

# SBI Life will decide on dilution of stake in two months, says MD

To divest 10% stake in favour of partner BNP Paribas Cardif

**ABHISHEK LAW**

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A decision on stake dilution in SBI Life Insurance in favour of the foreign partner is likely to be finalised within two months, the company's MD and CEO, Arijit Basu, told *BusinessLine*.

SBI Life—the country's largest private life insurer—is a 26:74 joint venture between France's BNP Paribas Cardif and State Bank of India.

According to Basu, about 10 per cent stake will be divested in favour of BNP Paribas Cardif (by SBI). Post this, Cardif's stake will go up to 36 per cent.

"We have offered them 10 per cent. And we are very close to a deal. Hopefully, in two month's time (by July-end) a decision will be taken," he said.

## Approval in Budget

Basu was in the city to attend an insurance summit organised by the city-based Indian Chamber of Commerce (ICC).

In February, the Budget cleared the way for overseas investment of up to 49 per cent in pension and insurance sectors under the automatic route. This means investors will not have to



Arijit Basu, MD and CEO, SBI Life Insurance Company ASHOKE CHAKRABARTY

approach the Foreign Investment Promotion Board (FIPB) for increasing their stakes.

In the insurance space, UK's Bupa Insurance has already raised stake in its Indian health insurance venture, Max Bupa, to 49 per cent (from 26 per cent).

The FIPB has so far cleared Tokio Marine Holdings' proposal to increase stake (to 49 per cent) in Edelweiss Tokio Life Insurance Co (a joint venture between Edelweiss Financial Services and Tokio Marine Holdings), and that of Europe-based AXA Group in Bharti AXA Life Insurance Co and Bharti AXA General Insurance Co.

Valuation (of the company)

and the amount of funds that this stake dilution will bring in are yet to be decided.

## Valuation process

"Valuation is in the process. But, valuation is done for both existing business and the new business, which is projected to come in future. However, we are proposing to declare the existing business value in early July. Valuation of new business depends on several other market factors," Basu added.

SBI Life has an authorised capital of ₹2,000 crores and a paid-up capital of ₹1,000 crore, according to information on its Web site.

Its net worth increased to

₹4,733 crore in FY16, over ₹4,039 crore in FY15. Net profit stood at ₹461 crore.

Basu said SBI Life was targeting a 40 per cent growth in new business premium (also called first-time premium collections) in FY17.

Its new business premium collections stood at ₹7,107 crore last fiscal (a 29 per cent growth over FY15).

The bancassurance model—selling insurance products through tie-ups through banks—which accounts for 52-53 per cent of total insurance sales is likely to see a 30-40 per cent growth.

He expects growth in this segment to continue with good traction coming from many of the SBI branches and also an increase in licensed specialised persons (people selling insurance products in the various SBI branches). Of the 140,000 front office staff of SBI, such licensed SPs account for just 30,000.

## Bancassurance growth

"There is huge scope for growth in the bancassurance model; especially with the SBI brand," the MD and CEO pointed out.

Similarly, the agency model, which contributes to 39 per cent of sales, will be another focus area.