

The New India Assurance Company Ltd

Issue Snapshot:

Issue Open: November 01 – November 03 2017

Price Band: Rs. 770 – 800 (A discount of Rs 30 is offered to investors in retail Category and to the Eligible Employees)

Issue Size: 120,000,000 Equity Shares (Fresh Issue of 24,000,000 eq sh + Offer for sale of 96,000,000 eq sh)

Offer Size: Rs.9240 – 9600 crs

QIB	upto	58,200,000 eq sh
Retail	atleast	40,740,000 eq sh
Non Institu	atleast	17,460,000 eq sh
Employee	upto	3,600,000 eq sh

Face Value: Rs 5

Book value: Rs 164.04 (June 30, 2017)

Bid size: - 18 equity shares and in multiples thereof

100% Book built Issue

Capital Structure:

Pre Issue Equity: Rs. 400.0 cr
Post issue Equity: Rs. 412.0 cr

Listing: BSE & NSE

Book Running Lead Manager: Kotak Mahindra Capital Company Limited, Axis Capital Ltd, IDFC Bank Limited, Nomura Financial Advisory and Securities (India) Private Limited, YES Securities (India) Limited

Registrar to issue: Link Intime India Private Limited

Shareholding Pattern

Shareholding Pattern	Pre issue %	Post issue %
Promoters & Promoter Group	100.00	85.44
Public (incl institutions & employees)	0.00	14.56
Total	100.0	100.0

Background & Operations:

The New India Assurance Company Ltd 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. The 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, it had issued 27.10 million policies across all its 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. Its 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.

NIA has developed an expansive multi-channel distribution network that includes individual and corporate agents, brokers, bancassurance partners and other intermediaries, as well as direct sales and sales through online channels. As of June 30, 2017, its distribution network in India included 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 its agent and broker network. It has developed a pan-India branch network. As of June 30, 2017, it had 2,452 offices in India across 29 States and seven Union Territories. It also partner with the Gol and State governments for implementation of various government schemes including health insurance and policies for underprivileged customer segments. As of June 30, 2017, NIA had international operations across 28 countries, through a number of international branches, agency offices, subsidiaries and associated companies.

NIA command a robust financial position, with a solvency ratio as of March 31, 2017 and June 30, 2017 of 2.22 and 2.27, respectively, compared to the IRDAI prescribed control level requirement of 1.50. It has been rated A-(Excellent) by AM Best Company since 2007 and has been rated AAA/Stable by CRISIL since 2014.

Objects of Issue:

The Offer comprises of the Fresh Issue and the Offer for Sale. NIA will not receive any proceeds from the Offer for Sale. NIA proposes to utilize the Net Proceeds towards meeting its future capital requirements which is expected to arise from the growth and expansion of its business, improving solvency margin and consequently its solvency ratio. Further, it expects to receive the benefits of listing of the Equity Shares on the Stock Exchanges, enhancement of its brand name and creation of a public market for its Equity Shares in India

Competitive Strengths:

- Market leadership and established brand.
- 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.
- Experienced senior management team.

Business Strategy:

- Capitalise on significant market potential and increase market share.
- Improve underwriting profitability.
- Leverage technology to drive growth, profitability and customer satisfaction.
- Continue to focus on product innovation.
- Expand international operations.

Key Concerns:

- Any significant variation between actual claim payments from the assumptions and estimates used in the pricing of, and setting reserves for, NIA's various insurance products;
- Any termination or adverse change in NIA's relationship or arrangements with its agents, brokers, bancassurance partners or other distribution intermediaries, or a decline in their productivity;
- Inability to sustain historical growth rates or successfully implement business strategies;
- Being subject to a comprehensive and evolving regulatory framework in a regulated industry that governs NIA's operations and requires significant attention of its management; and
- NIA's investment portfolio is subject to the volatility in the market value of financial instruments and liquidity risk, which could decrease its value.

The table below sets forth NIA's key performance indicators for the periods indicated

(Rs. million, except ratios)

Key Performance Indicators	Three months ended June 30, 2017	Fiscal 2017	Fiscal 2016	Fiscal 2015
Investments	550283.14	519306.76	449717.5	453646.81
Cash and bank balances	80,837.59	81,257.28	72,162.25	84456.75
Total investment assets	631,120.73	600,564.04	521,879.75	538,103.57
Networth	131,235.16	125,964.48	120,587.67	116,692.76
Networth (including fair value change account)	382,835.99	362,980.85	311,521.28	345,080.80
Investment Income	12,545.93	45,349.81	39,848.73	38,452.01
ICR	87.23%	92.22%	86.98%	84.34%
Commission ratio	7.15%	7.12%	8.81%	9.16%
Expense ratio	16.28%	20.40%	22.18%	22.08%
Profit after tax	5,133.51	8,398.60	9,303.54	13,773.23
Policyholder liabilities	283,663.79	268,369.38	242,923.55	221,591.47
Net Written Premium	53,406.41	187,146.46	160,293.93	140,552.91
Key Performance Indicators				
Investment leverage	4.81	4.77	4.33	4.61
Insurance leverage	0.74	0.74	0.78	0.64
Premium to surplus ratio	0.56*	0.52	0.51	0.41
Yield on average investments	8.15%*	8.08%	7.52%	7.79%
Combined ratio	110.66%	119.74%	117.98%	115.58%
Adjusted combined ratio	95.25%	104.35%	102.64%	98.81%
Solvency ratio	2.27	2.22	2.46	2.52
Return on average equity	15.96%*	6.81%	7.84%	12.32%

* Annualized

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066 Compliance Officer: Binkle R. Oza Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

Disclaimer:

This report has been prepared by HDFC Securities Ltd and is meant for sole use by the recipient and not for circulation. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. This document is for information purposes only. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and this document is not, and should not be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction.

If this report is inadvertently sent or has reached any individual in such country, especially, USA, the same may be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published for any purposes without prior written approval of HSL.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk.

It should not be considered to be taken as an offer to sell or a solicitation to buy any security. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

This report is intended for non-Institutional Clients only. The views and opinions expressed in this report may at times be contrary to or not in consonance with those of Institutional Research or PCG Research teams of HDFC Securities Ltd. and/or may have different time horizons.

HDFC Securities Limited, SEBI Reg. No.: NSE-INB/F/E 231109431, BSE-INB/F 011109437, AMFI Reg. No. ARN: 13549, PFRDA Reg. No. POP: 04102015, IRDA Corporate Agent License No.: HDF 2806925/HDF C000222657, SEBI Research Analyst Reg. No.: INH000002475, CIN - U67120MH2000PLC152193.

Disclaimer: HDFC Bank (a shareholder in HDFC Securities Ltd) is associated with this issue in the capacity of Public Offer Bank(s), Refund Bank(s) and Banker(s) to the Offer and will earn fees for its services. This report is prepared in the normal course, solely upon information generally available to the public. No representation is made that it is accurate or complete. Notwithstanding that HDFC Bank is acting for The New India Assurance Company Limited, this report is not issued with the authority of The New India Assurance Company Limited. Readers of this report are advised to take an informed decision on the issue after independent verification and analysis.