

BRAC EPL Research (research@bracepl.com)
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 Subscription Start: Dec 15, 2021
 Subscription End: Dec 22, 2021

IPO Details

Union Insurance Company Limited (UICL) will raise BDT 194 million through initial public offering (IPO) under fixed price method. The fund would be used for purchase of floor space, investment in FDR & capital market, and meet IPO expenses.

General Public would be allowed to subscribe BDT 10,000 for a single application, subject to maintaining capital market investment of BDT 20,000. 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 December 7, 2021.

The breakdown of the IPO proceeds is shown below:

Use of IPO	Mn BDT	% of Proceed
Investment in Capital Market	97.0	50.1%
Floor Purchase	40.0	20.7%
Investment in FDR	45.0	23.2%
Sub Total	183.0	94.0%
IPO Expenses	11.6	6.0%
Total	193.6	100%

Company Brief

Union Insurance Company Limited has commenced its operation on August 24, 2000. Union Insurance is carrying out the following types of insurance/re-insurance business: a) Fire Accidental Damage on Property Insurance, b) Marine Cargo Insurance, c) Motor Insurance, d) Liability Insurance, e) Miscellaneous Insurance, and f) Engineering Insurance. Presently, the company has been operating its business through 44 branches including the Local Office.

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 UICL: Sonar Bangla Insurance, Islami Insurance Bangladesh, Continental Insurance, Crystal Insurance, Bangladesh National Insurance (BNICL), and Continental Insurance. In terms of gross premium, UICL held estimated market share of 1.46% in 2020.

Industry Outlook

According to 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 higher awareness of the benefits of insurance.

Ownership Structure

Sponsors and Directors currently own 77.6% of the pre-IPO shares, which in post-IPO would stand at 46.5%. Placement shareholders own 22.4% of the pre-IPO shares, which in post-IPO would stand at 13.5%.

Product details & Brand Identity

UICL provides insurance services in the following categories: 1. Fire and its allied peril 2. Marine 3. Motor and 4. Miscellaneous

IPO Summary

DSE Ticker	UNIONINS
IPO Proceeds (Mn BDT)	194.0
New Shares Issued (Mn)	19.4
Pre- IPO No. of Shares (Mn)	29.0
Post IPO No. of Shares (Mn)	48.0
Pre-IPO Paid-up Capital (Mn BDT)	290.0
Post-IPO Paid-up Capital (Mn BDT)	480.0
Face Value (BDT)	10.0
Accounting Year End	December
Auditor	Fames & R
Issue Manager	Sonar Bangla Capital Management Limited
Sector	General Insurance
GICS Mapping	40301040

Income Statement

Mn BDT	2016A	2017A	2018A	2019A	2020A
Revenue Account	78	122	74	124	125
Fire Insurance	13	52	7	13	3
Marine Insurance	37	54	62	74	89
Motor Insurance	26	13	3	15	19
Misc. Insurance	2	4	3	21	14
Interest and other income	6	4	10	14	11
Total Income	84	127	85	138	137
Total Management Expenses	33	35	33	34	50
Profit before Tax	49	87	41	98	82
Profit After tax	38	53	29	62	62
Pre-IPO EPS	1.3	1.8	1.0	2.1	2.1
Post IPO EPS	0.8	1.1	0.6	1.3	1.3

Balance Sheet

Mn BDT	2016A	2017A	2018A	2019A	2020A
Balance of Funds Account	92	113	126	165	231
Fire Insurance	57	49	58	45	105
Marine Insurance	8	56	36	92	90
Motor Insurance	23	5	17	17	27
Miscellaneous Insurance	4	2	15	11	9
Premium Deposits	2	1	1	2	2
Liabilities and Provisions	185	178	184	224	225
Estimated Claims	37	6	5	8	13
Due from other Insurances	30	18	16	9	2
Sundry Creditors	8	1	2	6	12
Total Liabilities	277	291	311	389	456
Non-Current Assets	216	199	194	189	185
PPE	191	174	169	164	147
Investment	25	25	25	25	28
Current Assets	287	383	444	585	699
Investment in FDR	70	83	87	91	111
Sundry Debtors	75	94	150	162	247
Cash and cash equivalent	92	80	73	71	78
Total Assets	595	662	711	845	962

Cash Flow Statement

Mn BDT	2016A	2017A	2018A	2019A	2020A
Operating Activities	82	11	56	36	153
Investing Activities	(9)	(16)	(63)	(15)	(77)
Financing Activities	1	(6)	(1)	(18)	(49)
Net Cash Flow	74	(12)	(8)	2	27

Source-wise Gross premium collection in 2020

	(BDT Mn)	Share (%)
Fire	274	42.7%
Marine	266	41.5%
Motor	67	10.5%
Miscellaneous	33	5.2%

Financial Performance

UICL posted 43.8% YoY growth in gross premium income in 2020, reaching BDT 640.9 Mn. Growth in gross premium also outperformed the industry on 5-year CAGR basis (UICL's 15.7% vs industry average of 10.7%). Lower claim ratio (2020: 22.4%) has been one of UICL's major profit driver. The company's claim settlement ratio, in terms of value, stood at 92.1% (2019: 88.0%). In terms of solvency, available solvency to required solvency ratio stood at 1.23x in 2019, while debt service coverage ratio reached 2.28x in 2019.

In 2020, UICL's income-generating assets in terms of total assets are as follows: investment in treasury securities and shares (2.9%); cash and cash equivalent (8.1%), and investment in fixed deposits (11.6%).

Pricing

Pre-IPO EPS in 2020 was BDT 2.14, whereas Post-IPO EPS would be BDT 1.28. Pre-IPO NAVPS was BDT 17.39 in 2020, whereas Post-IPO NAVPS would stand at BDT 10.44. Offer price per share is BDT 10.00, implying a **Pre-IPO P/E of 4.7x and Pre-IPO P/NAV of 0.57x.**

Lock-in requirements

Lock-in period is 3 years for sponsors directors and private placement shareholders, which account for 60% of the post-IPO shareholding. IPO shares offered to the employees of UICL (6.0% of post-IPO shares) are subject to 2 years of lock-in period.

Listing Conditions

As per requirement of Bangladesh Securities and Exchange Commission (BSEC), UICL 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

UICL has group insurance plans, which contributes to fostering innovation and entrepreneurship, while facilitating risk transfer in the long run.

Corporate Governance

All sponsor shareholders come from business background, providing them with necessary pool of experience to compete in the insurance industry. Mr. Mozaffar Hossain Paltu is the chairman of UICL since its inception, and also the Chairman of Goodman Pharmaceuticals Ltd. Among independent directors, Mohammad Faiz held key positions in different banks and NBFIs; Syed Alamgir Farrouk is was a career bureaucrat; and M.U.A Quader is an industry veteran with 31 years of experience.

Once listed, Union Insurance would trade in the main board of DSE & CSE under 'N' category.

Ratios

	2016A	2017A	2018A	2019A	2020A
Market share (Gross premium)	1.1%	1.1%	1.2%	0.9%	1.46%
Current ratio (x)	2.05	2.60	2.80	2.86	3.44
Net Premium to Gross Premium	74.1%	86.9%	79.4%	90.2%	85.5%
Management expense to Net Premium	23.8%	17.5%	35.0%	26.9%	30.0%
Net Claims to Net premium	32.3%	23.9%	24.8%	21.9%	22.4%
Agency commission ratio	13.3%	13.3%	12.5%	13.3%	14.5%
Underwriting profit to Net premium	33.9%	43.5%	23.5%	30.8%	22.9%
Return on equity	13.8%	15.5%	7.4%	14.4%	12.9%
Return on assets	7.1%	8.5%	4.2%	7.9%	6.9%

Comparable and Trading Multiples

DSE Ticker	Market Cap (BDT Mn)	TTM Earnings (BDT Mn)	Latest NAV (BDT Mn)	PER (x)	P/B (x)
BNICL	5,261	128	965	41.2x	5.5x
CONTININS	1,856	64	853	28.8x	2.2x
CRYSTALINS	2,128	205	856	10.4x	2.4x
SONARBAINS	2,775	81	818	34.1x	3.4x
ISLAMIINS	2,552	113	673	22.5x	3.8x

Shareholding Details

Name	Position	No. of shares	Pre-IPO shareholding	Post-IPO shareholding
Mr. Mozaffar Hossain Paltu	Sponsor & Chairman	2,341,918	8.06%	4.84%
Mr. Belayet Hossain	Sponsor & Director	2,178,102	7.50%	4.50%
Mr. Md. Shajahan	Sponsor & Director	1,063,577	3.66%	2.20%
Prof. M.M. Kamal-uddin Chowdhury	Sponsor & Director	972,902	3.35%	2.01%
Mr. Mohammed Hasmot Ali	Director	1,936,089	6.67%	4.00%
Mr. Md. Azizur Rahman	Director	3,711,441	12.78%	7.67%
Mr. Junayad Khan Asfar	Director	1,054,679	3.63%	2.18%
Alhaj Nur Uddin Ahmed	Director	1,226,648	4.22%	2.53%
Barrister Mashfiqur Rahman	Director	1,452,068	5.00%	3.00%
Mr. Mohammad Mubashair Rahman	Director	1,000,000	3.44%	2.07%
Mrs. Bibi Wazeda	Director	1,215,350	4.18%	2.51%
Mr. Jahangir Alam	Director	1,519,969	5.23%	3.14%
Ms. Nasrin Sultana	Director	1,223,899	4.21%	2.53%
Mr. Anjan Mozumder	Director	1,055,217	3.63%	2.18%

IMPORTANT DISCLOSURES

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