

# IPO REVIEW

## GENERAL INSURANCE CORPORATION OF INDIA

Issue Details	
Issue Opens	11-Oct-17
Issue Closes	13-Oct-17
Issue Size (Rs. Crore)	11,372.64
Face value (per equity share)	5
Price Band (Rs.)	855-912
Lot Size (No of Share)	16
No of Shares on Offer (crore)	12.47
QIB (%)	50%
Non-Institutional (%)	15%
Retail (%)	35%
Commencement of Trading	25-Oct-17

Issue Date: 11<sup>th</sup> Oct – 13<sup>th</sup> Oct 2017

Price Band (Rs.): 855-912

Lot Size (No. of Share): 16

### Company Background

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.

### Financials

Particulars	For the year/period ended (in Rs. Million)				
	FY-17	FY-16	FY-15	FY-14	FY-13
<b>Total Assets</b>	485,270	406,376	430,986	332,006	281,391
<b>Total Revenue</b>	36,442	32,341	30,995	26,985	25,111
<b>Profit After Tax</b>	28,578	26,549	28,027	23,218	22,889

### Concerns

- Operate in highly competitive environment, no strong entry barriers.
- Substantial increase in agri reinsurance business in recent years.
- Analytic models as tool to evaluate risk is subject to uncertainty.

### Strengths

- Leader in Indian reinsurance industry with 44 years of experience and has International presence.
- Diversified product portfolio and revenue streams.
- Strong financial track record and a strong balance sheet.
- Experienced management team.

### Our View

On the upper price band of Rs.912 and on FY17 EPS of Rs.36.15, P/E ratio works out to 25x. Even based on last 3years restated EPS of Rs34.8, P/E ratio works out to 26.2x. Means, company is asking higher price band of Rs912 in the P/E ratio of 25x to 26.2x. There is no listed peers in reinsurance business to compare whether the issue price is under priced or over priced.

Company gross premiums grew at 48% CAGR in the last 3 years. However, margins are on declining mode. The company's gross premium growth should remain sturdy in the coming years due to growth in Indian non-life insurance industry, expanding reinsurance market and tapping of new global markets. Considering the positives such as leadership position, robust balance sheet and reasonable valuations provide comfort. We recommends investors to subscribe for long term gains.

Shareholding pattern	Pre Issue (%)	Post Issue (%)
Promoters and Promoter Group	100.0	85.8
Public (incl institutions and employees)	0.0	14.2
Total	100.0	100.0

### Objects of the Issue

The Offer comprises of the Fresh Issue and the Offer for Sale.

#### 1. Offer for Sale

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

#### 2. Fresh Issue

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

(i) Augmenting the capital base of the Corporation to support the growth of their business and to maintain current solvency levels; and

(ii) General corporate purposes.