

General Insurance Corporation Ltd : Very Good Issue

IPO Note : GIC Re is the largest reinsurance company in India and accounted for about 60% of the premiums ceded by Indian insurers to reinsurers during fiscal 2017 : Ranking****



Issue details

Price band (Rs)	Rs.855-912
IPO Opening Date	11/10/17
IPO Closing Date	13/10/17
Issue Size	Rs. 11372.64 Cr.

Recommendation

Total revenue grew at a CAGR of 30.25% from Rs.15270.15 Cr for the FY 2014 to Rs.33740.79 Cr for FY 2017 and Net Profit grew at a CAGR of 2.80% in the same period. Net profit grew from Rs.2890.97 to Rs.3140.62 crore in FY17. If we attribute FY2017 earnings on fully diluted equity post issue then asking price is at a P/E of 25+. There is no comparable listed peer. GIC IPO is the first mover in Re-insurance segment. It's a large issue and it has higher chances of allotment. It offers Rs 45 retail discount. **Investors can consider investment for short-term to long term in this IPO.**

Highlights

- General Insurance Corporation of India Ltd. (GIC) is the largest reinsurance company in India in terms of gross premiums accepted in Fiscal 2017, and is accounted for approximately 60% of the premiums ceded by Indian insurers to reinsurers during Fiscal 2017
- Corporation ranked as the 12th largest global reinsurer in 2016 and the 3rd largest Asian reinsurer in 2015, in terms of gross premiums accepted.
- It has developed its overseas business through home office in Mumbai, branch offices in London, Dubai and Kuala Lumpur, a representative office in Moscow, a subsidiary in the United Kingdom that is a member of Lloyd's of London and a subsidiary in South Africa.
- GIC is offering Rs. 45 per share cash discount to retail and eligible employees.

Company Introduction

Incorporated in 1972, General Insurance Corporation of India is the largest reinsurance company in India in terms of gross premiums. They provides various general insurance products like property, energy, marine, engineering, miscellaneous, aviation-hull/spares-rotor wing, aviation-hull/spares-fixed wing, liability, aviation treaty-hull, spares and liability insurance products. They also offers cargo and offshore energy, motor, life, agriculture, space, health, credit and financial insurance.

They offers reinsurance solutions for the Afro-Asian region and reinsurance programs in South East Asia, the Middle East and Africa. They develop their overseas business through their home office in Mumbai, branch offices in London, Dubai and Kuala Lumpur, a representative office in Moscow, a subsidiary in the United Kingdom that is a member of Lloyd's of London and a subsidiary in South Africa.



www.gicofindia.com

Financial Summary (Rs. In Crore)

Particulars	For the Qtr. Ended June 2017	FY2017	FY 2016	FY2015
Total Income	17325.35	33740.79	18534.24	15270.15
Net Profit	628.67	3140.62	2823.41	2890.97
EPS (Rs)	7.16	35.8	32.18	32.95

*EPS not annualized

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

Company Promoters:

The Promoter of the company is President of India, acting through the Ministry of Finance.

The object of the issue

Offer for Sale: Corporation will not receive any proceeds from the Offer for Sale

Fresh Issue:

Corporation proposes to utilize the Net Proceeds from the Fresh Issue towards:

- Augmenting the capital base of the Corporation to support the growth of their business and to maintain current solvency levels;
- General corporate purposes.

IPO Issue Proceed

To Augmenting the capital base of the Corporation to support the growth of their business and to maintain current solvency levels, and General corporate purposes, General Insurance Corporation Ltd is coming out with a maiden IPO of approx. Rs.11373 crore consisting of fresh equity (approx 1.72 crore shares) issue of Rs. 1568.64 crore and offer for sale of 10.75 crore shares by existing shareholders. Issue opens for subscription on 11.10.17 and will close on 13.10.17. Issue is done via book building route with a price band of Rs. 855-912 per share for Rs. 5/- FV share. Minimum application is to be made for 16 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE.

DISCLAIMER

The information provided by or in this newsletter is generally from the press reports, electronic media, research websites and other media. The information also includes information from interviews conducted, analysis, views expressed by our research team. Investors should not rely solely on the information contained in this publication and must make their own investment decisions based on their specific investment objectives and financial position and using such independent advisors as they believe necessary. The material and the information provided by this newsletter are not, and should not be construed as an advice to buy or sell any of the securities named in this newsletter. SIHL may or may not hold positions in any of the securities named in this newsletter as a part of its business. Past performance is not necessarily an indication of future performance. SIHL does not assure for accuracy or correctness of information of reports in the newsletter.