Apne liye. Apno ke liye.

May 05, 2022

SBIL/F&A-CS/NSE-BSE/2223/29

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Dear Sir / Madam,

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

This is in continuation to our intimation letter (Ref. No.: SBIL/F&A-CS/NSE-BSE/2223/22) dated April 26, 2022 and in compliance with the provision of Regulation 30 read with Schedule III (Part A) (Para A) (15) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

An audio recording and said transcript of the earnings call held on April 28, 2022 with analysts/investors were uploaded on the Company's website at www.sbilife.co.in

You are requested to kindly take the same on records.

Thanking you,

Yours faithfully,

Vinod Koyande
Company Secretary
ACS No. 33696

SBI Life Insurance Co Ltd.

"SBI Life Insurance Company Limited Q4 FY2022 Earnings Conference Call"

April 28, 2022

MANAGEMENT:

MR. MAHESH KUMAR SHARMA – MANAGING DIRECTOR & CEO - SBI LIFE INSURANCE

MR. SANGRAMJIT SARANGI - PRESIDENT & CFO - SBI LIFE INSURANCE

MR. RAVI KRISHNAMURTHY – PRESIDENT, OPERATIONS AND IT - SBI LIFE INSURANCE

MR. ABHIJIT GULANIKAR – PRESIDENT, BUSINESS STRATEGY - SBI LIFE INSURANCE

MR. SUBHENDU KUMAR BAL - CHIEF ACTUARY AND CRO - SBI LIFE INSURANCE

MR. PRITHESH CHAUBEY - APPOINTED ACTUARY - SBI LIFE INSURANCE

MS. SMITA VERMA – SVP, FINANCE & INVESTOR RELATIONS - SBI LIFE INSURANCE

Moderator: Ladies and gentlemen, good day and welcome to the SBI Life Insurance Company Q4 Results Call for the Financial Year Ending March 31, 2022. As a reminder all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “”* then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mahesh Kumar Sharma - Managing Director & CEO - SBI Life Insurance. Thank you and over to you, Sir.

Mahesh Kumar S: Thank you very much. Good evening everyone, and we heartily welcome you all to the Annual Results Update Call of SBI Life Insurance for the year ended March 31, 2022. We hope you and your families are safe and well. 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, on this call I have Sangramjit Sarangi - President & CFO; Ravi Krishnamurthy – President, Operations and IT; Abhijit Gulanikar – President, Business Strategy; Subhendu Bal - Chief Actuary and CRO; Prithesh Chaubey - Appointed Actuary; and Smita Verma – SVP, Finance & Investor Relations.

We are pleased to inform you that we have successfully maintained the new business thrust and have again delivered enduring performance in this year as well. This demonstrates the company's strength of distribution and expansive outreach to customers in cost efficient manner. Our commitment is to deliver sustainable long-term returns to the stakeholders. This would not have been possible without the efforts of all our employees, distribution partners, and business associates for their uninterrupted support which helped to service our customers during this challenging environment. As mentioned in last earnings call we have aligned our Value of New Business, VoNB margin and Indian Embedded Value as per Industry standards and reported figures will be comparable with peer companies.

Now, let me give some key highlights for this year ended March 31, 2022.

New business premium is at 254.6 billion with a growth of 23% over the previous year. Individual new business premium stands at 165 billion a strong growth of 32%. Gross Written Premium stands at 587.6 billion with a growth of 17%. Protection new business premium grew by 24% to 30.5 billion. Individual Protection new business premium grew by 26% over the previous year to 9.4 billion. Annuity business stands at 34.7 billion registering a growth of 15% over the previous year. Profit after tax stands at 15.1 billion, Value of new business is 37 billion registering a strong growth of 39% over the previous year, and the new business margin is at 25.9% with an improvement of 270 basis points. Indian embedded value stands at 396.3 billion, embedded value operating profit stands at

68.9 billion. Operating return on embedded value stands at 20.6%. Assets under management grew by 21% to 2674.1 billion.

Let me update you on each of these elements in detail. We will start with the premium. Individual business one of the focus areas of the company has grown by 165 billion a growth of 32%. Single premium contribution is 24% of the individual new business premium, which is mainly attributed to growth in individual annuity product. The company gained the private market share by 166 basis points to 23.4%. Individual rated new business premium stands at 128.7 billion a growth of 26% which is leading to private market leadership with a share of 23.4% and improvement of 75 basis points over previous year. Maintaining private market leadership position in new business premium, we collected 254.6 billion new business premium and private market share of 22%. Group new business premium stands at 89.6 billion with a growth of 10%, renewal premium grew by 12% to 333 billion which accounts for 57% of the GWP. Our gross written premium stands at 587.6 billion with a growth of 17%. Total APE stands at 143 billion registering a growth of 25% out of this individual APE stands at 129.6 billion with a growth of 26%.

During the year ended March 31, 2022 total 19.2 lakh new policies were issued and registered a growth of 16%. Sum assured under individual products registered growth of 16% over the previous year as compared to growth of 3% at private industry level.

Now about the product mix, individual protection is at 9.4 billion registering a growth of 26%. Group protection stands at 21.1 billion with a growth of 23%. Credit life new business premium has grown 21% and stands at 16.8 billion. On APE basis protection contributes 11% of new business and registered a growth of 28%, we are confident that over a period we will be able to register an uptick in share of individual pure protection. Annuity business is at 34.7 billion and contributes 14% of new business premium. Total annuity and pension underwritten by the company is 72.3 billion registering a growth of 15% over the previous year ended March 31, 2021. Guaranteed non-par savings product is contributing 10% of individual new business and on total APE basis, this contributes 12%. Non-par guaranteed product new business has registered a growth of 62% over the previous year. Individual ULIP business is at 113.2 billion which constitutes 69% of the individual new business premium and has shown a growth of 22%. Fund management business is at 51.5 billion with a growth of 13%.

During the year, the company has launched SBI Life Smart Platina Plus which provides security, flexibility and reliability through a regular guaranteed long-term income, flexibility to suit life goals and financial protection along with tax benefits. The response to this product is very positive and received record inflows in very short period of time. The company offers comprehensive suite of participating, non-participating guaranteed, annuity, pension and unit linked solution, which are designed to enable our customer's live life to the fullest across a wide demographic range and income levels.

Now a look at the distribution partners, with strength of more than 53000 CIFs, Bancassurance business marked a share of 65% and grew by 31% in individual new business premium. Bancassurance channel individual APE stands at 87.4 billion with a growth of 27%. Agency, our strongest channel after Banca registered new business premium growth of 30% and contributes 18% in new business premium. Agency channel individual APE stands at 36.8 billion with a growth of 22% as on March 31, 2022 the number of agents stands at 146057. There is improvement of 21% in agents productivity levels as compared to previous year and greater use of technology is assisting in better engagement in the entire value chain from recruitment and training through to lead generation, sale and customer service.

During the year, other channels that is direct, corporate agents, brokers, online, web aggregators, etc. grew by 61% in terms of individual new business premium and 45% in individual APE. Protection new business premium through other channels registered a growth of 41%. Partnerships like Indian Bank, UCO Bank, South Indian Bank, Punjab and Sind Bank, and Yes Bank registered a growth of 49% overall. These relationships contribute almost 4% of individual APE as on March 2022.

Now on profitability, during the year Covid claims (net of reinsurance) paid as well as outstanding stands at 15.9 billion covering various lines of businesses. The company has kept additional reserve amounting to 2.9 billion for Covid-19 pandemic over and above the policy liabilities. The company's PAT for the year ended March 31, 2022 stands at 15.1 billion. Our solvency remains strong at 205% as on March 31, 2022. Value of new business is 37 billion with a growth of 39% over the previous year. New business margin is at 25.9 with an improvement of 270 basis points. Embedded value stands at 396.3 billion with a growth of 8.9% over the previous year, embedded value operating profit stands at 68.9 billion, operating return on embedded value is 20.6%.

On operational efficiency, cost efficiencies continue to be maintained with total cost ratio at 8.8% and Opex ratio at 5.1% for the year ended March 31, 2022. 13th month persistency ratio of all policies that is regular as well as single and limited pay premium stands at 88.4% as compared to 87.9% of previous year. In accordance with recent regulatory requirements with respect to persistency of individual regular premium and limited premium paying policy, 13th month persistency stands at 85.2%. Company has registered a strong growth in 25th month and 49th month persistency by 221 basis points and 423 basis points respectively. As mentioned in my opening remarks assets under management stands at 2.6 trillion as on March 31, 2022 having grown 21% compared to last March.

The company continues efficient usage of technology for simplification of processes with 99% of the individual proposals being submitted digitally, 44% of individual proposals are processed through automated underwriting. Customer satisfaction is a key focus area, grievances ratio that the number of grievances per 10000 new business policies is 16 and grievances with respect to unfair trade practice stands at 0.07% one of the lowest in the industry. Individual death claim settlement ratio stands at 97%.

The macro drivers for the life insurance sector remain well in place. The vision of the regulator for enhancing the insurance penetration and development of the sector is crystal clear and very positive for the industry growth. We strongly believe that our wide distribution network along with customer centric product portfolio are well positioned to capitalize on the emerging opportunities in order to increase the insurance penetration in line with the vision of the regulator. These opportunities include an expanding and prospering middle class, significantly high under penetration of life insurance in India, a favorable regulatory environment, rapid digitalization, among others.

To conclude, we will continue to focus on long-term sustainable profitable growth. Enhanced automation and digitalization will ensure customer satisfaction in the long run along with great value to all our stakeholders. Thank you very much and we are now happy to take any questions that you may have.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Deepika Mundra from JP Morgan. Please go ahead.

Deepika Mundra: Thank you. Good evening Sir and thanks for taking my question. Just first and foremost on the effective tax rate change. It seems that if you compare the VoNB last year based on effective tax rate, fourth quarter seems flattish at about 11 billion whereas on the old methodology there seems to be a substantial increase. Can you just describe the differences between the rate of change on the old versus the new methodology.

Company Speaker: See, as I mentioned earlier, earlier we need to compute our VoNB based on the actual tax basis and we need to show a sensitivity and effective base. Now as we mentioned earlier we have aligned that and we have aligned in the term to reflect our actual current financial interaction position and future in our projection. So to that basis we have aligned it. Now if your question is compared to the last quarter of VoNB it is a flattish not because of any change in the methodology because of the business mix and what kind of product we issued this quarter versus last quarter. So you see that we had a certain measure in the last time in the pricing term. This quarter in August we have repriced some of the product where our objective is to get the VoNB number rather than getting the margin and some of the benefit we have passed on to the customer as a result we see the VoNB is flattish.

Company Speaker: Just to tell what we need to see is that our business growth is 4% for the quarter. Last quarter as you are aware has been slightly subdued for us and second thing taking the year VoNB and subtracting nine months is not strictly correct because year-end we change our assumptions and so many other parameters. So I would not want to call that 1% growth and strictly speaking comparable number because the December numbers have been valued on a slightly different basis than March numbers.

Deepika Mundra: Again from the EV sensitivity again the EV sensitivity to interest rates seems to have come down from half year level can you just walk us through the change that has taken place over there.

Company Speaker: If you see for any sensitivity for interest rate we disclosed the last year on the financial year basis. As you know we are writing number part and we have done a lot of forward rate agreement as well. So FRA is helping us to reduce the interest rate sensitivity, purpose of writing the FRA and particularly with the guaranteed product is to immunize your economic balances in terms of the interest rate sensitivity movement and that is really paying out.

Moderator: Thank you. We will take our next question that is from the line of Nitin Agarwal from Motilal Oswal Securities. Please go ahead.

Nitin Agarwal: Thanks for the opportunity. Couple of questions, one is like if you can comment on the earnings growth which for this quarter has been quite strong probably due to lower strain. So some color on this and how are we looking the shareholder earnings to grow over coming fiscal.

Mahesh Kumar S: Yes, so the profit growth basically if you look at the growth of our overall business you will find that there is a very strong growth. So that is one of the things and in any case in the last quarter we always have boost because of our policy holders, share of our par product. So the shareholders share of the par product. So that is generally taken in the last quarter so there is always a strong last quarter and plus we have done a huge amount of business and in various products we have done. So as a result of that there is a strong growth.

Nitin Agarwal: And second question is around the APE growth while you explained on the VNB that we need to look at the full year number, but if I just look at the APE for 4Q it is like down 10% on a quarter-on-quarter and of course the base effect is there which is drag this growth, but now again in FY2023 the base will remain high for the coming quarters. So will the growth trends likely pick up in the coming year or will it again be a back-ended growth.

Mahesh Kumar S: See it will grow, what I am saying is that I do not really think we track the APE so much as the IRP growth and the total business growth. So basically we will grow and if you look at the trend throughout in January and February there was a fresh wave due to which there were some lockdowns etc., and that has actually affected our performance a little bit. March we have started coming back if you see in March we have grown. So overall if you see the trends are very encouraging in spite of having all these problems like for example we had hardly started business this year when there were stringent lockdowns in April, May, etc., and then again in January, February so having faced all those problems we have come out with a 25% growth in APE so I think that itself shows our strength and this is on the back of a very good base last year also if you look at last year our base was not very small we had grown over the previous year with a very bad Covid year. So taking all that into consideration we are poised to grow.

Nitin Agarwal: Sure Sir thank you so much.

Moderator: Thank you. Our next question is from the line of Adarsh Parasrampuria from CLSA. Please go ahead.

Adarsh Parasrampuria: Sir, congrats on good numbers. Couple of questions, if you can just walk us through the EV changes. So your EV has moved and there is a like-to-like adjustment which is why you show a 9% growth. Can you walk through the adjustment because the EV that you have shown in the chart moves from 33000 Crores to 39600 Crores, and then you show a 9% EV growth I think that is the adjustment that is there for the change. So, if you can just walk us through the difference between the two.

Mahesh Kumar S: Yes, I think, what you need to do probably look at the annexure do you have the effective presentation this is slide #32 if you see the whole breakup is given there very nicely just go to that and if you will see the opening EV is given and then each and every element is given and in that if you see we have given the operating experience variances others. So that is where you will find the change in our, what you call it the methodology has been taken into account. So taking that into account you will see, you have the entire picture there.

Adarsh Parasrampuria: So basically the EV impact of that is about 1200 Crores positive.

Company Speaker: Not all of it because there are certain other changes in the methodology, but predominantly the tax benefit but there are some of other and there will be some offsetting impact as well.

Adarsh Parasrampuria: Just wanted to check we have been running fairly large variances on the positive side for a few years now. So what is our view about that last year 450 Crores, this year persistency and expenses about 320 and then there would be sitting in others as well. So what is our view do you want to keep maintaining this or would you kind of change assumptions at some point to get it in VNB.

Company Speaker: Just see others like we always maintain our position that when you set our assumption, our assumption is set in line with that in long-term assumption should be sustainable. So we do not make frequent change unless it is evident and that is the reason if you look into all operating variances is coming positive. Last year we have taken some measures in term ago we are not made the significant mortality losses but we strengthen the mortality. Our objective is to ensure that what number we are disclosing and what we are looking into that is going to be remain sustainable in the future. To that aspect we are continuous getting this surpluses. If you look into the mortality as well in Covid scenarios if you explore this Covid claims we are having a positive mortality variance. So we continue to do that and at the same time we will also keep mentioning that each year we revisit our assumptions as and when required we will refine the average, but we do expect our operating variance will continue to be grow from the current level.

Adarsh Parasrampuria: And slide #12 just the follow up on the EV. The heading says EV grew by 9% from 364 and the chart has 333. I was asking can you explain this 3000 Crores gap.

Company Speaker: If you see we used to report one number on actual tax basis and for the comparative purposes we give the sensitivity as effective rate. Now we found the effective tax base is no longer relevant and we move that. So just to give a comparable to you and all others that because earlier our walk on the EV was on base-to-base basis. So that is the reason we started and that which is so that you can look into each and every component is easier to comparable with the previous year.

Adarsh Parasrampuria: I understand. Sir my only question was like you showed me in that slide #30 something that the impact of the accounting change was about 1200 Crores it was within that 1200 Crores number and the opening EV gap between the two accounting methodologies is about 3000 Crores. So I am not able to add up these numbers.

Company Speaker: So what has happened that we need to reflect as a sensitivity. Now we look into this methodology and we do that and we have considered our current taxation position. We also consider the future at a tax position of the company and we have appropriately modeled that and that is the reason coming from and secondly that your business mix sometimes will keep changing from that and to that extent you might be seeing some not like-to-like comparison that you can look into the opening difference between the base effect on this because there is some other and what I mentioned earlier as well there is some other adjustment also done in the internal refinement of the methodology so there are some offsetting impact. So that number that referring to that match only on account of a taxation. So that is the reason you are not able to do like-to-like comparison.

Adarsh Parasrampuria: Got it, Sir and thank you so much, all the best.

Moderator: Thank you. Our next question is from the line of Arav Sangai from VT Capital. Please go ahead.

Arav Sangai: Hi! Good evening Sir and hope all well adjoined. I just have a follow-up on the question that the first participant ask regarding the VNB margins on our Q4 basis of this year to the Q4 basis of last year. So as you mentioned that the margins are like near to flattish only, but if I just compare the product mix, the product mix might have changed quite a bit in favor of a higher margin products. So I am just not able to understand why there was not some kind of margin improvement that is the first part and the second question is that if we look at the industry and way our peers reported the numbers there seems to be a lot of demand for high margin products and that was very much visible in them in the margins for the fourth quarter, but that is not the case with us. So just wanted to get your thoughts on how will the product mix look like in the next couple of years and what are the products we might look to guide. So thank you those are the two questions.

Mahesh Kumar S: Yes, so basically what we have done is, in my opening remarks you might have heard that I talked about our Smart Platina Plus product. So we have introduced that product which is a non-par guaranteed product which gives income over a period of time. So that has been a very successful product and we see that in March there was a huge uptake of that and going forward I think there will be a huge demand for that. So your point is valid that there is demand for high margin products if it is rightly placed and rightly produced so we have this beautiful product and we are very confident that we will be able to do a good volume of those products going forward. Now as far as the VoNB margins being flattish and the change in composition and all we have to say that there have been a little one of the other participants said remark that the APE has de-grown so that is one of the components the other component is that we had repriced a couple of products and so we had passed on more benefit to the customers especially in the non-par segment. So all and the annuity also, so all those things put together I think it has remained slightly flattish, but if you look at it, it is not a small number, it is a good margin to have 25.9% is not a bad margin to have. So to that extent I do not think there is any cause for concern there. Going forward we will get the benefit of having all these good products which have higher margins.

Arav Sangai: Just one follow-up if I may ask. So you mentioned that we have passed on a little extra benefit on our non-par product with the customer. So the benefit that we are passing on is very different from the industry that we had to take this step or I just wanted to understand the logic behind passing more benefits in the non-par category is it because LIC might also get the very active in this case and we want to maintain our ground there or like what might be the reason.

Company Speaker: No, let me explain this it is like we always mention that we do adopt a very active pricing and dynamic as well. Now our objective is to grow the VoNB and not the margin. So we do not believe that if margin is extraordinary but we value lesser we will achieve our desired number. So to that extent what we mentioned that yield has gone up significantly over the period and hence our margin is going up we wanted to give some benefit to the customer in terms of the higher return and so rationalize margin, but still margin is much higher than the what we are looking into. So that is the reason we mentioned that we reprice and do that because I want to be fair to the customer as well that what return you are offering is a reasonable to the customer at the same time you make the reasonable profit in terms of margin to the company and also keep the reasonable sustainable volume and that will ultimately pass on the benefit to the company itself in terms of unitization of expenses etc.

Arav Sangai: Okay all right Sir thank you and all the best for the coming quarters.

Moderator: Thank you. The next question is from the line of Jayant Kharote from Credit Suisse. Please go ahead.

Jayant Kharote: Thank you for the opportunity. I have two questions one is the following up on the previous question on the repricing was it done only in guaranteed products or protection products as well.

Company speaker: We are done in the guaranteed products.

Jayant Kharote: Sir so basically after the repricing it is visible that the margin accretion is not there despite the sort of pickup. So going ahead do you expect that margins may not gain as much even if guaranteed product share moves up.

Company speaker: No we are expecting the margin to further go up from the current level. What has happened that we introduced the product, last time we price in the month of May over the period six months the yield has gone up, we are holding up the pricing on account of our distribution as well. August we have passed on and if you look into the August till today our yield has further gone up and we are holding up this pricing will not pass on to that basis. So eventually we are going to gain more and more margin under prospective. Second part is we come out with another part what our MD Sir has mention on the non-par portfolio it is further going to get the margin. So just to conclude our non-par portfolio is going to be help us to accrete our margin from the current level.

Jayant Kharote: And secondly on the FRA’s what is the pricing for FRA’s based on currently and do you feel there is adequate supply side, are there supply side constraints on FRA’S.

Company Speaker: Currently we are atleast for SBI side we are not seeing any challenge in hedging and FRA's are being we are able to do FRA within the pricing that we are doing, so whatever guarantee we are able to easily cover under the FRA rates we are getting in the market right now.

Jayant Kharote: What is the pricing based on?

Company Speaker So we have an assumption like what is the expected, and what are the FRA expected rates also.

Jayant Kharote: And the MTM hit because of FRA to our shareholders' funds on the debt side.

Company Speaker: There is no hit on the shareholders funds. There is no usually but we do the hedge accounting, if any MTM gain and loss we will look at to the hedged fluctuation results, so there is not a hit on the shareholder side.

Jayant Kharote: And what will be our total exposure to FRA notional as of closing March.

Company Speaker: We will come back to you because I do not have right now the numbers.

Jayant Kharote: Okay, thank you.

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

Sanketh Godha: Thanks for the opportunity. In the VNB walk you clearly mentioned that the methodology change and improved VNB by 14 Crores or 2.9%. On similar lines if because of the only methodology change how much has EV got boosted either in Rupees, Crores or in percentage if you can explain that will be very useful.

Company Speaker: No I heard you mentioned that we have done other changes so if you look at the slide #32 we have given the other operating variants that inclusive of that and we are not having that exact number on that because what we did we have done refinement in our model considering all aspects and there are some several other minor refinements in the model as well. So we are not having that exact number on that perspective.

Sanketh Godha: And second point is that in the operating variance number others, other than mortality and expense and persistency, which is Rs.12.2 billion or 1220 Crores do we have even factored in that Supreme Court related payback given to the State Bank of India to the policyholders where we lost the case that 116 Crores to be done in the current year and probably second one is around 350 Crores to be done in the next year if you lose it. So that number is also getting reflected in the particular number.

Company Speaker: Yes, that has already been allowed for.

Sanketh Godha: You have allotted for both the products or you just allowed for provided only for one product 116 Crores.

Company Speaker: Only for one.

Sanketh Godha: That is 116 Crores.

Mahesh Kumar S: See the other matter is subjudice and there is no way that we have made a contingent liability for that in the balance sheet and that is it.

Sanketh Godha: My question is how much you provided in the current year for that.

Company Speaker: 116 Crores.

Sanketh Godha: And the other part is that means two data keeping questions. One is what is your credit life protection business in the year or quarter and second thing is that in annuity business just if you see the numbers in the fourth quarter it is moderated to 900 Crores in APE terms it is 90 Crores which is 13% growth year-on-year. So is this moderation is largely because you slowed down your business on group annuity or you have seen that moderation in the growth in individual annuity to, and if you can breakdown that annuity business into group and individual also will be useful.

Company Speaker: See for the quarter credit life business if I will answer the first one first. Credit life for the quarter we did almost 540 Crores and for the whole year we have done approximately 1700 Crores.

Sanketh Godha: And on the annuity side.

Company Speaker: Annuity total we have done both I will give you separate numbers, individual annuity, we have done a 1780 Crores and group annuity we did 1690 Crores.

Sanketh Godha: And the slowdown was largely in the group businesses.

Company Speaker: Individual annuity is growing more than 40% and group annuity we are going in a flattish manner whatever we have assessed for our self in the budget for FY2022 we have done.

Sanketh Godha: And grow can you just tell individual annuity growth for the quarter, for the quarter passed away.

Company Speaker: For the quarter it is 58%.

Sanketh Godha: Individual annuity right.

Company Speaker: Individual annuity.

Sanketh Godha: And finally the non-par annuity business which we did 630 Crores in the current quarter means you said that we launched a income version of Platina. So out of that 630 Crores what we have done in the quarter can you break it down into income plan and endowment plan, just wanted to understand and I am under the belief that income plan will have a superior margin compared to endowment one.

Company Speaker: No, income plan was launched only in last week of March. So it was a strong start, but you will see the numbers actually in this financial year.

Sanketh Godha: And is it safe to assume that income plan has a superior margin compared to endowment version.

Mahesh Kumar S: Well I think there is no such more it is approximately similar.

Sanketh Godha: Okay Sir got it that is it for my side. Thank you.

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

Neeraj Toshniwal: Hi! Harping on the same question again on the 30.1 billion difference, if you can give more color on that will be helpful as in what led to such a big change.

Mahesh Kumar S: I am sorry, cannot hear you properly can you repeat the question.

Neeraj Toshniwal: The same question again on the individual on the EV change 30.1 billion if you can elaborate more from where this difference is coming in because this looks a little on the higher side, I think it should have been maintained given we are already reporting effective tax rate numbers from a long time so what of offsetting change we are doing that is not very clear till now.

Company Speaker: As we mentioned earlier as well and I do not want to repeat but again I am repeating the same thing here again so what happened we as a company record the base number that we believe at that point in time and for comparison purpose we do the effective tax sensitivity. Now we have done the appropriate modeling in our model to reflect the current company current tax positions and also consider the future tax position of the company. Accordingly we have done that and there are several other minor refinement in the model we have done the comprehensive review of the model and some places we required to make some changes we did that and unfortunately we do not have that number to do the split because we have done all together in one moment.

Neeraj Toshniwal: So would this number be sitting in operating assumption change I mean the offsetting impact not in the variance in the assumption change right.

Company Speaker: Yes, so if you look at the slide #32 that number is sitting in the operating variance other operating assumptions variance.

Neeraj Toshniwal: So operating variance is 12.2 that you have explained the effective tax but the difference largely setting into operating variance or operating assumptions because we have moved from gross to effective tax rate. So how to look at, I mean, so the operating ROE we are actually getting to operating the ROE would that be lower and look optically higher for this quarter and how could one read into that.

Company Speaker: No, operating assumption change is not reflected there.

Neeraj Toshniwal: And what is this, you can just give the 4.5 billion economic variance movement that in the equity and because change in yield how should we think about it because these are still increasing to have the split.

Company Speaker: No, see basically we look into what is the reference rate and then you look into what is expected real world rate on your rating and difference. So basically unwinding will done on the real world return basis.

Neeraj Toshniwal: No, not on your line the economic variance I am talking about.

Company Speaker: it is nothing.

Neeraj Toshniwal: And on the new product which we just launched can you give more color I mean it is a similar margin but what is the strategy going in, in terms of growth what we can expect in terms of EV in the current environment are we looking to change alter our mix with the lower ULIP and higher traditional and within the protection the growth has been quite good but are we able to manage to improve ROP and the term mix so it has remained largely stable.

Mahesh Kumar S: See the first thing is that the product mix we foresee that we will have more non-par products being sold protection as you can already see is very strong we have grown protection by about 26% this year so which is very much in line with all the other growth of all the products so protection has also grown by 26% and we think this trend is sustainable and like I said non-par we have now a good portfolio with three, four strong products and that will also grow. So obviously margins are going to grow and the product mix we think will shift it is not a conscious effort on our part to reduce sale of ULIP or something but these products are seeing a good demand and they will definitely the higher margin products are selling very well as we have said repeatedly that our ULIP products are positive margin products. So we are not losing anything out there and we will continue to sell if there is demand. So as long as there is customer demand we will continue to sell the ULIP products also and I think the persistency in ULIP are excellent and they are likely to continue that way it gives a lot of liquidity and flexibility to the customers. So we do not see ULIP being discouraged by us, it will depend a lot on the customer demand but like I said the trends are that we will have more non-par guaranteed business in the mix and also more protection and as far as the question of improving to pure protection I do not think that is the right question because TROP is a very good product for the customers and it gives the similar value and good protection so I do not think we are constantly trying to shift TROP customers to pure protection or anything like that but pure protection has its own challenges today with a lot of reinsurance and all issues coming up and as things ease out I am sure that pure protection will also be sold more, but then not because I want to sell more of pure protection but because the demand is there and we will be able to sell more pure protection. Having said that I do not think we are going to discourage sale of TROP it is a very good product and I think it is an excellent product for people especially the not very educated people and the people in the B towns etc., and also the middleclass people also it is a very, very good attractive product.

Neeraj Toshniwal: That is helpful only if you have the split handy within the pure protection in the RP and the term you believe.

Mahesh Kumar S: That is the thing which remains about the same, every time you say it is the same thing 85/15 approximately.

Neeraj Toshniwal: And on the credit protect attachment rate are we seeing improvement.

Mahesh Kumar S: Yes it has improved from 46% last year to 50% this year and we can see trends that it will go further up.

Neeraj Toshniwal: Great thank you and all the best.

Moderator: Thank you. Next question is from the line of Aditya Jain from Citigroup. Please go ahead.

Aditya Jain: On the VNB space so there are various components there. There is no specific component which talks about benefit of operating leverage then because of the size increase there might be some margin expansion. So is it that we are not seeing that or is it that it is built into some other compounds.

Company Speaker: Which slide are you talking about? No, you see this, when we do this our assumptions for the nearly computation both the initial expenses as we are maintaining such expenses, that truly reflect our current year range. So we realign each year and that already been built in this process. This is not that we use some long-term assumption which is not affecting our actual positions. So already we are taking that.

Aditya Jain: So what is the right operating ROEV we should look at going forward the 20.6 number does it apply going forward as well I mean roughly.

Company Speaker: If you see historically our operating ROEV in the range of 20% so we will continue to look into that and as we mentioned in the earlier call as well a different question that your assumption is that and we are getting partly variance if that will play out I think there is a scope for further improvement from the current level.

Aditya Jain: The full level margin of 25.9% VNB margin would this be lower in the new pricing method. So the new pricing as I understand came into effect in more recent quarters on the non-par side this 25.9 to a large extent is reflecting old pricing therefore.

Company Speaker: No, it is a part of see what we said was that there are a lot of factors including a little bit of price change not directly contributed entirely by that and going forward like we have said that this is a higher margin product so it is going to contribute to the growth of the VNB margin.

Aditya Jain: But as a starting point this 25.9% the right number to look at or it is lower.

Company Speaker: No, exactly 25.9 is the right number to look into this there is no different two number it is only one number 25.9 is the right number and you can look into the margin equation will happen from the current level. So going forward you expect because the reason that we are going to sell more and more non-par, par because there is a demand and we introduce new product we are also coming with the defer annuity and annuity on the individual product so there will be more bouquet of the non-par product in our portfolio and that will help us to increase the proportion of non-par and that will ultimately improve the margin from the current level.

Aditya Jain: Just lastly talk about the change in margin because of the pricing change specific to the non-par product, if it is possible so in the non-par product how much it change from x to y. So what is the delta?

Mahesh Kumar S: No, basically we are not disclosing details of margins etc. there are a lot of products, there are a lot of versions where the pricing is all different and the margins are different so we are not giving any figures out but suffice to say that these are higher margin products than the company's margin today. So obviously it increases in percentage terms it will contribute to the increase in margin.

Aditya Jain: Got it Sir, thank you.

Moderator: Thank you. We will take our next question from the line of Hitesh Gulati from Haitong. Please go ahead.

Hitesh Gulati: Thank you for giving me the opportunity. Our operating assumption change is there a negative mortality assumption change also included there and also could you give me the exact Covid claims impact before tax for this year.

Company Speaker: This operating assumption change is mainly an account of the mortality and morbidity assumption. This is not significant I think because we were tightened last time, so this is one part. Second question on the Covid one, if you look at our mortality variance our Covid claims that we just mentioned is around 1500 Crores net of the insurance and our operating variance and mortality is coming 10.8 so other than Covid we make a positive mortality variance. Covid had let down us to give some negative mortality variance.

Hitesh Gulati: The 1500 Crores was that would be around 1350 the impact is 1080 so there is delta base right.

Company Speaker: Sorry, I am not getting your question.

Hitesh Gulati: The 1500 Crores is Covid claims post tax that will be about 1350 Crores right.

Company Speaker: We should look into that, what we should look into that, that what is expected claim that you are looking for and how much you paid for and then tax will applicable only if there is any positive variance coming under this perspective. So claim is not look into the net of taxes, claim is always look to net of reinsurance that is the net of taxes.

Hitesh Gulati: And mortality assumption change is only 10 Crores or is it a bigger number offset by a positive number.

Company Speaker: No this is only this number, no other changes. So this is purely on the mortality and morbidity side and as well we are making mortality profit so no point of exchanging these assumptions.

Hitesh Gulati: Thank you that is it from me.

Moderator: Thank you. Our next question is from the line of Abhishek Saraf from Jefferies. Please go ahead.

Abhishek Saraf: Hi! Thanks for the opportunity, most of my questions have been answered sir. Just one follow-up on ULIP side so one of our peers had mentioned that in ULIP there is some changes happening in terms of the products that are being demanded so more till towards debt ULIP rather than equity given in the volatility in the market. So are we also witnessing that kind of change in customer behavior?

Mahesh Kumar S: We have not seen any drastic changes there, however in the past also when markets have been down or have been too volatile or something customers have opted to switch to more debt than more equity. So that kind of thing we also expect that can happen if there is a sudden drop in the market or something like that if sudden changes are there similarly when markets are going up there is a demand for equity also. So that is there but we have not seen any significant shift right now.

Abhishek Saraf: Just on that, so if you can help me understand this what could be the margin difference between a standard debt heavy ULIP versus the equity heavy ULIP.

Mahesh Kumar S: Very difficult we may have those figures somewhere but I do not think we want to share those.

Abhishek Saraf: And lastly on a non-par guarantee so given that yield curve is kind of flattening so can you help us understand the spread that we would be locking in, in the current product versus the earlier products given that we have also had repricing for our customers.

Company Speaker: Just to tell you currently we are still able to get FRA rates which are better than what we have budgeted when we are trying the product if that changes we will reprice the product.

Abhishek Saraf: Then is it fair to assume that the spread would have been largely been maintained.

Company Speaker: Yes.

Abhishek Saraf: Sure, thanks a lot. If I can squeeze in last question, I was just asking that on the impact of LIC changing the way it does business and being aggressive on the non-par guarantee side and also kind of pushing other products which it had not been present in be it ULIP or the protection and so are we kind of witnessing any of these at the ground level is the competition changing.

Mahesh Kumar S: We have a huge distribution network which is not dependent on LIC doing well or otherwise. So we have the banks with us, we have SBI, we have many other banks, almost 75 banks of various sizes we have, and apart from that we have 146000 plus agents and then we have many other partners, brokers, corporate partners. So given the distribution strength I do not think we are looking at any other player getting more or becoming more aggressive or anything because we have our strengths we have our good products and we have been able to grow year-after-year even in the pandemic even in bad situations so I do not think that we are worried about that or that it is going to affect our business.

Abhishek Saraf: Sure that is very helpful thanks a lot that will be all from my side.

Moderator: Thank you. Our next question is from the line of Dhaval Gada from DSP. Please go ahead.

Dhaval Gada: Hi! Sir, thanks for the opportunity. I had two questions. If you look at the difference between the EV on statutory tax rate and effective tax rate in FY2021 that was close to 3000 Crores if you look at that same number in 1H 2022 that was 3200 Crores I understand that you have given an explanation for 1220 Crores on the operating variance others and then within that there is also one more adjustment of 116 Crores. So if I add that it adds to about 13 36 Crores. I am just not able to reconcile the balance what are the adjustments because the residual number is quite material. So if you could just break down what are the major buffer or provision that you have created to reconcile the number. That is the first question.

Company Speaker: Let me try to respond this question and the way that you are looking for. One is that we should not look into the September number for effective tax perspective because the tax will look into the entire year and longer-term perspective. Now as we mentioned that, that we are looking in the current number that we have disclosed and we are going to disclose this way in future as well. We have looked in our current financial tax position we also projected out this and based on that we do the modeling there are other elements because as I mentioned we have done the comprehensive view and some of the models so there will be some offsetting impact to our guides and unfortunately we are not having that exact numbers of tax because we have done only for the changes in the tax we do that if you have anything we can take offline as well, but as of now since we have done several other changes in the model along with the tax predominantly in tax we are not having that number separately. If you have done only the taxes is easier for me to give that number to you. So that will be not comparable.

Dhaval Gada: If you could just qualitatively help us understand what are the areas where major changes have been made that would also give comfort in terms of where the residual amount has gone because even if I look at FY2021 the difference between the two methods was 3000 Crores and that is the reason. So I am not looking at September 2021, September number but just the March number last year.

Company Speaker: Can we take this offline if you do that because we do not have that number we can take it offline.

Dhaval Gada: Okay we will do that and the second question is on the mortality side so the 1080 Crores if you could just help us understand so at the start of the year in 1Q we had created about 445 Crores of extra reserve on top of our March number in terms of mortality reserve for COVID and in September I think we were comfortable with the level of reserve December also we were comfortable so this 1080 should I understand that this was largely created at the end of the year to sort of see the past experience as well as what we are likely to see in future. So just trying to understand the initial sort of guidance around 445 to 1080 how the reconciliation is so that is the second question.

Company Speaker: No let me explain this, this 1080 is the actual claim that I have been paid over and above the provision that we made at the beginning of the year, if you remember the beginning of the year we make a provision for 183 Crores and our Covid claim received was 1500 something net of the insurance so this is the shortfall coming from that perspective and on top of we make some normal mortality profit so that is the number is. This number is not about the provision that we have carry forward for the future.

Dhaval Gada: Okay fine Sir, thanks and all the best.

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

Avinash Singh: Can we have the slide #32 walk from 364 to 396 now 364 plus 37 and plus 27 these are like unwind and VNB that is very, very clear number. Now from 428 to 396. This 32 billion out of that again around 7 billion as per the economic variance and all 25 billion number has to come from operating variance and now because it is not assumption tendency or variance so this has to be explained and there is of course a big hole and that to basically variance means what you experienced was different than your assumption in the previous year. So that is a big number so what is this, I mean, this is not sort of adding up.

Company Speaker: I think, we have explained this quite a few times in this discussion. In detail that I mentioned that all other if you look at the side #32 we explain other variance that is the reason we put this method change and other changes all together is 12.2 Crores. So there is some other offsetting impact on that perspective. So that is why we are able to reconcile that number if required we can take this question offline we do not have that each and every state level number available that we can tell you.

Avinash Singh: No suggestions but it is variance just like a one year experience versus that assumption and it is a big number so I mean you have put in a mortality you have put in a smaller number but this bigger number is not adding up so I mean how to sort of go about it I mean 364 to 396 is what walk though I am ask before.

Company Speaker: See when we are making any change in the taxation or any other methodology. The methodology impact is not only for one year it will be for the future here as well so if I look into the impact of any changes because when you project your future profit and even the tax or any other value you apply you take the apply for each future here and discount it back. So point I am trying to make is this impact is not only for one year that this is happening. I am not sure whether I able to convey is that a questions you can take offline on that perspective, I will be more than happy to explain to you.

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

Nischint Chawathe: I am just looking at slide #13 and this is on change in operating assumptions and economic assumptions, if you could kind of help us understand what does this on account.

Company Speaker: If you see this globally the economy variance is purely the economic variance 0.9 is just a yield curve impact nothing else and other operating variance is 0.8% that we showed is 119 Crores this is predominantly the mortality and mobility assumptions.

Nischint Chawathe: Sure, got it. Thank you very much.

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

Madhukar Ladha: Hi! Thank you for taking my question. Can you give us some sense of your margins in different segments so let us say protection, non-linked, savings what could the broad sort of margins you look at.

Mahesh Kumar S: So we have not been actually we are not disclosing the margins in absolute number terms we can say that term protection has got the highest margin and then term with return of premium and non-par guaranteed and then ULIP so that that would be the way to look at it.

Madhukar Ladha: And can I get some sense on what are the linked margins now. So in the linked business how different would we be from the company average.

Mahesh Kumar S: Yes, so linked, I think it will be around 15%.

Madhukar Ladha: And I do not know whether this was asked earlier, but it seems in Q4 the growth is slowing down.

Mahesh Kumar S: Yes, I have already explained Q4 growth especially January, February was affected because January there were some severe lockdowns in some places and that did affect the business and then February also it did not really bounce back but we did almost what we did last year and then in March we again started seeing the growing trend.

Madhukar Ladha: And what do you think now we are at a pretty high base so looking into FY2023, FY2024 what sort of growth do you think we can aim for or you think the growth will weigh down.

Mahesh Kumar S: We are targeting numbers which we have done before so similar numbers we are targeting this year also base effect yes, I know that there could be a base effect normally but then with the potential that is available we are targeting for the kind of growth that we have witnessed in this year. So that is the way that we are going to go.

Madhukar Ladha: And last question for you. If you increased the return on the guaranteed product sometime in August you mentioned and again obviously interest rates have gone up so the margins are getting better what drove that decision do you think it is competitive intensity that competitors have started passing that on is that what is driving us also to do that and are we seeing that sort of behavior again play out right now.

Mahesh Kumar S: No, see when the rates of interest go up in the market obviously the expectations will also go up. So we have to keep a fine balance between making margins for ourselves and also giving the customer good product. Now whether that is driven by competition or not is a move point so what happens is everybody is driven by the same considerations. So if there is an increase in the interest rates in the market and you do not reprice then obviously your product is not going to be very attractive. The second thing is that we are banking on volumes. Now if you will see that our growth has been huge so we have had 26% growth last year in APE so 26% growth means that with a constant margin also I keep making more and more money for the stakeholders.

Madhukar Ladha: Got it that is it from my side and thank you.

Moderator: Thank you. Our next question is from the line of Manish Gupta from Solidarity. Please go ahead.

Manish Gupta: What I wanted to understand is that on a long-term basis there is so many accounting adjustments that for a lay person it is difficult to understand the economics of this business. So when we look at banking we will say banking is like a 15% to 18% ROE kind of business how do we think about on a normalized product mix basis what is the ROE of Life Insurance.

Mahesh Kumar S: See let me tell you it is not a very simple question to answer because different companies have got different products that they sell suppose I was a company selling only term life insurance I may have a much higher return and if I were a company selling only ULIP I may have a different return which may be lower and the product mix is generally dynamic the margins of products also change so today what the margin is that I am receiving on a par product may not be what I get tomorrow so every quarter I will have to look at that so it is not very easy to say life insurance as such so every year we take targets and we may take these targets based on our business expectations so what we do is we first start with what is the demand that we are seeing for various products and then what are our competitive strengths in those products and then we decide that this is the amount that we will be able to sell and then once we budget for that after that we work back and get all these things your ROA, ROE and all those things come out of our business assumptions. So every time it is going to change, it is not that if I make business assumptions in March I am going to stick on to that hang on to that for June quarter or for the next quarter September quarter or December quarter because I will keep analyzing so it is not very easy to say that so I will not venture into that it is very dynamic.

Manish Gupta: Sir I am sorry I did not understand you. My question is that let us assume that you are only selling term protection it is a hypothetical scenario but if you are only selling term protection over say the next five to ten years what would have been the return on equity of a well-run life insurance company that is only selling term protection.

Company Speaker: No, so this is a slightly hypothetical question. So let me go one-by-one. So first thing I want to tell you is that unlike some of the other financial services business I know that our AUM has gone up from 10000 Crores or policy holder liability whichever way you want to look. Two almost 265000 Crore without single rupee of dilution of equity. So our only equity dilution has come from ESOP so completely internally funded growth which is not true for a banking or NBFC so now when you do not cannot compare it on that very first basis because if you see when we have been growing fairly well across the years AUM growth will be 18%, 20% every year when you take a 10-year CAGR. Now our accounting because it is a long-term product and you have to have that new business strain there are some challenges around how you look at it so once the new business strain eases and our growth comes down to tape it I do not know when that will happen 5, 10, 15 years down the line 5% type of it then the accounting profit that you will see will be very similar based on year-on-year number because of the books I would not expect if it is a well-run company why should we make less money than other financial services business.

Manish Gupta: My second question is that if one has to again very as a broad thumb rule assume that the accounting policy was such that one could amortize the customer acquisition cost through the life of the policy rather than the first year new business strain then how much would say your reported PAT roughly increased.

Company Speaker: This hypothetical question I think this is not allowed in India as well but in term of the amortizing your acquisition expenses as per the Indian regulatory and accounting environment we have to do this so we have never done that, that approach in India to see that why do you have to require and do that. So there are two things not only acquisition equation of amortization but that margin for adverse deviation also has to be kept. So there are two factors which depress the profit when you are doing accounting that number would be significantly higher than the accounting number that you are seeing 1500 Crores of profit that we have declared that you can be quite, and now to say that our net worth is 11000, 12000 Crores and if our profit is whatever I will not give you a number if some number higher than 1500 then you can do your own ROE calculation.

Moderator: Thank you. Our next question is from the line of Rohan Advant from Multi-Act. Please go ahead.

Rohan Advant: Thanks for the opportunity. If you look at our APE mix Q4 FY2021 versus Q4 FY2022 our ULIP share has gone down from 70 to 63 individual non-par has gone up from 8 to 15 and protection group plus individual has gone up from 6 to 9. So we have had a very favorable product mix from a margin perspective even then margins have gone down from 27.7 to 26.9 using effective tax rate for both years. So could you explain what has happened here and was there any one-off possibly in the base quarter of Q4 FY2021 because those margins seem very high and those were possibly not comparable to the natural trend that we have. So can you just throw some more light on this because in a context of a very favorable product mix from a margin perspective our margins seem to have dropped.

Mahesh Kumar S: So our APE has gone down like I said one of the factors is that the APE has gone down quarter-to-quarter if you see by 4% so that is one of the reasons there. The other thing like I said the repricing of the non-par product also so that was one of the things which even though the non-par percentage went up because we had repriced it looking to the increases in rates that we were anticipating and the interest rate has behaved exactly like that and so as a result of those I think all these factors have gone into this being flat.

Rohan Advant: Sir and going forward do you expect our absolute VNB growth to track APE growth or there should be some margin expansion kicker in the future.

Mahesh Kumar S: See margin expansion will be there that is what we feel I cannot predict what will happen exactly but then we feel that margin will go up because right now like we say last time also when we changed the pricing in august before that we had a very healthy margin on that and that is why we thought that looking at the market and the way the interest rates were looking likely to go up we wanted to reprice the product and get volumes out there we have been able to start getting volumes there and we have introduced another product so that has proved to be quite popular in the end of March we saw in the first seven days and ten days of launch itself we had a good number. So going forward we think that these products will continue to find traction the other thing is of course our focus on protection so when protection grows at the same rate as the entire business or higher than the margins will go up. So looking at all those things our margins are likely to go up.

Rohan Advant: Thank you.

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

Mahesh Kumar S: Thank you very much. It was great spending the evening talking to you and getting your feedback and also your questions. Some of you whose questions have not been answered in full I am sure Prithesh will be very glad to sit with you and talk to you about all those assumptions and all the changes that we have. So that you know all these doubts can be cleared. Thank you very much for participating in the call and I wish that all of you stay safe and healthy and have a very nice evening. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of SBI Life Insurance that concludes this conference. Thank you all for joining us and you may now disconnect your lines. Thank you.