

## AJOD INSURANCE LIMITED

Issue Units: 30,00,000 units  
Issue Price: Rs.100

Minimum Units: 10  
Maximum Units: 10,000

Issue Open Date: 25/03/2077  
Issue Close Date: 29/03/2077

Rating: CARE-NP IPO Grade 4  
Issue Manager: NIBL Ace Capital Ltd.

Chairman: Mr. Ajad Shrestha

Chief Executive Officer: Mr. Kumar Bahadur Khatri

### Valuation – Embedded / Appraisal Valuation Model

(A)NAV (as on FY 75/76)	97.07
(B)Capitalized Earnings	160.14
<b>Value per share (A+B)</b>	<b>257.22</b>

### Utilization of IPO Proceeds

Investment in F.D. of BFIs	Rs.25,00,00,000
Inv. in Govt. Guaranteed Securities	Rs.4,50,00,000
Branch expansion and Infrastructures	Rs.50,00,000

### Capital Structure

	Pre IPO	Post IPO
Authorized Capital	Rs.1000M	Rs.1000M
Issued Capital.	Rs.1000M	Rs.1000M
Paid-up Capital	Rs.700M	Rs.1000M
Promoter / Public Ratio		70% / 30%

### Financial Highlights (in millions) - As per NFRS

FY	74/75A	75/76A	76/77E	77/78E	78/79E
Cap.	700	700	1000	1000	1000
Ret. Earning	8.44	(85.44)	(50.15)	16.47	110.15
Net Worth	719.54	679.52	1040.7	1187	1387.9
Ins. Fund	9.96	30.56	61.18	134.34	234.75
F.D. Invt.	678.74	876.02	1434	2007.6	2509.5
Ins Cont Liab.	2.36	315.06	717.7	1100.5	1535.66
N. Premium	0.11	155.14	384.79	501.61	627.53
Inv. Income	33.79	75.82	123.11	172.13	215.57
T. Revenues	33.92	255.94	557.65	742.22	934.62
N. Claim Paid	-	13.19	48	65.32	84.85
Op. Expenses	4.63	134.32	182.72	220	255.57
N. Profits	19.54	(30.96)	61.24	146.32	200.8
CFFOA	10.53	156.88	255.86	308.35	373.88
Free CF	(1.12)	129.16	244.12	300.13	368.95

Ratios	75/76	76/77E	77/78E	78/79E
EPS	(4.42)	6.12	14.63	20.08
BVPS	97.07	104.08	118.71	138.79
ROE	(4.56%)	5.88%	12.33%	14.47%
N. Profit / N. Premium	(19.96%)	15.92%	29.17%	32%
G. Premium Growth	17294.5%	98%	31.30%	25.50%
G.Claim / G.Premium	6.89%	10.62%	10.62%	10.62%
Investment Yields	8.55%	8.55%	8.55%	8.55%
Loss Ratio	8.50%	12.48%	13.02%	13.52%
Expense Ratio	184.56%	105.7%	90.97%	86.02%
Combined Ratio	193.06%	118.18%	103.99%	99.54%
Solvency Ratio	2.72	4.16	4.75	5.55
Net Leverage	0.96	1.34	1.67	1.90

\* Computation is made as information on hand.

Significantly down Accounting Restatement, no anticipation of dividend distribution, low business scalability, concentrated business segments etc. Healthy fundamental growth projection (though high prob. of Tracking Error), low Underwriting risk assumptions, sound Cash flows, Promoters back-up, Untapped Industries, Opportunities & Challenges of COVID\_19.

### Snapshots...

📌 **About the Issue:** Out of the offered 30,00,000 units, 4% i.e. 1,20,000 units is allocated to the employees, 5% i.e. 1,50,000 units is reserved for Mutual Funds and remaining 27,30,000 units are available for General Public.

📌 **About the Company:** Incorporated on 20/12/2064; Licensed by Insurance Board on 15/03/2075 and carrying Non-Life Insurance Business from 21/03/2075. Head office located at Sundhara, Kathmandu and services offered through 7 Provincial Offices, 16 Branches, 15 Sub-branches, 18 Insurance Counter and 1 Customer Service Center, scaling to 26 Districts.

📌 **Rationale of Issue Rating:** Care Rating Nepal Ltd. assigned 'CARE-NP IPO Grade 4' to the subject IPO which indicates 'Below Average Fundamentals.' Rationale put by the Rating Agency are – Low Solvency & High Combined Ratio, Small Market Coverage, Business Highly Concentrated to Motor Insurance etc.

📌 **Dividend and Capital Plan:** The Company since meet the requirement of Minimum Paid-up Capital for Non-Life Insurance, projects no distribution of Cash dividend nor any Bonus/Rights Shares.

📌 **Financial Summary:** NFRS based restated FS reports loss of Rs.3.09 crores in FY 75/76, downsizing the GAAP based profits by Rs.7.21 crores. Similarly, Net worth is downsized to Rs.67.9 crores, with negative Retained Earnings. Besides the Underwriting business, Revenue is highly contributed by Other Sources like Investment/Fees & Commission income etc. Company assumes approx. 45% of its Underwriting risks, ceding major to Reinsurers. As such, it project avg. 13% Claim outflow. Higher Combined ratio (and presumably higher Operating ratio, not computed due to data scarcity) suggest the needs to scale up its core business. Lower Net leverage ratio & higher than required 1.5 Solvency margin suggest company is well positioned for any Present Obligations.

📌 **Projections Vs Unaudited Q3 76/77:** Comparative study of Q3 and Projected Reports is not feasible since both are presented in different Accounting Standards. We opine significant variance to prevail in the targeted figures gestured by fundamentals as outlined below: (M=Millions)

GWP: Rs.606M	T. Revenue: Rs.364M	Net Profit: Rs.35M	Equity: Rs.787M
NWP: Rs.185M	Net Claims: Rs.65M	No. of Policy: 70,400	

📌 **Risk Factors and Impact of COVID-19:** Business/Policies/Premiums are highly concentrated on Motor Insurance. Likely slowdown in sell of Motor Policies, fall in BFI's Fixed Deposits Interest Rates could add adversity to its revenues. Challenges in Premium collections on Policies do remain. However, COVID\_19 also has brought possible flourish of Healthcare Policies and less Clams lodge (for Policies other than Health). Besides, Underwriting, Claim Risks etc. also prevails.

📌 **Valuation & Assumptions:** We have borrowed the concept of Embedded / Appraisal valuation approach (commonly used in Life Insurance), but the probability remains for deviation from the correct application of methods given the data scarcity. The projected profitability of the company is used and our actuarial assumed discount rate is 8.5%.

IPO Listing Range: Rs.97.07 – Rs.291.22

Disclaimers: Not to be inferred as Investment recommendation.