

### IPO Details

**Sena Kalyan Insurance Company Limited (SKICL)** will raise BDT 160.0 million through initial public offering (IPO) under fixed price method. The fund will be used for investments in the capital market, land/real estate assets and fixed deposits (FDR) with scheduled commercial banks.

General Public would be allowed to subscribe BDT 10,000 for a single application. In order to subscribe for IPO under "Institutional" quota, eligible investors (EI) would have to maintain a minimum capital market investment of BDT 5.0 Mn for approved pension funds, recognized provident funds and approved gratuity funds, while other EIs would have to maintain BDT 10.0 Mn at market price in listed securities as on the end of September 23, 2021.

The breakdown of the IPO proceeds is shown below:

Use of IPO	Mn BDT	% of Proceed
Investment in Capital Market	62.0	38.8%
Land/ Real Estate Assets	25.0	15.6%
Investment in FDR	62.0	38.8%
<b>Sub Total</b>	<b>149.0</b>	<b>93.1%</b>
IPO Expenses	11.0	6.9%
<b>Total</b>	<b>160.0</b>	<b>100%</b>

### Company Brief

SKICL is a subsidiary company of Sena Kalyan Sangstha (SKS) of Bangladesh Armed Forces. It is a non-life/general insurance company, providing insurance services to the following segments: fire and its allied perils, marine, engineering, motor, aviation and miscellaneous insurance businesses. SKICL was incorporated on September 03, 2013 as a public limited company and commenced its operation on September 10, 2013. The company's corporate office is located at Mohakhali, Dhaka. In addition, it has six branches located across the country, of which, four are situated in Dhaka, and the rest in Chattogram and Khulna.

### Competitive landscape

Currently, 46 non-life insurance companies are operating in Bangladesh. According to Swiss Re Institute, non-life insurance segment constituted 26.5% of the overall insurance market in Bangladesh in 2017. Based on last two years of gross premium, the following listed companies are comparable peers of SKICL: Sonar Bangla Insurance, Islami Insurance Bangladesh, Continental Insurance, Crystal Insurance, Bangladesh National Insurance (BNICL), and Express Insurance. In terms of gross premium, SKICL held estimated market share of 1.32% in 2020 (2019: 1.22%).

### Industry Outlook

Based on information from Ministry of Finance, gross premium collection in the non-life insurance industry is estimated at BDT 44.0 Bn in 2020 (2019: BDT 47.2 Bn). Per capita insurance premium in Bangladesh was USD 10.3 in 2019 according to Insurance Development and Regulatory Authority (IDRA), while insurance penetration in terms of GDP was 0.40% in 2020 according to Swiss Re Institute. This indicates the sector has scope to grow further considering the expected rise in per capita income and people becoming increasingly aware of the benefits of insurance.

### Ownership Structure

Sponsors and Directors currently own 100% of the shares, which in post-IPO would stand at 60.0%. Sena Kalyan Sangstha (SKS) owns 99.99% of the pre-IPO shares (23,999,994 shares).

### IPO Summary

DSE Ticker	SKICL
IPO Proceeds (Mn BDT)	160.0
New Shares Issued (Mn)	16.0
Pre- IPO No. of Shares (Mn)	24.0
Post IPO No. of Shares (Mn)	40.0
Pre-IPO Paid-up Capital (Mn BDT)	240.0
Post-IPO Paid-up Capital (Mn BDT)	400.0
Face Value (BDT)	10.0
Accounting Year End	December
Auditor	Mahfel Huq & Co.
Issue Manager	AAA Finance & Investment Ltd.
Sector	General Insurance
GICS Mapping	40301040

### Income Statement

Mn BDT	2016A	2017A	2018A	2019A	2020A
<b>Revenue Account</b>	<b>27.9</b>	<b>36.0</b>	<b>10.9</b>	<b>75.5</b>	<b>66.8</b>
Fire Insurance	(4.3)	9.6	18.6	27.6	(12.4)
Marine Insurance	16.8	11.6	22.2	23.3	27.4
Motor Insurance	7.8	8.0	13.9	24.6	37.9
Misc. Insurance	7.6	6.8	(43.8)	0.0	14.0
<b>Interest and other income</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>47.2</b>	<b>58.2</b>
<b>Total Income</b>	<b>27.9</b>	<b>36.0</b>	<b>10.9</b>	<b>122.7</b>	<b>125.0</b>
Total Management Expenses	6.9	6.3	5.4	4.2	5.1
<b>Profit before Tax</b>	<b>21.0</b>	<b>29.7</b>	<b>5.5</b>	<b>118.6</b>	<b>114.2</b>
<b>Profit After tax</b>	<b>21.0</b>	<b>29.7</b>	<b>4.5</b>	<b>98.3</b>	<b>94.3</b>
<b>Pre-IPO EPS</b>	<b>0.9</b>	<b>1.2</b>	<b>0.2</b>	<b>4.1</b>	<b>3.9</b>
<b>Post IPO EPS</b>	<b>0.5</b>	<b>0.7</b>	<b>0.1</b>	<b>2.5</b>	<b>2.4</b>

### Balance Sheet

Mn BDT	2016A	2017A	2018A	2019A	2020A
Paid-up Capital	240.0	240.0	240.0	240.0	240.0
Reserve for exceptional losses	30.4	56.7	82.1	139.7	197.8
Profit and Loss Account	19.6	32.7	27.1	55.8	68.0
<b>Total Shareholders' Equity</b>	<b>290.0</b>	<b>329.4</b>	<b>349.2</b>	<b>434.4</b>	<b>506.2</b>
<b>Balance of Funds Account</b>	<b>56.7</b>	<b>54.8</b>	<b>66.1</b>	<b>137.1</b>	<b>175.2</b>
Fire Insurance	12.7	12.5	16.5	23.2	22.2
Marine Insurance	17.1	13.3	24.0	17.0	31.9
Motor Insurance	7.7	8.5	8.6	22.5	21.2
Miscellaneous Insurance	19.2	20.6	17.0	74.4	100.0
<b>Premium Deposits</b>	<b>26.5</b>	<b>23.9</b>	<b>25.8</b>	<b>56.1</b>	<b>31.5</b>
<b>Liabilities and Provisions</b>	<b>48.6</b>	<b>71.4</b>	<b>79.4</b>	<b>119.5</b>	<b>265.4</b>
Estimated Outstanding Claims	10.6	20.4	25.6	39.8	121.4
Due from other Insurances	0.0	0.0	0.0	2.7	18.4
Sundry Creditors	29.1	31.9	31.9	33.5	34.3
<b>Total Liabilities</b>	<b>131.8</b>	<b>150.0</b>	<b>171.3</b>	<b>312.6</b>	<b>472.1</b>
<b>Non-Current Assets</b>	<b>48.7</b>	<b>50.2</b>	<b>48.7</b>	<b>53.2</b>	<b>102.5</b>
PPE	17.0	19.7	17.0	20.2	22.3
Investment in BGTB	26.5	26.5	26.5	26.5	51.2
ROU Assets	0.0	0.0	0.0	0.0	21.2
<b>Current Assets</b>	<b>26.4</b>	<b>42.6</b>	<b>53.6</b>	<b>62.5</b>	<b>82.3</b>
Investment in Shares	0.0	0.0	3.7	4.1	13.0
Sundry Debtors	9.7	21.7	35.0	37.6	49.7
Cash and cash equivalent	345.9	386.7	418.2	631.3	793.5
<b>Total Assets</b>	<b>421.0</b>	<b>479.4</b>	<b>520.6</b>	<b>747.0</b>	<b>978.3</b>

### Product details & Brand Identity

SKICL provides insurance services in the following categories: 1. Fire and its allied peril 2. Marine 3. Engineering 4. Aviation and 5. Miscellaneous

#### Source-wise Gross premium collection in 2020

	(BDT Mn)	Share (%)
Fire	125	21.6%
Marine	84	14.5%
Marine Hull	10	1.7%
Motor	53	9.1%
Miscellaneous	308	53.1%

### Financial Performance

SKICL collected gross premium of BDT 580.5 Mn in 2020 (2019: BDT 576.1 Mn). SKICL's gross premium collection grew at 5-year CAGR of 27.7%, compared to 5-year CAGR of 10.7% for non-life insurance industry. Revenue from underwriting represented 53.5% of total operating income in 2020 (2019: 61.5%), while the rest came from interest, dividend and other incomes. Management Expense to Net Premium ratio was 43.5%, 30.4% and 28.1% in 2018, 2019 and 2020 respectively, which indicates SKICL is improving its cost efficiency. Net Claims to Net Premium ratio was 34.6% in 2020 (2019: 9.1%), while 5-year average ratio stood at 24.0%. The composition of income-generating assets, in terms of total assets of SKICL in 2020, is as follows: treasury securities (5.2%); investment in shares (1.3%); and fixed deposits (72.7%).

### Pricing

Pre-IPO EPS in 2020 was BDT 3.93, whereas Post-IPO EPS would be BDT 2.36. Pre-IPO NAVPS was BDT 21.1 in 2020, whereas Post-IPO NAVPS would stand at BDT 12.7. Offer price per share is BDT 10.00, implying a **Pre-IPO P/E of 2.5x and Pre-IPO P/NAV of 0.47x**

### Lock-in requirements

Lock-in period is 3 years for sponsors as well as existing shareholders.

### Listing Conditions

As per requirement of Bangladesh Securities and Exchange Commission (BSEC), SKICL cannot issue right shares for two years from the date of publication of prospectus for IPO and before full utilization of fund raised through IPO or previous rights issue or repeat public offer (RPO), as the case may be.

### ESG Footprints:

#### Environment Footprints:

No such reporting is provided as of yet.

#### Social Footprints

SKICL has aimed at including small and non-franchise businesses under its ecosystem, since they do not have access to group insurance plans. This would foster entrepreneurship and innovation, while facilitating risk transfer in the long run.

#### Corporate Governance

SKICL is a subsidiary of Sena Kalyan Sangstha of the Bangladesh Armed Forces, which holds 23,999,994 shares (99.99%). Independent Director M.M Mostafa Bilal is the Deputy Managing Director of The UAE-Bangladesh Investment Company Limited, Independent Director Ahmed Ihteyaz Thamid is the Chairman and Managing Director of H&H Eastern Agro Fisheries Limited.

**Once listed, Sena Kalyan would trade in the main board of DSE & CSE under 'N' category.**

### Cash Flow Statement

Mn BDT	2016A	2017A	2018A	2019A	2020A
Operating Activities	63.5	53.8	53.5	232.5	221.7
Investing Activities	(0.3)	(0.3)	(3.9)	(7.4)	(36.2)
Financing Activities	(9.1)	(12.7)	(18.0)	(12.0)	(23.3)
<b>Net Cash Flow</b>	<b>54.1</b>	<b>40.8</b>	<b>31.6</b>	<b>213.1</b>	<b>162.2</b>

### Ratios

	2016A	2017A	2018A	2019A	2020A
Market share (Gross premium)	0.7%	0.9%	1.1%	1.2%	1.3%
Current ratio (x)	3.54	3.47	3.26	2.43	1.97
Net Premium to Gross Premium	67.4%	50.3%	40.5%	44.0%	51.3%
Management expense to Net Premium	48.8%	52.5%	43.5%	30.4%	28.1%
Net Claims to Net premium	14.8%	15.4%	46.3%	9.1%	34.6%
Agency commission ratio	8.6%	9.5%	5.1%	6.0%	5.8%
Underwriting profit to Net premium	20.3%	27.3%	7.4%	29.8%	22.4%
Claim settlement rate	n/a	64.5%	47.2%	34.4%	10.7%
Return on equity	7.2%	9.0%	1.3%	22.6%	18.6%
Return on assets	5.0%	6.2%	0.9%	13.2%	9.6%

### Comparable and Trading Multiples

DSE Ticker	Market Cap (BDT mn)	TTM Earnings (BDT mn)	Latest NAV (BDT mn)	PER (x)	P/B (x)
BNICL	6,757	46	923	42.3x	7.3x
CONTININS	2,218	29	824	39.6x	2.7x
CRYSTALINS	2,468	25	856	12.7x	2.9x
SONARBAINS	3,295	56	846	35.9x	3.9x
ISLAMIINS	2,964	28	654	27.8x	5.0x

### Dividend History

	2016A	2017A	2018A	2019A	2020A
Cash dividend	5.0%	7.5%	5.0%	10.0%	10.0%

### Shareholding Details

Name	Position	No. of shares	Pre-IPO shareholding	Post-IPO shareholding
Sena Kalyan Sangstha	Sponsor	23,999,994	99.99%	59.99%
Air Cdre M Moeen-uddin, ndc, afwc, psc	Shareholder & Director	1	0.0%	0.0%
Brig. Gen. Mirza Md Enamul Haque, ndc	Shareholder & Director	1	0.0%	0.0%
Brig. Gen. M A Mohy, psc, PEng	Shareholder & Director	1	0.0%	0.0%
Brig. Gen. Md Mustafa Kamal, SGP	Shareholder & Director	1	0.0%	0.0%
Brig. Gen. Md Jamal Hossain, ndc, afwc, psc	Shareholder & Director	1	0.0%	0.0%
Brig. Gen. Md Shaheen Iqbal, afwc, psc	Shareholder & Director	1	0.0%	0.0%

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