Analyst: Raj Bardhan Kumar Singh **Vol:- IPO/2017/10/31/1.0** **31st October 2017**

The New India Assurance Company Limited

Incorporated on July 23, 1919 at MumbaiNew India Assurance is the largest general insurance company in India in terms of net worth, domestic gross direct premium, profit after tax and number of branches as of and for the fiscal year ended March 31, 2017 (Source: CRISIL Report). Company has been in operation for almost a century. In Fiscal 2017, they had the largest market share of gross direct premium among general insurers in India (Source: CRISIL Report). As of March 31, 2017, they had issued 27.10 million policies across all product segments, the highest among all general insurance companies in India (Source: CRISIL Report). As of June 30, 2017, operations were spread across 29 States and seven Union Territories in India and across 28 other countries globally through a number of international branches, agency offices and Subsidiaries including a desk at Lloyd‘s, London.

Our insurance products can be broadly categorized into the following product verticals: **fire insurance; marine insurance, motor insurance, crop insurance, health insurance and other insurance products**.

- **Fire Insurance**. Fire insurance portfolio includes fire and special perils insurance, business interruption insurance, and large risk package insurance policies
- **Marine Insurance**. Marine insurance business includes marine cargo insurance, hull and machinery insurance and offshore oil and energy insurance products
- **Motor Insurance**. Motor insurance portfolio includes liability only (third party) policies and comprehensive motor (third party and own damage) policies
- **Crop Insurance**. Crop insurance products include Pradhan Mantri Fasal Bima Yojana farmers package insurance, weather based crop insurance, unified package insurance schemes and horticulture / plantation insurance;
- **Health Insurance**. Health insurance products include individual health products such as mediclaim, floater and premier mediclaim products; corporate (group) health insurance products; and personal accident products and schemes implemented for the GoI such as the Rashtriya Swasthiya Bima Yojana, PMSBY and PMJDY.
- **Other Insurance** It include a broad range of general insurance products under this category, including the following: liability insurance; engineering insurance; aviation insurance; nuclear insurance; fidelity guarantee and burglary insurance; householder insurance; insurance specific commercial insurance such as banker‘s indemnity and shopkeepers insurance; money insurance; travel insurance; and social insurance products.

They have developed an expansive multi-channel distribution network that includes individual and corporate agents, brokers, bancassurance partners and other intermediaries, as well as direct sales and sales through online channels. As of June 30, 2017, their distribution network in India included 68,389 individual agents and 16 corporate agents, bancassurance arrangements with 25 banks in India, and a large number of OEM and automotive dealer arrangements through the agent and broker network. They have developed a pan-India branch network. As of June 30, 2017, they had 2,452 offices in India across 29 States and seven Union

Territories. They also partner with the GoI and State governments for implementation of various government schemes including health insurance and policies for underprivileged customer segments. As of June 30, 2017, they had international operations across 28 countries, through a number of international branches, agency offices, subsidiaries and associated companies.

In Fiscal 2015, 2016 and 2017, Gross written premium was Rs. 169,865.98 million, Rs. 192,272.64 million and Rs. 232,304.93 million, respectively. The gross written premium increased at a CAGR of 15.18% from Rs. 132,001.81 million in Fiscal 2013 to Rs. 232,304.93 million in Fiscal 2017. In Fiscal 2016 and 2017, they paid dividends (including dividend distribution tax) of Rs. 3,599.82 million and Rs. 3,019.85 million, respectively, while for Fiscal 2017 they have declared dividend payments (including dividend distribution tax) of Rs. 3,731.19 million. They have funded their operations for more than 40 years without any external capital infusion. Their net worth 143 (excluding fair value change account) increased from Rs. 96,050.34 million as of March 31, 2013 to Rs. 125,964.48 million as of March 31, 2017, while the total net worth (including fair value change account) increased from Rs. 254,698.13 million as of March 31, 2013 to Rs. 362,980.85 million as of March 31, 2017. They command a robust financial position, with a solvency ratio as of March 31, 2017 of 2.22, compared to the IRDAI prescribed control level requirement of 1.50. They have been rated A-(Excellent) by AM Best Company since 2007 and have been rated AAA/Stable by CRISIL since 2014.

Price Band	**Rs. 770-800 per Equity Share**
Issues Open	**Wednesday, Nov 01, 2017**
Issue Close	**Friday, Nov 03, 2017**
Issue Type	**100% Book Built Issue IPO**
Bid Lot	**18 Equity share and multiple thereafter**
Maximum Bid amount for Retail	**Rs, 2 Lacs**
Face Value	**Rs. 5 per Equity Share**
Total Issue size	**120,000,000 Equity Shares of Rs. 5 aggregating up to Rs. 9600 Cr.**
Fresh Issue	**24,000,000 Equity Shares of Rs. 5.00**
Offer for Sale	**96,000,000 Equity Shares of Rs. 5.00**
QIB*	**50% of the Net offer**
Retail Portion	**Not less than 35% of the Net Offer**
Non-Institutional Category	**15% of the Net offer**
Mutual Fund Portion	**5% of QIB Portion**
Mode of Payment	**ASBA Mandatory (No cheque will be accepted)**
Book Running Lead Managers	**Kotak Mahindra Capital Company Limited, Axis Capital Limited, IDFC bank Limited, Nomura Financial Advisory and Securities (India) Private Limited, YES Securities (India) Limited.**
Listing At	**NSE, BSE**
Registrar	**Maharashtra, at Mumbai**

Company Strategies:

- Capitalize on significant market potential and increase market share
- Improve underwriting profitability
- Leverage technology to drive growth, profitability and customer satisfaction
- Continue to focus on product innovation
- Expand international operations

Company Strength:

- Market leadership and established brand
- Longstanding global footprint and successful international operations
- Sustainable business model driven by customer satisfaction
- Diversified product offering and product innovation capability
- Multi-channel distribution network
- Robust financial position
- Experienced senior management team
- Robust IT infrastructure

Company Promoters:

President of India is the Promoters of the New India Assurance Company Limited

Objects of the Issue:

The Offer comprises a Fresh Issue by the Company and an Offer for Sale by the Selling Shareholder.

The Offer for Sale

The proceeds of the Offer for Sale shall be received by the Selling Shareholder and Company will not receive any proceeds from the Offer for Sale.

Fresh Issue

Company proposes to utilize the Net Proceeds towards meeting our future capital requirements which are expected to arise from the growth and expansion of the business, improving the solvency margin and consequently solvency ratio

Risk Factors Relating to Business:

Internal Risk Factor

- Any significant variation between actual claim payments from the assumptions and estimates used in the pricing of, and setting reserves for, various insurance products, may have a material adverse effect on the business, financial condition and results of operations.
- Any termination or adverse change in the relationship or arrangements with the agents, brokers, bancassurance partners or other distribution intermediaries, or a decline in their productivity, may have a material adverse effect on the business, financial condition and results of operations.
- They may not be able to sustain their historical growth rates or successfully implement of business strategies.

- Company, Directors, Subsidiaries and Group Companies are involved in certain legal and other proceedings.
- They are subject to a comprehensive and evolving regulatory framework in a highly regulated industry that affects the flexibility of the operations and increases compliance costs.
- Their investment portfolio is subject to the volatility in the market value of financial instruments and liquidity risk, which could decrease its value and have a material and adverse effect on the business, prospects, financial condition and results of operations.
- Catastrophic events, including natural disasters, may result in significant liabilities for claims by policyholders which could have a material adverse effect on business, prospects, financial condition and results of operations
- An inability to maintain market share or effectively address the requirements of specific customer segments by maintaining a strategic portfolio of insurance products may materially and adversely affect on business operations and prospects, and consequently financial condition and results of operations.
- Any regulatory action initiated against them or against their employees, agents and other distribution intermediaries may result in penalties and/or sanctions that could have an adverse effect on the business, financial condition and results of operations.
- An inability to effectively compete in the highly competitive insurance industry could have a material adverse effect on business, results of operations and financial condition.
- Their failure to successfully manage the geographically widespread operations could adversely affect business and results of operations.
- Company is currently not in compliance with certain provisions of the SEBI Listing Regulations and/or Companies Act, as may be applicable in relation to composition of our Board, certain committees and terms of reference of the Audit Committee and the Nomination and Remuneration Committee.
- Their loss reserves are based on estimates as to future claims liabilities and if they prove inadequate, it could lead to further reserve additions and materially adversely affect on results of operations.
- Risk management policies and procedures may not be adequate or effective in identifying or mitigating significant operational and other risks applicable to us, which could have an adverse effect on business, prospects, financial condition and results of operations.
- The actuarial valuations of liabilities for the policies with outstanding liabilities may be inaccurate.
- An inability to reduce the risks and increase their underwriting capacity through adequate reinsurance arrangements may adversely affect on business, results of operations and financial condition.
- An inability to maintain confidential information in a secure manner, or any security or privacy breaches could have a material adverse effect on our business, financial condition and results of operations.

<u>External Risk Factor</u>

- Financial difficulty and other problems in certain financial institutions in India could have a material adverse effect on business, results of operations and financial condition.
- Adverse macroeconomic conditions and financial markets in India and globally may have a material adverse effect on business, results of operations and financial condition.
- The limited amounts and types of long-term fixed income products in the Indian capital markets and the legal and regulatory requirements on the types of investment and amount of investment assets that 59 insurance companies are permitted to make could severely limit their ability to closely match the duration of our assets and liabilities.
- Inflation in India could have an adverse effect on the profitability and if significant, on our financial condition.

- If there is any change in tax laws or regulations, or their interpretation, such changes may significantly affect on financial statements for the current and future years, which may have a material adverse effect on financial position, business, and results of operations.
- Their ability to invest in foreign subsidiaries or joint ventures is constrained by applicable restrictions under Indian foreign investment laws as well as laws of the relevant international jurisdiction, which could adversely affect our business prospects and international growth strategy.
- Business is substantially affected by prevailing economic, political and other prevailing conditions in India.
- Investors in the Equity Shares may not be able to enforce a judgment of a foreign court against them, directors or officers.
- Differences exist between Indian GAAP and other accounting principles, which may be material to investors' assessments of our financial condition.
- Any anticipated measures undertaken by the Government of India or any regulatory authority may adversely affect business, financial condition and results of operations.
- There are restrictions on transfers of Equity Shares under the Insurance Act and the relevant IRDAI regulations.

Industry

Global General Insurance Industry

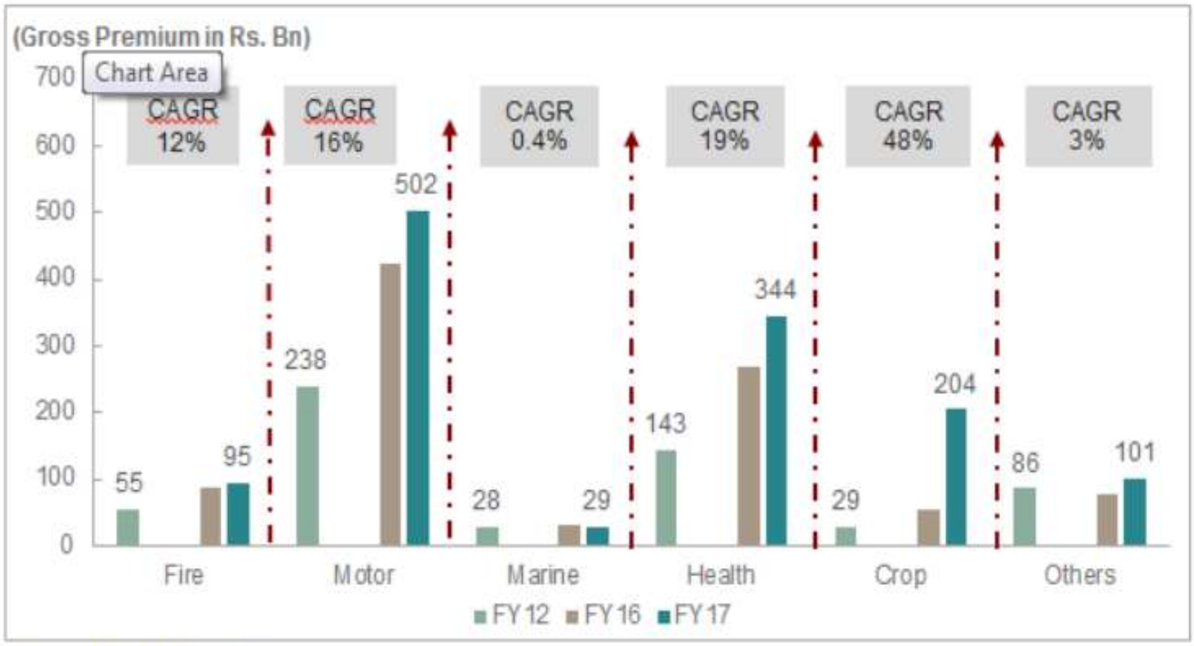
The global general insurance industry was sized at around USD 2.1 trillion in terms of premium (nominal terms) as of 2016. Asia is the third largest market for general insurance, accounting for 23% of gross direct premium whereas India has a share of only 0.83% in the world and 3.5% in Asia‘s general insurance market as of 2016. Global general insurance industry premiums (in nominal US dollar terms) grew at a steady 3.9% CAGR from 2010 to 2014. In 2015, premiums declined by 3.8% year-on-year, primarily reflecting the impact of widespread currency depreciation against the US dollar. However, the year 2016 observed an improvement in the premium growth and general insurance premium increased by 3.1%.

Indian General Insurance Industry

India‘s general insurance penetration* stood at 0.8% in 2016, compared with 0.6% in 2007. In comparison, the global general insurance industry‘s penetration stood at 2.81% as of 2016. Among the comparable Asian counterparts also, India‘s general insurance penetration pales; the corresponding numbers for China, Thailand, Singapore and Malaysia were at 1.8%, 1.7%, 1.7%, and 1.6% respectively as of 2016. This suggests the enormous untapped potential of the Indian general insurance market.

Industry Outlook Gross premiums of general insurance companies grew at a 17% CAGR in last five years ending fiscal 2017. The double digit growth in the industry can be attributed to increasing penetration due to continuing growth in motor insurance, introduction of government schemes in specific segments such as crop insurance, financial inclusion drive (Jan Dhan Yojana, etc.) that has increased the awareness about the need of insurance in general segments and continued growth in the economy. Premiums surged by 32% in fiscal 2017, driven by a four-fold increase in crop insurance premiums as a result of the Pradhan Mantri Fasal Bima Yojana (PMFBY) scheme. Even after excluding crop insurance, premium growth remained healthy at 18%. With economic growth gradually picking up and structural drivers in place (rise in healthcare costs, growth in retail auto sector, agricultural reforms and schemes), we expect the growth trajectory of the general insurance sector to remain strong in the next five years.

CAGR in various general insurance segments (Fiscal 2012 to Fiscal 2017)



(Source: IRDAI, CRISIL Report)

Factors Contributing to Growth of General Insurance Industry in India

Macroeconomic Factors

GDP Growth Over the medium term, India‘s GDP growth is expected to move to a higher trajectory due to reforms initiated by the government aimed at improving the _quality of growth‘ (GST implementation, power sector reforms, enactment of Bankruptcy Code are examples in this regard) and focus on proper implementation. Normal monsoons, softer interest rates, benign inflation, and pent up demand (demand postponed due to the demonetisation) will support consumption growth in the current fiscal. GST, the most significant indirect tax reform in decades, will be a game changer. The structure may not be optimal, but even with its imperfections, it is expected to usher in significant efficiencies and benefits in the logistics chain across sectors and lift India‘s growth trajectory over the medium run. Although somewhat disruptive in the short run, demonetisation is likely to move India towards a _less-cash‘ economy. GST together with the move towards a _less cash‘ economy will also give speed to the formalisation of the economy. Pick-up in economic growth, rising incomes, increasing insurance awareness and a rise in working age population is likely to spur demand for insurance products.

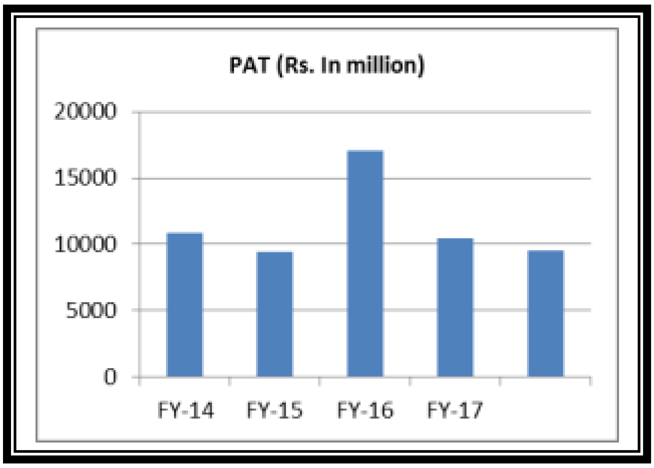
Rising Incomes and Low Inflation India has been able to keep its inflation under check despite two successive years of deficient monsoon in 2014 and 2015. Previously, in fiscal 10, when the country witnessed 23% deficient monsoon, the CPI inflation had climbed to 12.4%. However, in fiscal 15, the CPI inflation averaged 6% and dropped to 5% in fiscal 2016 and fiscal 2017. We expect CPI inflation to remain stable at around these levels in fiscal 2018 as well. Over the long term too, the Reserve Bank of India (RBI) is committed to keep inflation low and range bound. With rising income and inflation under control, discretionary consumer spending and the household savings rate (household savings as a percentage of GDP) is likely to increase gradually. This would have a positive spin off on the general insurance business, given the linkage of the business with consumption demand.

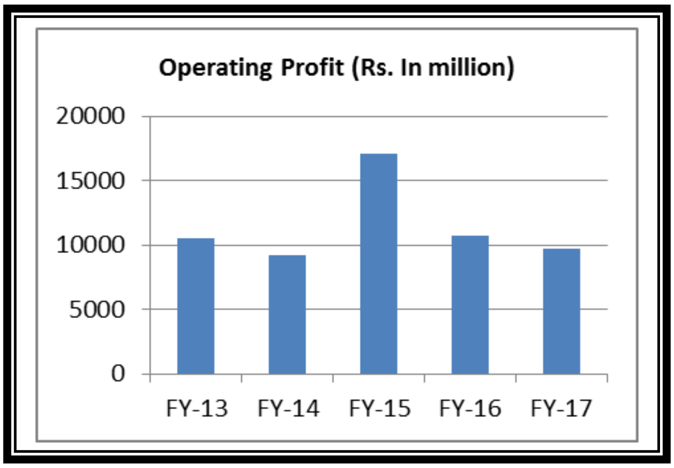
Growth drivers for select segments of non-life insurance

Segment	Growth drivers
Motor insurance	• Increase in automobile sales fueled by benign fuel prices and interest rates, improvement in road infrastructure, and focus on financiers' on pushing retail credit • Government move to increase penalties on road traffic offences (outlined in the Motor Vehicle (Amendment) Bill, 2016) will reduce the number of uninsured vehicles on road and hence will increase the insurance renewals. • Gradual increase in third party premiums
Health insurance	• Increased healthcare costs and high proportion of out of pocket private spending on healthcare propelling the need for insurance • Increase in pricing of group health insurance schemes
Crop insurance	• Favourable structure of the PMFBY scheme • Increase awareness amongst farmers
Fire insurance	• Improvement in industrial GDP • Gradual revival in capex cycle • Increasing awareness amongst corporates

(Source: CRISIL Report)

Graphical Representation of Performance





Management:

Name of board members	Designation
Mr. G. Srinivasan	**Chairman and cum Managing Director**
Mr. Mohammad Mustafa	**Non-Executive and Government Nominee Director**
Mr. Hemant G. Rokade	**Whole Time Director**
Mr. Anil Kumar	**Whole Time Director**

Restated consolidated summary statement of Balance Sheet

ANNEXURE-I: RESTATED CONSOLIDATED SUMMARY STATEMENT OF ASSETS AND LIABILITIES

(₹ in millions)

Particulars	Annexure	As at March 31, 2017	As at March 31, 2016	As at March 31, 2015	As at March 31, 2014	As at March 31, 2013
A. Sources of Funds						
1. Share Capital	XXI	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00
2. Reserves and Surplus	XXII	126,177.88	122,945.43	114,692.76	105,173.40	94,736.58
3. Fair Value Change Account		237,016.37	190,933.61	228,388.05	178,390.92	158,647.79
4. Borrowings	XXIII	-	-	-	-	-
5. Minority Interest		474.00	459.30	329.34	287.73	516.58
Total A		**365,668.25**	**316,338.34**	**345,410.14**	**285,852.05**	**255,900.95**
B. Application of Funds						
1. Investments	XXIV	519,306.76	449,717.50	453,646.81	357,111.65	315,656.63
2. Loans	XXV	3,080.33	3,267.29	3,568.42	3,857.04	3,877.69
3. Fixed Assets	XXVI	4,294.54	3,653.12	3,024.56	2,436.60	2,116.20
4. Deferred Tax Assets		2,197.49	2,171.53	1,661.42	1,650.60	1,362.36
5. Current Assets						
a. Cash and Bank Balances	XXVII	81,257.28	72,162.25	84,456.75	91,514.59	75,376.72
b Advances and Other Assets	XXVIII	90,357.20	108,736.01	83,247.62	86,872.72	67,361.81
Sub Total(a+b)		**171,614.49**	**180,898.26**	**167,704.38**	**178,387.31**	**142,738.53**
c. Current Liabilities	XXIX	238,346.76	239,486.42	200,042.46	184,621.67	150,528.18
d. Provisions	XXX	98,692.00	88,240.71	84,152.98	73,312.61	60,008.51
Sub Total(c+d)		**337,038.77**	**327,727.13**	**284,195.44**	**257,934.28**	**210,536.69**
Net Current Assets (a+b-c-d)		**(165,424.28)**	**(146,828.87)**	**(116,491.07)**	**(79,546.96)**	**(67,798.17)**
6. Miscellaneous Expenditure (to the extent not written off or adjusted)	XXXI	2,213.40	4,357.76	-	343.12	686.24
Total B		**365,668.25**	**316,338.34**	**345,410.14**	**285,852.05**	**255,900.95**

Restated consolidated summary statement of Profit & Loss

(₹ in millions)

Particulars	Annexure	For the Year Ended March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014	March 31, 2013
1. Operating Profit / (Loss)						
a. Fire Insurance	II -A	(1,672.19)	1,215.18	716.64	(1,692.79)	978.64
b. Marine Insurance	II -B	484.97	1,262.09	566.83	1,690.68	1,443.99
c. Miscellaneous Insurance	II -C	(7,826.52)	(7,811.52)	(779.53)	(3,874.82)	(2,743.66)
2. Income from Investments						
a. Interest Dividend and Rent (Gross) - Share Holders		9,601.37	9,808.03	9,196.88	8,366.38	6,896.97
b. Profit on Sale of Investment - Share Holders		6,960.00	5,463.66	5,682.31	4,491.32	3,712.67
Less: Loss on Sale of Investment - Share Holders		-	-	-	-	-
3. Other Income - Misc Receipts, Credit Balances Written Back		858.13	474.96	263.53	272.46	201.05
Interest on Refund of Income Tax		1,325.92	303.20	1,486.42	-	-
Total (A)=1+2+3		**9,731.69**	**10,715.59**	**17,133.09**	**9,253.24**	**10,489.65**
4. Provisions (Other Than Taxation)						
a. Others - Amortisation Provision For Thinly Traded Shares - Shareholders		28.09	35.64	31.65	28.43	27.98
b. For Doubtful Debts - Investments(Shareholders)		(9.56)	(18.99)	13.36	11.14	(55.02)
c. For Doubtful Debts - Operations		91.39	240.17	-	-	-
d. For Dimunition In Value Of Investments (Shareholders)		12.53	3.04	(6.34)	49.28	23.99
5. Other Expenses (Other Than Those Related To Insurance Business)						
a. Others - Interest On Income/Service Tax		11.47	6.92	33.81	(275.95)	(340.58)
b. (Profit)/Loss On Sale Of Assets		27.83	(7.56)	11.85	(0.30)	(5.33)
c. Penalty		2.00	2.00	-	1.85	0.95
Total (B)=(4+5)		**163.73**	**261.22**	**84.34**	**(185.56)**	**(348.01)**
Profit Before Tax (A-B)		**9,567.96**	**10,454.37**	**17,048.75**	**9,438.79**	**10,837.66**
Provision For Taxation - Current Tax		1,215.33	1,666.24	3,311.70	1,622.17	1,746.41
Deferred Tax		(45.97)	(515.41)	(55.83)	(246.23)	(63.54)
Wealth Tax		-	-	19.64	13.58	15.53
Profit After Tax		**8,398.60**	**9,303.54**	**13,773.23**	**8,049.28**	**9,139.25**
Profit attributable to Minority Interest		(44.18)	18.65	39.00	(4.60)	(118.43)
Add : Share of Profit/(Loss) in Associate Enterprises		224.19	290.59	346.51	254.76	145.48
Transfer from General Reserves / Equalization / Contingency Reserves		129.46	248.33	323.67	25.83	290.76
Appropriations						
a. Proposed Final Dividend		-	-	-	-	-
b. Dividend Distribution Tax.		-	-	-	-	-
c. Transfer to General Reserves		(8,708.07)	(9,612.78)	(14,158.74)	(8,299.43)	(8,753.95)
d. Transfer to Equalization / Contingency Reserves for Foreign Branches		-	(248.33)	(323.67)	(25.83)	(703.11)
Profit / (Loss) Carried Forward to The Balance Sheet		**-**	**-**	**-**	**-**	**-**
Basic and diluted earnings per share (₹) {Refer Annexure-VII}		42.89	48.06	70.79	41.50	45.83