

Rating:



Issue Summary:

Price Band (Rs)	Rs.770 – Rs.800
Face Value (Rs)	5
Market Lot	18 shares
Opens	1 st Nov, 2017
Closes	3 rd Nov, 2017
Issue Size (Rs)	9,600 Cr
Listing	NSE & BSE

Issue Break Up:

QIB Portion	50%
NIB Portion	15%
Retail Portion	35%

Book Running Lead Managers:

➤ Axis Capital Ltd
➤ Kotak Investment Banking
➤ IDFC Bank
➤ Nomura
➤ Yes Securities Ltd

Registrar

➤ Link Intime

Company & Business Profile

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, company had the largest market share of gross direct premium among general insurers in India (Source: CRISIL Report). As of March 31, 2017, it had issued 2.7 cr policies across all our product segments, the highest among all general insurance companies in India. As of June 30, 2017, its operations were spread across India and across 28 other countries globally through a number of international branches, agency offices and Subsidiaries including a desk at Lloyd's, London. Insurance products can be broadly categorized into the following product verticals: fire insurance; marine insurance, motor insurance, crop insurance, health insurance and other insurance products. In last five years despite increasing competition from private players, it has maintained market leadership in the general insurance industry in India and is a leader in all segments except crop insurance. In Fiscal 2017, gross direct premium from fire, engineering, aviation, liability, marine, motor and health insurance represented a market share of 19.1%, 21.9%, 29.6%, 18.2%, 21.0%, 15.1% and 18.4%, respectively, of total gross direct premium in these segments in India, and it is the market leader in each such product segment. As of June 30, 2017 distribution network in India include 68,389 individual agents and 16 corporate agents, bancassurance arrangements with 25 banks in India, and a large number of OEM and automotive dealer arrangements through our agent and broker network. As of June 30, 2017 it had 2,452 offices in India. Also partners with the Gol and State governments for implementation of various government schemes including health insurance and policies for underprivileged customer segments. In Fiscal 2015, 2016 and 2017, gross written premium was ₹ 16,986.5 cr, ₹ 19,227.2cr and ₹ 23,230.4 cr, respectively. Gross written premium increased at a CAGR of 15.18% from ₹ 13,200.1cr in Fiscal 2013 to ₹ 23,230.4 cr in Fiscal 2017. In Fiscal 2016 and 2017, it paid dividends (including dividend distribution tax) of ₹ 359.9 cr and ₹ 301.9cr, respectively; while for Fiscal 2017, have declared dividend payments (including dividend distribution tax) of ₹ 373.1cr. It has funded operations for more than 40 years without any external capital infusion. It command a robust financial position, with a solvency ratio as of March 31, 2017 of 2.22, compared to the IRDAI prescribed control level requirement of 1.50. It has been rated A-(Excellent) by AM Best Company since 2007 and have been rated AAA/Stable by CRISIL since 2014.

Objective of the 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 solvency margin and consequently solvency ratio.
- Further, Company expects to receive the benefits of listing of the Equity Shares on the Stock Exchanges, enhance Company's brand name and creation of a public market for Equity Shares in India.

Breakup of offer expenses is as follows:

- Lead management fees, underwriting commission, brokerage and selling commission (including commissions to SCSBs for ASBA Applications and commissions to Non Syndicate Registered Brokers)
- Processing fees to the SCSBs for processing Application Forms procured by the Syndicate at Syndicate ASBA Centres or Non-Syndicate Registered Brokers and submitted to the SCSBs.
- Registrar fee and other related fees (postage of refunds, etc.)
- Advertising and marketing expenses, printing, stationery and distribution expenses.

Investment Positives

- Market leadership and established brand.
- 15 % Market Share.
- Longstanding global footprint and successful international operations.
- Sustainable business model driven by customer satisfaction.
- Diversified product offering and product innovation capability.
- Multi-channel distribution network.
- Robust financial position.
- Robust IT infrastructure.

Player-wise market share

(₹ in Crores)

Top 10 multi-product players	Gross direct premium fiscal 2017	Market share in fiscal 2012	Market share in fiscal 2017
New India	19,098	14.7%	15.0%
United India	15,801	14.1%	12.4%
National	14,000	13.4%	11.0%
Oriental	10,798	10.4%	8.5%
ICICI Lombard	10,725	8.9%	8.4%
Bajaj Allianz	7,633	5.7%	6.0%
HDFC ERGO	5,840	3.2%	4.6%
IFFCO Tokio	5,563	3.4%	4.4%
TATA AIG	4,168	2.8%	3.3%
Reliance	3,935	2.9%	3.1%

Source: Ace Equity, Arihant Research

Concern

- Any termination or adverse change in relationship or arrangements with the agents, brokers, bancassurance partners or other distribution intermediaries, or a decline in their productivity, may have a material adverse effect on the business, financial condition and results of operations.
- Not be able to sustain historical growth rates or successfully implementation of the business strategies.
- New India Assurance is working in a comprehensive and evolving regulatory framework in a highly regulated industry that affects the flexibility of the operations and increases compliance costs.
- An inability to meet solvency ratio or other regulatory requirements relating to the financial condition could lead to regulatory action, which could affect the ability to continue operations, acquire new business, or implement growth strategies, thereby adversely affecting the business, financial condition and results of operations.

Financial Snapshot:

Particulars (Rs. in cr)	For the year ended				
	June 30,2017	March 31,2017	March 31,2016	March 31,2015	March 31,2014
Operating Revenue	178	-901	-533	50	-49
Income from Investments	440	1875	1527	1663	1313
PBT	617	957	1045	1705	944
PAT	513	840	930	1377	805
EPS(Rs)	25	43	48	71	41
Net CF from op.activities	477	-124	1605	847	440

Peer Comparison:

Particulars in Rs (Cr) as of 31st March 2017	P/BV	Premium Earned	Operating Profit	Investment Income	PAT	Net Operating Cash
New India Assurance	4.5x	17,554	-1,912	1,600	840	-124
ICICI Lombard	7.6x	6,158	667	315	622	1,628

Valuation

Company's P/BV on the lower band for the offer is at ~4.5x which is lower than ICICI Lombard P/BV of 7.6x. However, New India Assurance RoNW is at 6.93% while ICICI Lombard is ~16%. Non-life insurance sector is expected to grow at a steady pace of 15-18% CAGR. We see that New India Assurance being a market leader in the segment will benefit from the same. However, we see that rising claims and declining profitability doesn't augur well for the company. We see that the company is still dependent on direct sales channel for 60% of the premium collected and has a high dependency on the state of Maharashtra. Though the P/BV of 4.5x is below its only listed peer ICICI Lombard, we see the performance is below ICICI Lombard which has seen CAGR growth of 25% over the last 5 years, we have "3 star" rating for the issue.

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