

SANIMA GENERAL INSURANCE LIMITED

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

Minimum Units: 10
Maximum Units: 10,000

Issue Open Date: 21/06/2077
Issue Close Date: 24/06/2077

Issuer Rating: CARE-NP BB+ (Is)
Issue Manager: NIC Asia Capital Ltd.

Chairman: Mr. Khem Raj Lamichhane

Chief Executive Officer: Mr. Sudyumna Prasad Upadhyaya

Valuation – Embedded / Appraisal Valuation Model

(A) NAV (as on Q4 76/77)	106.39
(B) Capitalized Projected Earnings	110.57
Value per share (A+B)	216.96

Utilization of IPO Proceeds

Investment in F.D. of BFIs	Rs.29,00,00,000
Branch expansion & Infrastructure Dev.	Rs.1,00,00,000

Capital Structure

	Pre IPO	Post IPO
Authorized Capital	Rs.1500M	Rs.1500M
Issued Capital.	Rs.1000M	Rs.1000M
Paid-up Capital	Rs.700M	Rs.1000M
Promoter / Public Ratio		70%/ 30%

Financial Highlights

FY	Q4 76/77	77/78E	78/79E	79/80E
Cap.	700	1000	1000	1000
R & S	-29.98	-12.76	18.98	86.33
Ins. Fund	38.92	61.61	100.79	179.90
Net Worth	744.73	1090	1168	1326
Ins Cont Liab.	378.94	618.56	846.54	1062.41
N. Premium	135.54	275.29	395.12	489.76
Invnt. Income	75.59	72.97	87.68	105.10
T. Revenues	257.86	430.32	600.70	748.46
N. Claim Paid	27.34	108.22	166.79	208.49
Op. Expenses	117.53	179.03	233.66	229.20
N. Profits	18.58	45.37	78.35	158.23
Ratios	Q4 76/77	77/78E	78/79E	79/80E
EPS	2.66	4.54	7.84	15.82
BVPS	106.39	109.01	116.85	132.67
ROE	2.50%	4.16%	6.71%	11.93%
N. Profit / N.Premium	13.71%	16.48%	19.83%	32.31%
G. Premium Growth	-	98.48%	42.86%	25.00%
G.Claim / G.Premium	18.61%	37.30%	39.72%	39.72%
Invnt. Yields	9.38%	5.93%	6.21%	6.20%
Loss Ratio	20.17%	39.31%	42.21%	42.57%
Expense Ratio	151.89%	95.11%	82.64%	65.12%
Combined Ratio	172.06%	134.42%	124.85%	107.7%
Solvency Ratio	2.98	4.36	4.67	5.31
Net Leverage	0.85	0.98	1.27	1.42

* Computation is made as information on hand.

The Projected Reports of the Company anticipates no distribution of Bonus/Cash Dividends going 3 years north. Further, there is no anticipation of Right Issue by the Company. Q4 76/77 Reports states the Net Profit of Rs.18.58M while the Retained Earning is 29.98M negative.

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 07/03/2064; Licensed by Insurance Board on 24/10/2074 and carrying Non-Life Insurance Business from 27/03/2075. Head office located at Kamaladi, Kathmandu and services offered through 18 Branches and 10 sub branches.

■ **Offered Insurance Products:** (i) Motor Insurance (ii) Property and House Insurance (iii) Marine Insurance (iv) Cattle and Crops Insurance (v) Travel Insurance (vi) Accidental and Medical Insurance (vii) Engineering Insurance (viii) Miscellaneous Insurance.

■ **Rationale of Issuer Rating:** Care Rating Nepal Ltd. assigned 'CARE-NP BB+ (Is)' rating to the Issuer, which indicates moderate risk of default regarding timely servicing of financial obligations. Rationale put are – lower solvency ratio, moderate financial risk profile with high combined ratio, business concentrated to Motor policy, etc.

■ **Dividend and Capital Plan:** The Projected Reports indicates no capital increments i.e. no anticipation of Bonus/Right shares. Further, there is no anticipation of Cash Dividends 3 years north.

■ **Financial Summary:** Audited Report of FY 75/76 detailed the Net Profit of Rs.5.15M while deficit Retained Earning of Rs.19.74M. Quarterly check of Q4 76/77 reports Net Profits of Rs.18.58M and further deficit Retained Earnings of Rs. 29.98M. GPW and NPW stands Rs.352.67M and Rs.135.54M i.e. 79.72% and 81.30% yearly growth respectively. Net claim paid is Rs.27.34M and 237% increment in policyholders. Claims ratio is high i.e. 18.5% of Gross Premium and company has reinsured approx. 60% Underwriting risks assumed. Combined ratio is very high i.e. especially the expense ratio of the company is deteriorating the major revenues. After the IPO issue, the below 1.5 Solvency ratio is expected to uplift. Company however stands competitively behind covering < 2% market on premium basis. Metrics like EPS, BVPS, ROE etc. also lagged to Industry. Materiality of Projections made can put the company par to current Industry averages but stressing the current COVID scenario, the chances are dim.

■ **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. Underwriting risks, Challenges in Premium collections on Policies, COVID_19 Claims settlements etc. do remain.

■ **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%.