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SBI in talks to sell 5% in life insurance subsidiary

By [Sneha Shah](#), ET Bureau | Updated: Nov 11, 2016, 12.09 AM IST

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MUMBAI: India's largest public sector bank [State Bank of India](#) is in talks with global sovereign wealth funds and strategic investors to sell up to 5% stake in [SBI Life](#), the life insurance joint venture with [BNP Paribas Cardiff](#) in a pre-IPO fund raise, pegging its valuation at Rs 37,000-40,000 crore.

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The life insurer, that is looking to go public next year, has appointed investment bank Kotak Mahindra Capital Co. to look for buyers, said three people with direct knowledge of the development.

The process has been kick-started and Information Memorandum, or IMs, have been sent out to prospective buyers.

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Last month, the parent, India's largest public sector bank, in a filing to the stock exchanges had said, "State Bank of India Ltd (SBI) will divest up to 5% of its stake in its life insurance subsidiary [SBI Life Insurance Co. Ltd.](#)"

"Sovereign wealth funds such as GIC, Middle East-based funds and large pension funds such as CDPQ among others have been approached," said a person with direct knowledge of the development. "Some strategic investors too have been approached."

At the current expected value of Rs 40,000 crore, or three times the embedded value the company had last financial year, the 5% stake would help SBI raise about Rs 2000 crore. Earlier in the year, media reports quoting [Arijit Basu](#), managing director of SBI Life, said the company had plans for a public listing in 2017-18.

However, in an emailed response to an ET query, Basu denied any plans of an IPO. "SBI has recently informed the stock exchanges that they propose to divest up to 5% of their share in SBI Life. The process in this regard is being overseen by SBI. The proposed divestment is not linked to an IPO and there is no decision to go for an IPO. No valuation figures have been worked out so far."

Emailed queries sent to spokespersons of CDPQ and GIC did not elicit any response till presstime.

"After the ICICI Pru Life IPO went ahead successfully, the management has the confidence to launch the issue," said another person with

knowledge of the development. ICICI Prudential too held an exploratory exercise last November to determine the valuation where ICICI Bank Ltd sold 6% of its stake in the company to Temasek Holdings (Compassvale Investments Pte. Ltd.), and PremjiInvest, the investment arm of Azim Premji, valuing the company at that time at Rs 32,500 crore.

In September, ICICI Prudential Life Insurance raised about Rs 6000 crore at a valuation of Rs 47,955 crore.

Financial services sector has been attractive for global strategic and financial investors.

According to an August 2016 report by IBEF on Indian insurance industry, between April 2015 and March 2016, the life insurance industry recorded a new premium income of Rs 1.38 trillion (\$20.54 billion), indicating a growth rate of 22.5%.

"India's life insurance sector is the biggest in the world with about 360 million policies which are expected to increase at a Compound Annual Growth Rate (CAGR) of 12-15% over the next five years. The insurance industry plans to raise penetration levels to 5% by 2020," the report said.

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