
PROFITABILITY ANALYSIS OF PRIVATE VS PRIVATE FIRMS AT SBI LIFE INSURANCE

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ABSTRACT: The profitability of private and state-owned enterprises is the subject of the investigation, with SBI Life Insurance functioning as an example. It is the largest private life insurance company in India. The financial stability and operational efficacy of a business are significantly influenced by profitability. It illustrates the extent to which a company is capable of returning funds to its shareholders. The study compares the financial success of SBI Life Insurance to that of other public sector insurance companies by analyzing the Return on Equity (ROE), Return on Assets (ROA), and Net Profit Margin over a specific period. Secondary data, such as financial statements, industry publications, and annual reports, were implemented in the investigation. The findings indicate that private companies, such as SBI Life Insurance, are effective in managing risk and formulating their market strategies, as evidenced by the substantial disparities in the revenue generated by companies. The research not only provides investors and regulators with information regarding the factors that contribute to the profitability of businesses under different ownership models, but it also illustrates the comparative performance of private insurance companies in comparison to their competitors'. There are suggestions for improving the insurance industry's profitability while concurrently promoting its consistent growth.

Keywords: *Profitability Analysis, Private vs Public Firms, SBI Life Insurance, Insurance Sector, Return on Assets (ROA), Return on Equity (ROE)*,

1. INTRODUCTION

Profitability analysis assesses the extent to which a business's sources of income contribute to its profitability. The most profitable products or services are identified by analyzing sales, prices, and profit margins. This allows businesses to make more informed judgments about the allocation of resources, pricing, and operational efficiency. In addition to exhibiting the company's strengths, profit analysis also identifies areas in which it must improve to preserve its financial stability and competitiveness.

Profitability analysis is a component of enterprise resource planning (ERP) that aids business executives in determining how to enhance the profitability of a variety of products, initiatives, or plans. It is the methodical analysis of the company's revenue generated from its diverse revenue streams.

It is a common misconception that profitability research exclusively utilizes profitability ratios; however, this is incorrect. Profitability analysis offers executives a comprehensive comprehension by integrating both quantitative and emotional data.

Profitability analysis is essential because it helps business executives identify the most precise and reliable information sources, despite the fact that it entails a substantial amount of

numerical data. When selecting new corporate resource planning instruments, it is crucial to have precise and dependable data, which is why this is tremendously advantageous.

By consolidating data from a variety of business processes, ERP systems facilitate the utilization of information in numerous departments of a company. The process of accessing more informative and comprehensible data has been simplified as a result of the improvements to ERP systems. A comprehensive profitability analysis, which typically requires a detailed examination of the most profitable regions, suppliers, and consumers, can be facilitated by the utilization of this transactional data.

Indicating the extent to which a business generates revenue in relation to its assets, profitability analysis is a critical metric for assessing the financial health of a business. By contrasting privately owned businesses with public ones, stakeholders can acquire an understanding of the strategic, operational, and financial distinctions that contribute to their profitability. These evaluations furnish investors, managers, and politicians with information about the competitiveness, functionality, and durability of a private business in the market. By analyzing critical financial metrics, sales patterns, and cost frameworks, profitability research offers a thorough comprehension of the variables that affect a company's net income.

2. REVIEW OF LITERATURE

Hossain, T. (2025). The aim of this study is to examine the mechanisms by which small and medium-sized enterprises (SMEs) in Bangladesh can enhance their profitability by more effectively managing their working capital. Small and medium-sized enterprises are considered to be of paramount significance in countries that are experiencing economic growth and job creation. Effective management of inventories, payables, and receivables can substantially impact a business's financial success. The study employs mathematical techniques to analyze financial data from specific small enterprises over a designated period. The results suggest a strong correlation between earnings and effective working capital management. Organizations that sustain brief operating cycles and maintain sufficient liquidity frequently generate higher profits. The report underscores the importance of effective financial management and planning in modest enterprises. Managers are provided with suggestions regarding the most efficient methods of managing cash flow. The results enhance our comprehension of the relationship between the operational efficiency and profitability of minor enterprises.

Ratajczak, P. (2024). This investigation analyzes the financial flow and profits of European enterprises as they develop over time. The study employs self-organizing maps (SOM), an unsupervised artificial neural network, to analyze temporal data from a variety of groups. The data suggests that businesses that had a strong correlation between profitability and liquidity prior to the 2020 crisis were able to sustain this equilibrium both during and after the crisis. It is crucial to observe that following the crisis, the companies with the lowest operational cash flow margins also exhibited the highest net profit margins and other profitability metrics. The research offers a more thorough comprehension of the development of company profitability and liquidity, which is advantageous for strategic planning and financial management.

Romero, M. H., & Coenders, G. (2023). The financial stability of Spanish farms and food enterprises during the economic difficulties that resulted from the conflict between Russia

and Ukraine from 2021 to 2023 is the focus of this study. The study employs compositional cluster analysis, which is predicated on financial metrics, to analyze data from 1,197 businesses in the industry. The results suggest that the financial resilience of different types of enterprises varies, as evidenced by metrics such as revenue and solvency. Enterprises will become more resilient by 2023, according to the forecast. This will illustrate the industry's evolution in response to the economic obstacles that have arisen as a consequence of the conflict. Policymakers and industry professionals who are interested in improving the stability and efficacy of Spain's agriculture and food production sectors may find these findings to be highly advantageous.

Ahmeti, A. (2022). This study investigates the strategies employed by small and medium-sized enterprises (SMEs) in Kosovo's manufacturing sector to optimize their profitability by managing their working capital. It evaluates the organization's overall performance by analyzing critical components of working capital, such as inventory turnover, accounts receivable, and accounts payable times. The study employs quantitative methods and financial data from small businesses to establish correlations between increased profits and enhanced cash management. The findings suggest that organizations that improve their working capital cycles generate higher returns on their equity and assets. The research underscores the importance of maintaining a sufficient quantity of currency to support operations and expansion. It demonstrates how improved operational efficiency could lead to superior financial results. Managers acquire valuable advice regarding the optimization of their working capital processes. The results contribute to our comprehension of the cost-cutting strategies that facilitate the expansion of minor enterprises in developing countries.

3. COMPONENTS OF A PROFITABILITY ANALYSIS

There are numerous methods for conducting a profitability study, and it is common to utilize a variety of qualitative data and ratios. This investigation investigates the fundamental elements of a profitability evaluation for a small to medium-sized enterprise.



Break-even analysis

By executing a break-even analysis, you can ascertain the date on which your business will commence revenue generation. More specifically, it establishes the threshold at which sales revenue equals fixed costs (e.g., rent, salaries, and utilities) and variable costs (e.g., labor and supplies), thereby preventing any profit or loss.

This investigation can be used to ascertain the minimum sales volume necessary to cover all expenses and commence profiting. A break-even analysis can be performed on individual consumers to ascertain the number of units necessary to achieve break-even.

Profitability ratios

There are numerous methods for quantifying wealth. These metrics can be used to ascertain the profitability of your business by comparing its income, operating costs, assets, and invested capital.

Return ratios and margin ratios are the two primary categories of profitability ratios that are implemented in profitability research. Return ratios represent the amount of money that a company can return to its proprietors, while margin ratios represent the revenue that a company can generate from sales.

Customer profitability analysis

Furthermore, it is imperative for your organization to assess the revenue generated by particular consumers. A customer profitability study allows you to ascertain the revenue generated by a customer in relation to the cost of selling to them. It provides you with information regarding the clients that generate the most or least revenue, enabling you to focus your efforts on those customers.

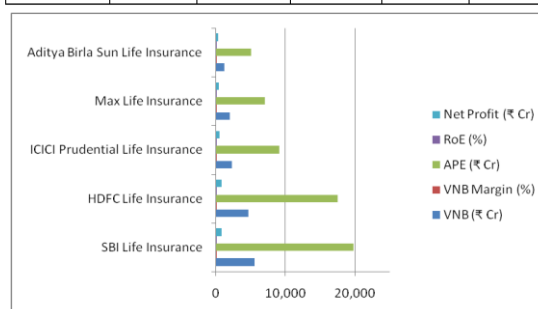
Qualitative analysis

A substantial number of organizations employ qualitative data, such as market research, consumer polls, SWOT analyses, and focus groups, to ascertain the profitability of their operations. This information offers a more thorough comprehension of the market's evolution and the preferences of customers, which may affect your profitability.

4. RESULTS AND INTERPRETATION

Profitability Snapshot – FY25

Metric	SBI Life Insurance	HDFC Life Insurance	ICICI Prudential Life Insurance	Max Life Insurance	Aditya Birla Sun Life Insurance
VNB (₹ Cr)	5,550	4,600	2,227	1,973	1,200
VNB Margin (%)	28.10%	26.30%	24.60%	26.50%	20.40%
APE (₹ Cr)	19,720	17,500	9,046	7,000	5,000
RoE (%)	14.20%	10.00%	9.60%	10.00%	9.00%
Net Profit (₹ Cr)	811	792	500	400	300

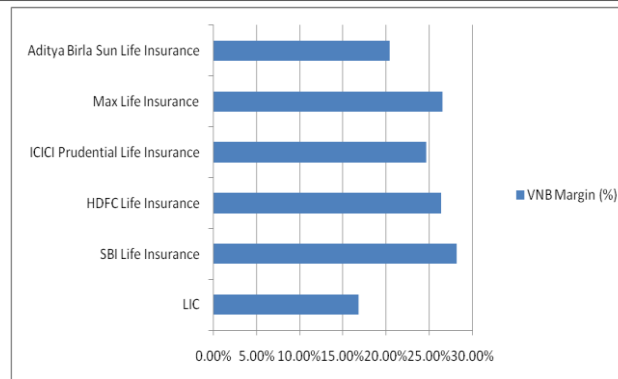


INTERPRETATION: SBI Life Insurance is the most profitable and adept at acquiring new consumers, as evidenced by the table's indication that it is the leader in both VNB (₹5,550 Cr) and VNB margin (28.1%). HDFC Life, which has a high APE and strong profits, is growing more efficiently than ICICI Prudential, Max Life, and Aditya Birla Sun Life, which all have lesser capacities and lower margins. In terms of net profit and return on equity (RoE), SBI Life outperforms its competitors, which provides its proprietor with a superior

return. Large organizations generally exhibit superior profitability metrics and operational efficiency.

VNB Margin Growth – FY25

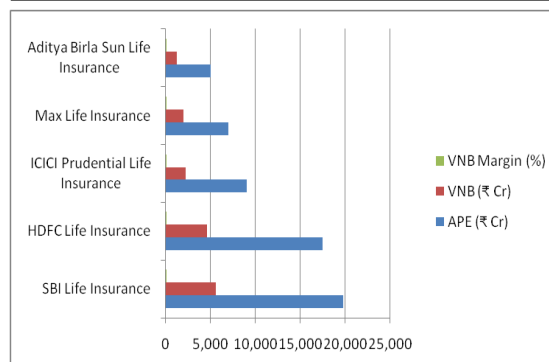
Company	VNB Margin (%)
LIC	16.80%
SBI Life Insurance	28.10%
HDFC Life Insurance	26.30%
ICICI Prudential Life Insurance	24.60%
Max Life Insurance	26.50%
Aditya Birla Sun Life Insurance	20.40%



INTERPRETATION: The VNB Margin comparison indicates that SBI Life Insurance has the highest rate of converting new business into value, which is 28.10%. Max Life and HDFC Life are the second and third-ranked companies, respectively, with rates of 26.50% and 26.30%. LIC's margin is the lowest at 16.80%, suggesting that it generates less revenue from new business than its competitors. The subsequent companies are ICICI Prudential (24.60%) and Aditya Birla Sun Life (20.40%). In the preponderance of instances, private insurers are generating a greater amount of revenue from new business than LIC.

APE and VNB Comparison – FY24

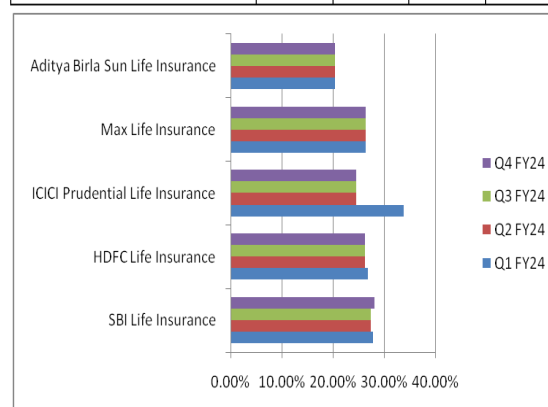
Company	APE (₹ Cr)	VNB (₹ Cr)	VNB Margin (%)
SBI Life Insurance	19,720	5,550	28.10%
HDFC Life Insurance	17,500	4,600	26.30%
ICICI Prudential Life Insurance	9,046	2,227	24.60%
Max Life Insurance	7,000	1,973	26.50%
Aditya Birla Sun Life Insurance	5,000	1,200	20.40%



INTERPRETATION: The data suggests that SBI Life Insurance has the maximum VNB margin (28.10%), as well as the best APE (₹19,720 Cr) and VNB (₹5,550 Cr). This suggests that the organization is expanding swiftly and conducting business profitably. The subsequent organization is HDFC Life, which maintains an impressive margin-to-size ratio. Max Life has a slightly higher VNB margin (26.50%) than ICICI Prudential (24.60%), suggesting that they are more successful in acquiring new business. ICICI Prudential and Max Life have an Annual Premium Equivalent (APE) and Value of New Business (VNB) that are approximately average. The small scope and margin of Aditya Birla Sun Life present the greatest potential for growth and profitability. Larger private insurers are generally more efficient and produce more value than their smaller counterparts.

VNB Margin Trends – FY24

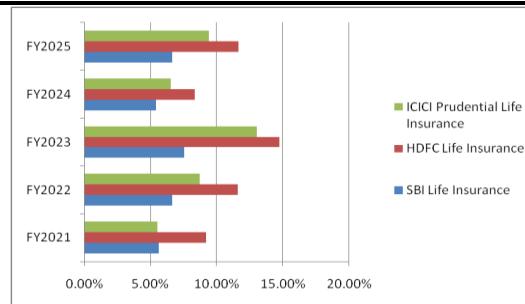
Company	Q1 FY24	Q2 FY24	Q3 FY24	Q4 FY24
SBI Life Insurance	27.80%	27.40%	27.40%	28.10%
HDFC Life Insurance	26.80%	26.30%	26.30%	26.30%
ICICI Prudential Life Insurance	33.90%	24.60%	24.60%	24.60%
Max Life Insurance	26.50%	26.50%	26.50%	26.50%
Aditya Birla Sun Life Insurance	20.40%	20.40%	20.40%	20.40%



INTERPRETATION: SBI Life Insurance maintained its margin and even slightly increased it in Q4 FY24, reaching 28.10%, as indicated by the quarterly VNB margin data. This suggests that its new business operations are functioning efficiently. The success rate of HDFC Life, which ranges from 26.30% to 26.80%, evidences the stability of its operations. ICICI Prudential's new business profits have experienced a substantial decline, with the company commencing the first quarter at 33.90% and subsequently plummeting to 24.60%. Throughout the year, the profits of Max Life and Aditya Birla Sun Life are comparable, with Max Life at 26.50% and Aditya Birla at 20.40%. This illustrates that their operations are consistent; however, they are not as efficient as one another. ICICI Prudential's margins are unpredictable, while SBI Life's stability and strength are readily apparent.

Gross Profit Margin Comparison (FY2021–FY2025)

Company	FY2021	FY2022	FY2023	FY2024	FY2025
SBI Life Insurance	5.60%	6.60%	7.50%	5.40%	6.62%
HDFC Life Insurance	9.20%	11.60%	14.70%	8.30%	11.62%
ICICI Prudential Life Insurance	5.50%	8.70%	13.00%	6.50%	9.40%



INTERPRETATION: The table illustrates the RoE trend for three distinct insurance companies over a five-year period. A zenith of 14.70% was achieved in FY2023, and HDFC Life consistently generates the highest revenue, with a robust 11.62% in FY2025. This functions as an effective example of how to increase shareholder value. SBI Life's return on equity (ROE) is moderate, with a range of 5.40% to 7.50%. Furthermore, it suggests that returns are increasing gradually but continuously, as it is relatively stable. ICICI Prudential's profitability decreased to 9.40% in FY2025, despite the fact that it exhibited substantial development from 5.50% in FY2021 to 13.00% in FY2023, demonstrating the influence of business growth on profitability. In general, HDFC Life produces superior and consistent results for its shareholders.

5. CONCLUSION

The success of private businesses serves as an illustration that, even within the same industry, variations in the manner in which they manage money, administer their businesses, and envision the future can have a substantial influence on their outcomes. In order to augment their revenue, certain organizations implement a diverse array of products, niche market targeting, or aggressive pricing strategies. Innovation, cost reduction, and consumer retention are critical components of other organizations. The effectiveness of a company in converting its resources into profits during periods of market volatility is determined by the interplay between its capital structure, risk management, and business decisions. The examination of private companies demonstrates the importance of a comprehensive strategy for long-term financial success. Profitability is not exclusively concerned with financial gain; it also incorporates a combination of strategic planning, operational efficiency, and adaptable management. This is the reason.

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