

New India Assurance files for IPO

Govt likely to raise around Rs7,000 crore from stake sale; share sale to see a total stake dilution of 14.56%

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MUMBAI

State-owned general insurance company New India Assurance Co. Ltd (NIA) on Wednesday filed the prospectus for its initial public offering (IPO).

The share sale will see a total stake dilution of 14.56%, according to the draft red herring prospectus (DRHP) available on the website of one of the investment banks managing the share sale.

ADRRP, or draft share-sale document, provides information about a company, its business and promoters, how it intends to use the proceeds of an IPO, and the potential risks it faces.

NIA has hired Kotak Mahindra Capital Co. Ltd, Axis Capital Ltd, IDFC Bank Ltd, Nomura Financial Advisory and Securities (India) Pvt. Ltd and YES Securities (India) Ltd to manage the public offering.

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The government will sell 96 million shares in the offering, while the company will issue 24 million new shares to raise primary capital. **HEMANT MISHRA/MINT**

lion shares in the offering, while the company will issue 24 million new shares to raise primary capital.

The government is likely to raise around Rs7,000 crore from the stake sale, two people aware of the plans said, requesting anonymity. Including the new share sale component, the overall size of the issue is

expected to be around to Rs10,000 crore.

NIA plans to use the primary capital raised to augment its capital base to support growth of its business and maintain solvency levels.

On 27 July, *Mint* reported that NIA was gearing up to file its draft IPO prospectus, with plans to launch

the share sale in October or November.

According to its draft papers, NIA has issued 2710 million policies across all its product segments as of 30 June. Its gross written premium expanded at a compounded annual growth rate of 15.18% from Rs13,200 crore in fiscal 2013 to Rs23,230 crore in fiscal 2017.

With the filing of the prospectus, the government has lined up another mega divestment public offering.

On Monday, state-owned reinsurer GIC filed its draft documents to raise over Rs10,000 crore through an IPO.

The two insurance IPOs will be among the largest share sales to hit the primary markets since Coal India Ltd's record Rs15,200 crore public offering in 2010.

NIA's initial share sale is part of the Union government's divestment plan, under which the department of investment and public asset management has appointed bankers to sell government stakes across over a dozen public sector enterprises through various routes such as IPOs,

offers for sale and strategic sales.

The list of companies where the government is looking to pare its stake includes railway subsidiaries Rail Vikas Nigam Ltd, Ircon International Ltd, Indian Railway Finance Corp. Ltd, Indian Railway Catering and Tourism Corp. Ltd (IRCTC) and RITES Ltd.

The filing of NIA's DRHP also comes at a time when the Indian capital market is expected to see a spurt of insurance IPOs.

Last month, SBI Life Insurance Co. Ltd filed the draft red herring prospectus for its IPO. The issue will see State Bank of India and BNP Paribas sell 80 million and 40 million shares, respectively, collectively selling a 12% stake. The SBI Life IPO is expected to raise around Rs6,000-7,000 crore.

Other insurers planning to go public include ICICI Lombard General Insurance Co. Ltd, the non-life insurance joint venture of ICICI Bank Ltd and Fairfax Financial Holdings Ltd, which filed its DRHP last month and Reliance General Insurance Ltd, the non-life insurance arm of Reliance Capital.



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New India Assurance set to raise ₹6,000 cr via IPO

Issue to be of 120 mn shares, with a face value of ₹5 each

SUBRATA PANDA & PTI
Mumbai, 9 August

The government-owned general insurer, New India Assurance Company Ltd, has filed the draft red herring prospectus with the Securities and Exchange Board of India to list its business through an initial public offering (IPO).

The filing for IPO comes after another state-owned insurer, General Insurance Corporation, filed its draft prospectus on Monday.

New India's IPO will be of 120 million shares, with a face value of ₹5 each. The offer comprises a fresh issues of 24 million equity shares and an offer of sale of 96 million equity shares, according to the prospectus.

The issue size of the forthcoming IPO of New India Assurance is likely to be more



PROFIT AFTER TAX (₹ cr)	Mar '15	Mar '16	Mar '17
Gross premium (₹ cr)	23,230.49	19,227.26	16,986.59
Solvency ratio	2.52	2.22	2.46
Combined ratio (%)	115.68	117.99	119.96

Source: Draft red herring prospectus

than \$1 billion (₹6,300 crore), merchant banking sources said. This would constitute 14.56 per cent of the company's post-issue share capital. The IPO is likely in mid-November. Kotak Investment Banking, Axis Capital, IDFC Bank,

United India Insurance and Oriental Insurance are in the process of listing their businesses as part of the government's plans to list five non-life insurers in which it holds stakes. New India Assurance posted a profit after tax of ₹839.86 crore in FY 17, down 9.72 per cent from ₹930.35 crore in FY16. Gross premium earned by the company in FY 17 was ₹23,230.49 crore, against ₹19,227.26 crore in FY16.

Combined ratio, which indicates a non-life insurer's total outflow on its net earned premium, stood at 119.96 in FY17; in FY16, it was 117.99. Solvency ratio, which indicates an insurance company's financial capacity to meet its short-term and long-term liabilities, was 2.22.

The Insurance Regulatory and Development Authority-approved standard solvency ratio is 1.5.