



IPO Note on Desh General Insurance Company Limited

IPO Size: 160 mn

Offer Price: BDT 10

DSE Ticker: DGIC

Sector: Insurance

16.0 million shares are tradable on debut trading day

IPO Summary

| | |
|---|----------------|
| IPO Size (BDT mn) | 160 |
| IPO Size (Shares in mn) | 16 |
| Offer Price Per Share (BDT) | 10 |
| Authorized Capital (BDT mn) | 1,000 |
| Pre-IPO Paid up Capital (BDT mn) | 240 |
| Post IPO Paid up Capital (BDT mn) | 400 |
| Year End | Dec |
| Total Revenue in (2019, BDT mn) | 308.19 |
| Net Profit in (2019, BDT mn) | 32.58 |
| Total Assets (2019, BDT mn) | 693.74 |
| Ann Post-IPO EPS (Q3, 2020) | 0.67 |
| Post-IPO NAV per Share (Q3, 2020) | 11.47 |
| Listing Date | March 29 ,2020 |
| Issue Manager: Prime Finance Capital Management Limited | |

Source: BASL Research and Company Prospectus

IPO utilization Plan

| Particulars | BDT (mn) | As (%) | Period |
|------------------------|--------------------|-------------|----------|
| Treasury Bonds & FDR | 118,433,500 | 74.02% | 1 months |
| Capital Market | 32,000,000 | 20.00% | 3 months |
| IPO Expenses (45 Days) | 9,566,500 | 5.98% | |
| Total | 160,000,000 | 100% | |

Source: BASL Research and Company Prospectus

IPO Shareholding Composition

| Category | (%) | No. of Stocks |
|---------------------------------|-------------------|-------------------|
| Eligible Investors (EIs) | MF (10%) | 1,600,000 |
| | Other EIs (30%) | 4,800,000 |
| General Public | NRBs (10%) | 1,600,000 |
| | Gen. Public (40%) | 8,000,000 |
| Total | | 16,000,000 |

Source: BASL Research and Company Prospectus

Company Overview

Desh General Insurance Company Ltd (DGIC), incorporated in on 8th February 2000, is one of the leading general insurance (Non-Life) company in private sector in Bangladesh. DGIC is operating general insurance business. DGIC is carrying out different types of insurance/re-insurance business including Fire Insurance (Including Allied Perils), Property All Risk Insurance, Industrial All Risk (IAR) Insurance, Power plant Operational Package Insurance, Marine Cargo Insurance, Marine Hull Insurance, Motor Vehicle Insurance, Machinery Breakdown Insurance, Deterioration of Stock (DOS), Boiler and Pressure Vessel (BPV), Electronic Equipment Insurance (EEI), Erection All Risks (EAR) and Contractor's All Risks (CAR) and so on.

Corporate Profile

| | |
|----------------------|--------------------|
| Incorporation | 8th February, 2000 |
| Commercial Operation | 2nd March, 2000 |

Chairman

Mr. Jashim Uddin, son of late Al-Hajj Idris Miah & late Tahera Begum, was born in a respectable Muslim family of Sonaimury, Noakhali on 1st January 1965. Mr. Jashim Uddin is the Honorable Chairman of Desh General Insurance Company Limited & Vice Chairman of Bengal Group of Industries. He has awarded CIP in the year 1999, 2009-2010 & 2010- 2011 by the Government of Bangladesh for contributing Bangladesh economy and business arena. He has also received Prime Minister National Export Trophy-silver for several years. He also received Prime Minister's Export trophy- Bronze during the FY 2010- 2011. He received Best Enterprise Award 2007.

Managing Director

Mr. Mohd. Abul Kashem was appointed as Additional Managing Director on 20 May 2019 . Subsequently Mr. Mohd. Abul Kashem was appointed as Chief Executive Officer (Current Charge) as on 1 January 2021

| | |
|----------------|--|
| Office Address | Jiban Bima Bhaban, Front Block, Level#5, 10 Dilkusha C/A, Dhaka-1000 |
|----------------|--|

| | |
|----------------------|------|
| Subsidiary/Associate | None |
|----------------------|------|

Source: BASL Research and Company Prospectus

Revenue Composition (Dec 31, 2019)

| Product & Services | Revenue Contribution | (%) |
|--|----------------------|---------|
| Fire Insurance | 19,650,960 | 23.270% |
| Marine Insurance | 33,100,664 | 39.200% |
| Marine Hull Insurance Revenue Account. | -308,969 | -0.370% |
| Motor Insurance | 15,359,303 | 18.190% |
| Miscellaneous Insurance | -1,867,056 | -2.210% |

Source: BASL Research and Company Prospectus

Shareholding of Sponsor & Directors (Post-IPO)

| Name | No. of Shares | % held |
|----------------------------|-------------------|---------------|
| Mr. Jashim Uddin | 1,649,629 | 4.12% |
| Ms. Priti Kana Bose | 809,831 | 2.02% |
| Mr. Murad Mohammad Taj | 1,227,330 | 3.07% |
| Mr. Md. Akbar Hossain | 1,281,845 | 3.20% |
| Mr. Tahrin Aman | 800,000 | 2.00% |
| Mr. Aminur Rahman | 806,215 | 2.02% |
| Mrs. Rokeya Quader | 1,495,510 | 3.74% |
| Engr. A.K.M. Ahsanul Haque | 1,121,185 | 2.80% |
| Mr. Nil Kantha Roy | 1,068,180 | 2.67% |
| Engr. Tarikul Alam Rahimi | 1,576,665 | 3.94% |
| Mrs. Nauzat Begum | 800,000 | 2.00% |
| Total | 12,636,390 | 31.59% |

Source: BASL Research and Company Prospectus

Shareholding Structure

| Product | Pre-IPO No. of Stocks | Post-IPO No. of Stocks | Pre-IPO % of Stocks | Post-IPO % of Stocks |
|----------------------------------|-----------------------|------------------------|---------------------|----------------------|
| Directors & Sponsors | 12,636,390 | 12,636,390 | 52.65% | 31.59% |
| Sponsor Shareholder | 1,828,254 | 1,828,254 | 7.62% | 4.57% |
| Els other than Mutual Fund & CIS | - | 6,400,000 | 0.00% | 16.00% |
| Gen Public | 9,535,356 | 17,535,356 | 39.73% | 43.84% |
| NRBs & Others | - | 1,600,000 | 0.00% | 4.00% |
| Total | 24,000,000 | 40,000,000 | 100% | 100% |

Source: BASL Research and Company Prospectus

Lock-In Free Shares & period

| Type | Lock-in Shares | Lock-in Free Date |
|---------------------------|-------------------|-------------------|
| Directors and Sponsors | 12,636,390 | Mar 29, 2024 |
| Private Placement Holders | 11,363,610 | Mar 29, 2024 |
| Institutions (Post-IPO) | 8,000,000 | Mar 29, 2021 |
| Public (Post-IPO) | 8,000,000 | Mar 29, 2021 |
| Total | 40,000,000 | |

Source: BASL Research and Company Prospectus

Industry Insights

After the liberation the Government of the People's Republic of Bangladesh in 1971, nationalized the insurance industry along with the banks in 1972 by Presidential Order No. 95. By virtue of this order, all companies and organization transacting all types of insurance business in Bangladesh came under this nationalization order. This was followed by creation of five insurance companies in the life and non-life sector. Further changes were brought on 14 May 1973. Through the enactment of Insurance Corporation Act VI, 1973, this led to creation of two corporations namely Shadharan Bima Corporation for general insurance and, Jiban Bima Corporation for life insurance in Bangladesh. In other words, Shadharan Bima Corporation (SBC) emerged on 14 May 1973 under the Insurance Corporation Act (Act. No. VI) of 1973 as the only state-owned organization to deal with all classes of general insurance & re- insurance business emanating in Bangladesh. Thereafter SBC was acting as the sole insurer of General Insurance till 1984. Bangladesh Government allowed the private sector to conduct business in all areas of insurance for the first time in 1984. The private sector availed the opportunity promptly and came forward to establish private insurance companies through promulgation of the Insurance Corporations (Amendment) Ordinance (LI of 1984) 1984. The Insurance Market in Bangladesh now consists of two state-owned corporations, forty-six and thirty private sector general & life insurance companies respectively, 78 Insurance Companies. Growth in insurance coverage is strongly associated with rising incomes, the development of an increasingly sophisticated banking sector, and low or moderate levels of inflation. The strong contribution of rising incomes to greater insurance coverage might be attributable to demand factors (rising demand for coverage as individuals become wealthier), supply factors (it becomes more cost- effective to provide insurance as the economy expands, providing both a stronger institutional environment and greater returns relative to transactions cost), or a combination.

Bangladesh is one of the lowest insurance coverage country in the world that drive out the huge opportunity for the insurance sector to grow. Although market size is small, the number of Insurance companies is high in numbers compared to total market size. The huge number of insurance companies are operating under unhealthy competition. Currently, 76 insurance companies are operating of which 45 are general insurance company, rest are Life Insurance Companies. There are two state owned insurance business entity Sadharan Bima Corporation and Jiban Bima Corporation. At present, Govt. is well aware of to increase higher penetration of this sector. In 2017, gross premium of Non-Life insurance sector was BDT 36263.8 million. Among the insurance product offerings fire



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insurance retained the highest market share of gross premium. In 2018, fire insurance booked for around 49% of total market size and the marine insurance booked 31% market share. According to the report of 2018 Greendelta Insurance Company Ltd is the market leader with market share of 9.16% among the private Non-Life insurance company and Pioneer Insurance with market share of 6.31% and Reliance Insurance with 6.2% market share, Pragati Insurance with 4.45% market share held the next three positions. Though, Sadharan Bima Corporation seized more than 30% of the market.

Stock Pricing

| Relative Valuation | Multiple | Fair Value |
|-------------------------------------|----------|------------|
| Industry Forward P/E | 16.3 | 10.9 |
| Price to Book Value | 1.4 | 16.2 |
| Market Forward P/E | 16.4 | 11.0 |
| Latest Post-IPO NAV (Q3-2020) | | 11.47 |
| Pricing Sensitivity at Different PE | | Value |
| Stock at 15x PE | | 10 |
| Stock at 20x PE | | 13 |
| Stock at 25x PE | | 17 |
| Stock at 30x PE | | 20 |
| Stock at 35x PE | | 23 |
| Stock at 40x PE | | 27 |

Source: BASL Research and Company Prospectus & Dhaka Stock Exchange

First Three Days Circuit Breaker and Price

| Day | Circuit | Price |
|------------|---------|-------|
| First Day | 50% | 15.00 |
| Second Day | 50% | 22.50 |
| Third Day | 10% | 24.70 |

Source: BASL Research and Company Prospectus & Dhaka Stock Exchange

Statement of Profit or Loss & Comprehensive Income

| Particulars | FY2019 | FY2018 | FY2017 | FY2016 | FY2015 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| Expenses of management | | | | | |
| Advertisement & Publicity | 151,650 | 119,200 | 259,353 | 79,550 | 16,050 |
| Audit Fees | 195,500 | 590,000 | 412,500 | 187,500 | 187,500 |
| Audit Fees Paid | 415,000 | | | | |
| Bank Charge | 450,634 | 464,472 | 394,835 | 309,876 | - |
| Wall Calendar Bill | 858,400 | 811,080 | 745,930 | 289,600 | - |
| Depreciation | 10,753,598 | 9,407,312 | 8,252,513 | 6,142,584 | 5,096,371 |
| Depreciation on right of use assets | 3,223,454 | | | | |
| Director Fees | 462,400 | 383,000 | 565,000 | 590,000 | 555,000 |
| Donation, Fees, Subscription & Others | 135,350 | 391,000 | 45,000 | 271,650 | - |
| Professional Fee | 154,500 | - | - | - | - |
| Training Fees | 112,000 | 12,500 | 8,000 | 38,500 | 49,000 |
| Interest on Loan | 7,716,002 | 4,629,723 | 2,895,279 | 1,072,255 | - |
| Interest on lease liabilities | 686,561 | | | | |
| Legal Fees | 78,830 | 31,000 | 166,000 | 198,000 | - |
| Renewal & Registration (Trade) | 389,178 | 460,342 | 822,305 | | |
| Credit Rating Fees | 253,000 | 126,500 | 253,000 | 126,500 | - |
| Interest | | 968,000 | | | |
| BD Expenses (PSB) | 48,449 | 48,889 | 42,222 | 40,000 | 40,000 |
| Annual Fees (BIA) | 100,000 | 200,000 | - | 100,000 | - |
| Penalty (IPO) | 1,256,400 | 1,256,400 | 3,627,000 | 1,826,000 | - |
| Worker's Profit Participation Fund | 2,714,760 | | | | |
| IPO Expenses | | 150,000 | | | |
| Net profit Before Tax | 54,295,191 | 46,760,392 | 41,110,467 | 21,354,164 | 19,759,540 |
| Total | 84,450,857 | 66,809,810 | 59,599,404 | 32,626,179 | 25,703,461 |
| Interest, Dividend and Rent | | | | | |
| (Not applicable to any fund or account): | 18,515,955 | 17,384,929 | 11,290,236 | 5,837,439 | 8,778,191 |
| Interest on GSB | 1,988,500 | 2,254,100 | 2,254,100 | 2,628,500 | 2,628,500 |
| Interest on FDR | 16,382,003 | 14,969,110 | 8,473,985 | 2,928,352 | 5,574,183 |
| Interest on STD Accounts | 145,452 | 161,719 | 562,151 | 280,587 | 575,508 |
| Profit/(Loss) Transferred from: | 65,934,901 | 48,306,881 | 49,427,168 | 27,344,558 | 17,417,011 |
| Fire Insurance Revenue Account | 19,650,960 | 6,305,094 | 23,535,550 | 6,847,156 | 10,690,123 |
| Marine Insurance Revenue Account | 33,100,664 | 21,112,099 | 17,859,491 | 17,664,076 | 6,794,375 |
| Marine Hull Insurance Revenue Account. | -308,969 | 407,133 | -56,944 | -25,876 | -3,481,338 |
| Motor Insurance Revenue Account | 15,359,303 | 14,651,386 | 8,325,356 | 3,860,637 | 4,157,516 |
| Miscellaneous Insurance Revenue Account | -1,867,056 | 5,831,168 | -236,285 | -1,001,435 | -743,665 |
| Total | 84,450,856 | 65,691,810 | 60,717,404 | 33,181,997 | 26,195,202 |

Source: BASL Research and Company Prospectus



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Statement of Financial Position

| Particulars | FY2019 | FY2018 | FY2017 | FY2016 | FY2015 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| CAPITAL AND LIABILITIES | | | | | |
| Share Capital | | | | | |
| Authorized : | | | | | |
| 10,00,00,000 Ordinary Shares of Tk. 10 each | 1,000,000,000 | 1,000,000,000 | 1,000,000,000 | 1,000,000,000 | 1,000,000,000 |
| Issued, Subscribed and Paid up Capital | | | | | |
| 24,000,000 Ordinary Shares of Tk. 10 each | 240,000,000 | 240,000,000 | 240,000,000 | 102,203,080 | 80,040,000 |
| Reserve or Contingency Account | 38,797,365 | 30,576,395 | 30,564,523 | 22,812,262 | 32,696,698 |
| Profit and Loss Appropriation Account | 33,797,365 | 25,576,395 | 25,564,523 | 12,812,262 | 22,696,698 |
| Reserve for Exceptional Losses | 5,000,000 | 5,000,000 | 5,000,000 | 10,000,000 | 10,000,000 |
| Provision for Taxation | 60,196,839 | 42,421,689 | 35,121,231 | 21,697,441 | 13,124,935 |
| Balance of Funds: | 67,867,146 | 41,020,610 | 36,046,596 | 32,543,230 | 22,500,426 |
| Fire Insurance Business | 16,382,046 | 11,320,028 | 12,984,298 | 16,188,682 | 8,817,841 |
| Marine Insurance Business | 36,943,514 | 17,180,909 | 11,317,863 | 12,576,685 | 9,701,314 |
| Motor Insurance Business | 11,015,800 | 11,039,642 | 9,212,963 | 3,501,410 | 2,098,910 |
| Miscellaneous Insurance Business | 2,378,553 | 12,56,822 | 2,159,254 | 202,013 | 1,853,913 |
| Marine Hull Insurance Business | 1,147,234 | 223,208 | 372,218 | 74,440 | 28,448 |
| Liabilities and Provision Estimated liabilities in respect of outstanding | 347,072,714 | 261,825,036 | 185,131,869 | 143,185,875 | 118,567,641 |
| claims whether due or intimated | 51,470,483 | 792,220 | 989,386 | 810,058 | 802,645 |
| Amount due to other persons or bodies Carrying on insurance business | 76,974,568 | 784,658,21 | 78,632,571 | 59,889,704 | 46,230,008 |
| Deposit Premium | 2,732,460 | 2,391,644 | 2,895,846 | 2,564,905 | 3,960,604 |
| Bank Loan | 84,473,477 | 75,853,570 | 49,295,388 | 21,004,672 | 6,168,613 |
| Lease Liability | 7,695,926 | | | | |
| Deferred Tax Liability | 10,197,272 | 7,716,044 | 3,671,680 | | |
| Sundry Creditors | 53,331,689 | 54,184,047 | 49,646,998 | 58,916,536 | 61,405,771 |
| Total | 693,737,225 | 573,422,040 | 526,864,219 | 322,441,888 | 266,929,699 |
| PROPERTY AND ASSETS | | | | | |
| Investment (at Cost): Statutory Deposit with | | | | | |
| Sonali Bank Ltd as Govt. Security Bond | 25,000,000 | 25,000,000 | 25,000,000 | 25,000,000 | 25,000,000 |
| Accrued Interest | 6,989,923 | 11,501,629 | 6,908,377 | 1,097,084 | 3,176,708 |
| Amount due from other persons or bodies | | | | | |
| Carrying on insurance business | 251,875,236 | 147,735,916 | 128,655,308 | 108,858,821 | 89,769,608 |
| Sundry Debtors | 25,692,256 | 24,182,971 | 14,957,071 | 14,007,615 | 14,814,068 |
| Advance Income Tax - | | | 5,096,233 | 4,771,525 | 4,771,525 |
| Cash & Bank Balances: | 238,950,874 | 238,703,215 | 233,542,699 | 85,777,347 | 78,332,843 |
| Fixed Deposit Account | 220,695,325 | 220,500,000 | 215,400,000 | 71,500,000 | 60,010,000 |
| STD & Current Account | 16,337,349 | 14,339,632 | 12,791,582 | 8,357,007 | 11,812,948 |
| Cash & Cheque in hand | 1,918,200 | 3,863,583 | 5,351,117 | 5,920,340 | 6,509,895 |
| Others : | 145,228,937 | 126,298,309 | 112,704,531 | 82,929,496 | 51,064,946 |
| Fixed Assets | 131,836,397 | 121,709,499 | 108,133,762 | 78,490,924 | 48,107,401 |
| Right of use assets | 8,524,840 | | | | |
| Stamps in Hand | 656,782 | 128,250 | 552,733 | 60,987 | 193,841 |
| Stock of Printing Materials | 4,210,918 | 4,460,560 | 4,018,036 | 4,377,585 | 2,763,704 |



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