

The New India Assurance Company Ltd :Good Issue IPO Note : Century Old Largest General Insurance Company: Rs.30 discount to Retail Investors But Expensive Issue : Ranking***



NEW INDIA ASSURANCE

Issue details

Price band (Rs)	Rs.770-800
IPO Opening Date	01/11/17
IPO Closing Date	03/11/17
Issue Size	Rs. 9600 Cr.

Recommendation

Total revenue grew at a CAGR of **15.99%** from Rs.11357.18 Cr for the FY 2013 to Rs.20553.62 Cr for FY 2017 and Net Profit declined at a CAGR of -2.09% in the same period. Net profit declined from Rs.913.92 crore to Rs.839.86 crore. It suffered decline in bottom lines due to higher out go on account of wage revisions and claims in health and motor segments. For Q1 of current fiscal it has posted net profit of Rs. 513.35 crore on total revenue of Rs. 5591.40 crore. If we annualize latest earnings and attribute on fully diluted post issue equity then asking price is at a P/E of **32 plus**. On the basis of FY2017 EPS, **offer price at a P/E of 78.5**. Listed private sector peer ICICI Lombard which is quoting at a P/E of 47 plus. Although NIA has strong fundamentals, considering the fate of recently listed insurance sector IPOs, investors may shy away from this offer. **Future for this segment is bright. Investment for long term may be considered.**

Highlights

- The New India Assurance Co. Ltd. (NIA) is the largest general insurance company in India in terms of net worth, domestic gross direct premium, profit after tax and number of branches as of and for the fiscal year ended March 31, 2017
- Company has been in operation for almost a century
- In Fiscal 2017, it had the largest market share of gross direct premium among general insurers in India
- As of March 31, 2017, NIA had issued 2.71 crore policies across all product segments, the highest among all general insurance companies in India
- As of June 30, 2017, its operations were spread across 29 States and seven Union Territories in India and across 28 other countries globally through a number of international branches, agency offices and Subsidiaries including a desk at Lloyd's, London
- Retail investors and eligible employees will be given a discount of Rs. 30 per share.

Company Introduction

Incorporated on July 23, 1919 at Mumbai, The New India Assurance Co. Ltd (NIA) is the oldest (in operation for almost a century) and largest general insurance company in India. The company was nationalized by the GoI on January 1, 1974. The President of India is the promoter of the company and holds 100% of the pre-Offer paid-up Equity Share capital of the company. NIA offers insurance in categories including fire insurance; marine insurance, motor insurance, crop insurance, health insurance and other insurance products. NIA is the market leadership in the general insurance industry in India across the segments except crop insurance.

Company has built an multichannel distribution network that includes individual and corporate agents, brokers, bancassurance partners and other intermediaries, as well as direct sales and sales through online channels. Company's



NEW INDIA ASSURANCE

www.newindia.co.in

Financial Summary (Rs. In Crore)

Particulars	Qtr. Ended June 2017	FY2017	FY 2016	FY2015
Total Income	5591.4	20553.62	17672.73	15711.08
Net Profit	513.35	839.86	930.35	1377.32
EPS (Rs)	6.22*	10.19	11.29	16.71

*EPS not annualized

Source: RHP and ACE Equity

RANKING METHODOLOGY

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

distribution network includes 68,389 individual agents and 16 corporate agents, 25 banks, and a large number of OEM and automotive dealer. New India Assurance is rated A-(Excellent) by AM Best Company since 2007 and have been rated AAA/Stable by CRISIL since 2014.

Company Promoters:

NIA promoter is the President of India, acting through the MoF.

The object of the issue

The Offer comprises a Fresh Issue by the Company and an Offer for Sale by the Selling Shareholder.

Offer for Sale

The proceeds of the Offer for Sale shall be received by the Selling Shareholder. Company will not receive any proceeds from the Offer for Sale.

Fresh Issue

Company proposes to utilize the Net Proceeds towards meeting future capital requirements which are expected to arise from the growth and expansion of the business, improving our solvency margin and consequently solvency ratio

IPO Issue Proceed

To part finance its future capital requirements and listing purpose, NIA is coming out with a maiden IPO of 12.00 crore equity shares of Rs. 5 each via book building route with a price band of Rs. 770-800 per share to mobilize Rs. 9240 – Rs. 9600 crore based on lower and upper price bands. Issue opens for subscription on 01.11.17 and will close on 03.11.17. Minimum application is to be made for 18 shares and in multiples thereon, thereafter. Issue consists of fresh equity issue of 2.40 crore shares and offer for sale of 9.60 crore shares. Post allotment, shares will be listed on BSE and NSE. NIA has reserved 36.00 lakh equity shares for eligible employees. It is offering a discount of Rs. 30 per share to retail investors and employees. Post issue, its current paid up equity capital of Rs. 400 crore will stand enhanced to Rs. 412 crore.

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