

## RELIANCE LIFE INSURANCE LIMITED

03<sup>rd</sup> Bhadra, 2077

Issue Units: 6,300,000 units  
Issue Price: Rs.100

Minimum Units: 10  
Maximum Units: 63,000

Issue Open Date: 04/05/2077  
Issue Close Date: 08/05/2077

Rating: [ICRANP] IPO Grade 4  
Issue Manager: Sanima Capital Ltd.

Chairman: Mr. Tara Chand Kedia

Chief Executive Officer: Mr. Pravin Raman Parajuli

### Valuation – Embedded / Appraisal Valuation Model

(A) NAV (as on Q4 FY 76/77)	110.45
(B) Capitalized Earnings	115.02
<b>Value per share (A+B)</b>	<b>225.47</b>

### Utilization of IPO Proceeds

Investment in F.D. of BFIs  
Sectors approved by Insurance Board

Rs. 630,000,000

Capital Structure	Pre IPO	Post IPO
Authorized Capital	Rs.3000M	Rs.1000M
Issued Capital.	Rs.2100M	Rs.2100M
Paid-up Capital	Rs.1470M	Rs.2100M
Promoter / Public Ratio	70% / 30%	

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

FY	75/76A	76/77 Q4	77/78E	78/79E	79/80E
Cap.	1470	1470	2100	2100	2100
Ret. Earning	96.35	134.10	257.00	431.16	717.50
Reserves	11.58	15.92	30.42	49.20	81.10
Net Worth	1581.6	1623.6	2394	2590.3	2912.6
F.D. Invts.	1734	2557	4316	6399	10056
Ins Cont Liab.	435.01	1175.33	2543.7	4848.46	8396.99
N. Premium	717.41	1368.9	2236.5	3393.17	4887.7
Invnt. Income	192.16	216.02	321.57	521.64	812.63
T. Revenues	909.83	1585.49	2558.7	3915.65	5701.5
N. Claim Paid	2.08	61.61	82.84	132.06	195.49
Op. Expenses	495.29	741.39	958.71	1288.25	1643.62
N. Profits	22.62	41.34	108.18	192.23	315.66

Ratios	75/76A	76/77 Q4	77/78E	78/79E	79/80E
EPS	1.54	2.81	5.15	9.15	15.03
BVPS	107.59	110.45	114	123.35	138.70
ROE	1.43%	2.54%	4.52%	7.42%	10.84%
N. Profit / N. Premium	3.15%	3.02%	4.84%	5.67%	6.46%
G. Premium Growth	767.69%	90.36%	67.65%	52.04%	44.10%
G.Claim / G.Premium	3.05%	5.23%	5.17%	5.52%	5.65%
Invest. Yields	11.08%	8.45%	7.45%	8.15%	8.08%
Loss Ratio	0.29%	4.50%	3.70%	3.89%	4.00%
Expense Ratio	123.56%	108.30%	105.93%	105.9%	106.25%
Combined Ratio	123.85%	112.80%	109.63%	109.8%	110.25%
Solvency Ratio	6.33	6.49	9.58	10.36	11.65
Net Leverage	0.83	1.72	2.13	3.36	4.86

\* Computation is made as information on hand.

*No anticipation of dividend distribution nor Right Issue, sound fundamental growths and profitability since inception, adequate reinsurance arrangements and franchise network, small (<=1%) market coverage etc. Untapped Industries with the COVID\_19 opportunities & challenges and innovative ways of reaching out the Customers with innovative endowment products key for mass market coverage.*

### Snapshots

📌 **About the Issue:** Out of the offered 6,300,000 units, 5% i.e. 315,000 units is allocated to the employees, 5% i.e. 315,000 units is reserved for Mutual Funds and remaining 5,670,000 units are available for General Public.

📌 **About the Company:** Incorporated on 19/08/2064; Licensed by Insurance Board on 18/04/2074 and carrying Life Insurance Business from 01/08//2074. Head office located at New Baneshwor, Kathmandu and services offered throughout the country with 100 Branches and Sub-branches, scaling to 48 Districts. Major promoters include Siddhartha Bank, Agni Group, & other individuals belonging to large business groups.

📌 **Future Plans and Strategies:** (i) Branch expansion, (ii) Increment in Underwriting and Insurance fees, (ii) Customer reach out etc.

📌 **Rationale of Issue Rating:** ICRA Nepal Ltd. assigned '[ICRANP] IPO Grade 4' to the subject IPO which indicates '*Below Average Fundamentals.*' Rationale put by the Rating Agency are – *Limited track record with small market share, low policy-continuation rate, & subdued return indicators with high cost of operations.* The Issuer is also rated [ICRANP-IR] BB+ which indicate 'moderate risk of default regarding timely servicing of financial obligations to the company'.

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

📌 **Financial Summary:** Company has reported profitability financials since its operation in FY 74/75. It reported Rs. 41M Net Profits and Rs.1.41B Gross Premium Written in Q4 76/7. Company projects the Net Profit & GPW to rise at CAGR 96.91% and CAGR 54.29%. However, the Underwriting risks is high since the Company has dismal (<=6%) Reinsurance ceded. Beside Premiums, Revenue is visibly contributed by yields on its Investments (<=15%). Net Claim payment to NPW remains <=4%. Retained Earnings is projected to grow at CAGR 74.9%. However, the materialization of Net Profit from NPW is very negligible (<=5%). Higher Combined Ratio (*and presumably higher Operating ratio*) 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.

📌 **Risk Factors:** Higher Underwriting Risks assumption, Potential defaults on Premium payments, Declining interest rates potential to diminish the investment earnings, Customer reach out and Products sale obstructed by COVID\_19.

📌 **Valuation & Assumptions:** We have used the Embedded/Appraisal valuation approach, 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.110.45 – Rs.331.35

Disclaimers: Not to be inferred as Investment recommendation.