

SBI Life Aims to Grow 35-40%; Capture Fifth of Market



ARIJIT BASU
CEO, SBI LIFE

On IPO plans

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SBI Life is the fastest-growing insurer not just by numbers, but also in quality of growth because of which investors paid a premium. Its chief executive Arijit Basu tells **Shilpy Sinha** and **MC Govardhana Rangan** that years of fast growth are still ahead and consolidation may gain momentum. Edited excerpts:

Investors like Temasek recently bought a stake in your company at a premium. What was the pull?

In 2014-15, we were on a par with the industry. We narrowed the gap in the past two years. We grew at 38% vs industry growth of 8%. This year, we are growing at 45% vs industry growth of 22%. Our qualitative parameters are strong. Our expense ratio is the lowest. We have budgeted 35-40% growth for next five years.

So, you are gaining market share too?

What helps us is also our agency channel, which is growing at 28%. It contributes 40% to our total business. In private, there are only 7-8 companies that are managing a good growth. We are having a good run. My personal prediction is LIC will stabilise around 40% in next 3-5 years. SBI Life should be able to breakout.

We are close to 11%. Our potential is to be close to 20% market share in the individual business.

Why did your foreign joint-venture partner BNP Paribas not increase stake after expressing an intent?

SBI will never go below 50%. It was required under IRDA regulation that the Indian ownership and control will stay with the Indian promoter. SBI has taken a call that in all major subsidiaries, they would like to retain majority shareholding. If Cardif had increased stake, an IPO would have required SBI to reduce its stake over the next three years. Cardif has presence in 38 countries. Indian model is valid in very few countries. In our case, they cannot consolidate.

Now, companies are focusing more on individual business. In the falling interest rate environment has group insurance business become less attractive?

During the stake-sale process, investors ignored group business. Analysts give emphasis to retail individual business. At one time, all companies were taking group business at the cost of profitability to show that they were among the top players. When private industry was growing, they wanted to show top line growth. Agents wanted to show new business premium. Once companies start doing well in insurance business, they focus less on group fund business. As long as you are paying yield that a insurance

company is making, it is not dangerous. Now, companies are quoting rates in line with the market. Companies have reduced rates by over 80-90 basis points.

Lower rates, poor profitability for many, how is the industry changing?

What was discovered in 2011, there were only 3-4 companies who could do an IPO. SBI wants it for better corporate governance. ICICI set a benchmark for IPO. If there is another IPO, they have a benchmark.



Of 23 companies, 19 are making profit but most have accumulated losses. What's in store for them?

It is very difficult for me to comment on competitors. One argument could be they get merged with bigger players.

There is a fallacy in that. There is a lot of time you have to invest in that. There could be mergers, but will depend on what their foreign partner decides. Maybe some will become regional players.

Will you be the second insurer to list?

SBI has gone on record that they are actively considering. But the final call is yet to be taken. This will be a call of entire board of SBI Life. If we do it very fast, it will be in September.

Will SBI Life raise fresh capital in IPO?

We don't need fresh capital. We are projecting 35-40% growth over next few years. We will need capital in 2019 to manage solvency at this growth rate. Our internal board mandate is to maintain 1.8 (solvency margin) while regulatory mandate is 1.5. We are at 2.1 to 2.2. Right now, our capital is Rs 1,000 crore and our paid-up net worth is close to Rs 5,000 crore. We will need another Rs 500 crore in two years. Within three years, we have to sell 25% as per Sebi rules. Maybe, we will take a call on fresh issue of shares then.

What was the impact of note ban on SBI Life?

We did not see any impact on collections. We take a cheque or demand draft. We have not been taking any cash since 2005 as an anti-money laundering measure.

Has the drive to sell through bank branches gone up?

We were always selling through bank branches. Earlier, we had 18% active branches. The bank has 16,000 branches and 6,000 in associate banks. SBI wants SBI Life to do well. If SBI Life does well, SBI gains as was seen when they monetised some stake. Second, they earn fee income. Five years back, they earned Rs 100 crore from SBI Life, but now it will touch Rs 500 crore. Globally, our partner BNP Paribas earns 20% income from subsidiaries. We are not even at 1%.