure pay variant between regular or single or pay out variant between lump sum income variant, I mean, or ticket sizes? I mean, if you can just give some color on -- with the rising rate regime and questions on deposit mobilization, how has the customer behaviour changed in terms of product constituents or product contours out there?

Company Speaker: So the income product has taken up a significant part of the growth that we have delivered this year. And we were among later players where the pent-up demand was large. And that trend continues till now. So the income variant has more demand than the lump sum variant.

Dipanjan Ghosh: But if -- just wanted to get some sense. On sequential basis, have you seen any change, let's say, over the last 60 -- let's say, 60 days to 120 days or something?

Company Speaker: No. I think, what happened in the last few days of the last financial year, we have launched income plan. We do see a lot of traction. So income going up and then endowments both up. Last nine months, we have not seen any change in the mix between the income and endowments. So, there are different customers who are looking for the endowment and deferment income. So both the needs we have provided.

Only one benefit we got in this that now we have a complete suite in the non-par income side, both in income and endowment and annuity. So, I think that's the change happened. But to be honest, last 128 days or last few days, we have not seen any change on this side.

Moderator: The next question is from the line of Nidhesh from Investec.

Nidhesh: Sir, firstly, can you talk about operating variances experienced during the first nine months on persistency and mortality?

Company Speaker: See, we have not disclosed this AOM variant for the period, normally its disclosed in the year end. So once we declare, then we will able to be comment on that. Just to give confidence to you that both the persistency -- all three operating variance, persistency, mortality and expenses, there is a positive variance coming from. So there's not a single operating variance where we see any challenge in term of the profitability perspective.

Nidhesh: And secondly, at the SBI Bank, how many manpower that we have deployed?

Mahesh Kumar Sharma: See, I'll tell you, we have 54,000 SBI people who are selling SBI Life products.

Nidhesh: But we don't have any manpower supporting those.

Company Speaker: We have.

Mahesh Kumar Sharma: We have manpower. We don't want to go into that details.

Nidhesh: And lastly, if I look at the VONB margin walk, there is a positive benefit of economic assumptions. If we look at it, as interest rate increases, our ULIP margin should come down. And since non-par is already hedged, there should not be any margin uplift. So what is giving us margin uplift because of interest rate going up in nine months?

Company Speaker: See, there are two things happening. You see this nine-month yield curve move up significantly. Secondly, we do sell higher nonpar product, the proportion of nonpar product is much higher. Thirdly, we are able to sell the product to the customer in the growth without repricing. So we are able to optimize the interested uplift in our margin. And that's the reason we're getting the upside on that.

Nidhesh: I think all those things should be a part of new business profile, right? As interest rate moves up, ideally, the margin should come down?

Company Speaker: No, it's not necessary because in case of ULIP, you'll get down. In non-par products or even the traditional one, you will get upside because you are guaranteed certain things and you're getting certain results. So interest rates up, you'll get a positive uplift in that side. Interest -- ULIP, you will get a negative variance. Depending on the composition of your margins, VONB composition, you'll get the uplift. So we have the very positive composition coming from the non-linked products. That's where you are seeing the positive products.

Moderator: The next question is from the line of Amit Jain from Axis Capital.

Amit Jain: Yes. Sir, I had a question on margin. So if we see that your new business margin for H1 was 31%, whereas for 9m it is 29.6%. So is this decline is due to some change in assumptions? Or are you seeing some margin pressure on some particular products? And for full year, will it be fair to assume that we should take like sort of 30%, 31% margin? Is it fair to assume?

Company Speaker: No. See, basically, this change has happen only on account of the product mix change. So if you see the six month versus nine month, you see the ULIP proportion increased. And ULIP has the margin lower than the company average margin. And that's the reason we see some movement happen from the 31% to 29.6%. There are no changing assumptions.

Amit Jain: And for full year, will it be fair to assume that it will be in this range, say, around 30% or so?

Company Speaker: Yes. Hopefully. We always keep saying there is a margin. We drive the VONB and margin outcome. But we expect the margin will be around in range of 28% to 30%, up and here and there. So partly maybe you can assume that what margin we declare, we will be able to contain that.

Moderator: The next question is from the line of Deepika Mundra from JP Morgan.

Deepika Mundra: Sir, just on a slightly more medium-term perspective, at the product level, do you see margin expansion opportunities in specific products and which would those be?

Company Speaker: Difficult to comment, Deepika. I think in non-par segment, depending on the customer demand, I think if you're able to hold up, then there will be certain expansion happen. Secondly, in case we revisit our assumption and because we see improvement coming on the persistency side and also on mortality side, so there is a possibility some expansion happen.

And thirdly, which is most important that we continue to reprice the product and coming with a different segment. And if there we are able to do some particular segment with higher margins, I think we can get uplift on that side. But not specific to any -- difficult to comment on any specific product, but yes, definitely product line, there will be possibility of uplifting the margin.

Deepika Mundra: And we're slightly moving towards more open architecture in the industry, do you see cost of new customer acquisition going up? Or do you think that with SBI you don't -- as a majority channel, you don't face that kind of an expense pressure?

Mahesh Kumar Sharma: No. So, see, SBI being a major channel is a reality. So, I will not comment on that. But if you look at our cost structure, the way we have structured our business, both Banca and agency, we have lower costs than other players. So that advantage we will hope to carry forward. The other thing is for acquisition of new customers.

Now -- so what happens is that if there are expectations of higher payoffs from partners whom we may try to acquire or something, then we'll have to see whether that is going to be profitable for us. So, obviously, that we'll have to take it case by case.

Deepika Mundra: And sir, last one on health insurance, if any thoughts on if this is allowed for life companies, how we can leverage the opportunity?

Mahesh Kumar Sharma: Yes. So health and life -- so the mortality, morbidity, the actuarial side of it, there are a lot of commonalities. There is a lot of synergy out there. So, that is something worth looking ahead. But then having said that, we will have to take a view looking at our business model, which is right now and then to see whether we want to have a totally different business model going forward.

So, that is something which we will sort of evaluate internally. And then if such a thing, possibility comes up, then we will see what we need to do.

Moderator: The next question is from the line of Nischint Chawathe from Kotak.

Nischint Chawathe: Yes. Just one question from my side. On the VONB walk, can you just sort of call out the negative change in operating assumptions?

Company Speaker: So just to clarify that we have not made any assumption in this period because we are showing this walk from the December '21 to '22. So in March, we have made the assumption changes. So the corresponding effect is reflecting this walk.

And if you remember, in March, we had just made those changes on account of the reinsurance rate and the prospective. So absolutely, there is no change in any assumption for this walk.

Moderator: The next question is from the line of Supratim Datta from Ambit Capital.

Supratim Dutta: So, just wanted to understand on the other channels that has declined year-on-year by around 30%. So just wanted to understand what's happening there? And a second part to that question is, you take into that channel includes all the non-SBI banks. And you said that has grown by around 50%. But just wanted to understand what the strategy there is to increase this APE share from 3% to 6% or 10%? If you could please help me with those two questions?

Mahesh Kumar Sharma: Yes. So the other bank channels -- can you repeat the question, the second one?

Supratim Dutta: Yes. Sure. So the second one was that currently the non-SBI bank channels that is around 3% of your APE, it's growing at 50%, but it's still very small and you have around 10,000 to 12,000 branches. So just wanted to understand how you are looking at penetrating into that branch network?

Mahesh Kumar Sharma: Yes. So, I'll take that first. So basically, we show the potential to the bank and then we also do the same kind of thing that we do always. So the branch, the bank, the bank teller or the bank employee will pitch to their customers for insurance. So we develop them, we develop their capabilities, we give them training, we give them the knowledge, we show them the products and we show them what product will be suitable for which customer.

And they go and they do the selling to the customer as they come across the counter or whichever way they would like to do that. And so the potential, as you can see, the growth is huge and that is on a smaller base. But, however, if you look at the last two years, we have been growing at this frenetic pace, both the years. So, there is nothing, which prevents us from continuing to grow at this kind of a rate for some more time to come till the low-hanging fruit has, so to say, is all taken up.

The first one...

Company Speaker: So the group business is where the growth has not been very high this quarter and that will -- that seems to be lumpy, group fund business. That's why you see outside of the individual business where we are showing good growth in other channels. The group business is why the overall growth looks muted.

Mahesh Kumar Sharma: Yes.

Supratim Dutta: And if I could just ask one follow-up question to your answer on that non-SBI bank channel. So just wanted to understand, given these are banks, which are an open architecture, so you have other life insurance companies also competing. So can you impress upon that bank sellers to sell SBI Life policies and not other company policies?

Mahesh Kumar Sharma: So, see, we don't tell them not to sell other bank policies or other insurer policies. That is the first thing. We show them the product which is good. We show them our miss-selling rates are the lowest. We show them that our delivery is the best. We show them the strength of the company. We have been there for 21 years and we have been -- we were the first to make -- start making profits.

We have been continuously improving our delivery, our service and our products. That sort of really works. I mean, if you go back to the basics, you don't need to be too cynical about it. Actually, good work on the ground will actually get you good business.

Moderator: The next question is from the line of Pallavi Deshpande from Sameeksha Capital.

Pallavi Deshpande: Yes. Just wanted to understand this. On the persistency side, we've seen a drop in -- over the first half for the 13-month persistency. And secondly, on renewal premium growth, it seems to lag one of the large players, which has reported yesterday. So just wanted to understand the...

Mahesh Kumar Sharma: Which growth?

Pallavi Deshpande: The renewal premium growth is lagging HDFC Life to be specific here. So just wanted to understand what would be explaining that slower growth in renewal premium? And if it could be linked to the persistency question which I asked earlier, the 13-months persistency?

Mahesh Kumar Sharma: Very simply, the persistency has not fallen down. If you look at the last...

Pallavi Deshpande: I'm looking at 13 months and I'm looking quarter-on-quarter.

Mahesh Kumar Sharma: Yes. So, see, our persistency in nine month FY '23 was -- so it is 84 point -- see, against 83.9% last year.

Pallavi Deshpande: I know, sir. I'm looking quarter-on-quarter, 85.2% for the first half.

Company Speaker: Actually, you should not look into the...

Mahesh Kumar Sharma: Yes. So the behaviour of each of the quarters is different. If you look at March, every time March will be higher than December or June or September. So that is how you look at it, because a lot of people end up paying up by March. There is a tendency to sort of delay the payments, but in March, it all gets crystallized. So, that is the trend that we always see.

Pallavi Deshpande: So year-end we should have similar persistency on a year-on-year basis?

Mahesh Kumar Sharma: Yes. Absolutely, we would want to improve the persistency over last year.

Pallavi Deshpande: And sir, secondly would be on the renewal premium growth at 15% year-on-year.

Mahesh Kumar Sharma: So renewal premium growth, I don't know about the peers. I don't look at the peers data so much in detail. So, I really don't know about them. But what I can say is that the renewal premium growth will depend a lot on what was sold last year.

So to that extent, whatever was sold last year, we are able to get the collection to the same efficiency that we had last year or better than that, we are happy with that. And let me tell you that we are at a better collection efficiency than last year.

Company Speaker: So, persistency will drive renewal premium. Renewal premium is outcome of persistency. However, our endeavour is to...

Pallavi Deshpande: Yes. That's why I linked the two questions. So, now you said about the product mix, so would it be that we've been increasing our share of protection and would that be also a cause for the renewal premium not to grow that fast?

Mahesh Kumar Sharma: See, in protection, we would to increase the share of protection, but...

Pallavi Deshpande: But renewal in protection would be lower. Basically, it's persistency in protection lower.

Mahesh Kumar Sharma: Not really. We have various products with various persistency, but on average, I think it all levels up.

Moderator: Ladies and gentlemen, this will be the last question, which is from the line of Madhukar Ladha from Nuvama Financial Services.

Madhukar Ladha: So, can I get a sense of what is the back book -- how much the back book surplus has grown versus the new business strain? Your surplus has grown about 50% year-over-year. And if we were to exclude the COVID impact which was there last year in the nine months and I'm looking at nine months numbers, not only for the quarter, so what would the surplus growth be if you could give that data points?

Company Speaker: So normally, we don't disclose this thing, but you can make a sense that we are growing faster than compared to last year and our profit is also growing. This means our back book is generating enough surplus. That's not only absorbing our new business -- for the new business, but also helping to grow the profit as well. So, very healthy growth in -- profit is coming from existing book.

Madhukar Ladha: And how much is the new business strain grown by?

Company Speaker: We don't disclose that. But it is similar to the year as well. So sometime depending on the product mix and all, keep changing, and we don't disclose. So, we don't want to comment on that.

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

Mahesh Kumar Sharma: So thank you very much, ladies and gentlemen for a very patient hearing, for very interesting and very intelligent questions. And we hope that we have been able to answer your queries. But if there is anything for a follow-up, you can always get in touch with the company. And once again, thank you very much. Stay protected. Have a good night.

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