



IPO Note on Express Insurance Limited

IPO Size: 260.79 mn

Offer Price: BDT 10

DSE Ticker: EIL

Sector: Insurance

20.86 million shares are tradable on debut trading day

IPO Summary

IPO Size (BDT mn)	260.79
IPO Size (Shares in mn)	26.08
Offer Price Per Share (BDT)	10
Authorized Capital (BDT mn)	750
Pre-IPO Paid up Capital (BDT mn)	391
Post IPO Paid up Capital (BDT mn)	651.97
Year End	Dec
Net Profit in (Q2, 2020) (BDT mn)	64.56
Total Assets (Q2, 2020) (BDT mn)	1,266.40
Profit & Loss App. (Q2, 2020) (BDT mn)	64.56
Ann Post-IPO EPS (Q2, 2020)	1.00
Post-IPO NAV per Share (Q2, 2020)	15.08
Listing Date	Aug 24 ,2020

Issue Managers: AAA Finance & Investment Ltd, IIDFC Capital Limited & Prime Bank investment Limited

Source: BASL Research and Company Prospectus

IPO utilization Plan (3 months from Receiving Fund)

Particulars	BDT (mn)	As (%)
Government Treasury Bonds	20,000,000	7.67%
Mutual Funds	10,000,000	3.83%
Secondary Market	22,158,000	8.50%
FDR with Nationalized Commercial Banks	193,632,000	74.25%
IPO Expenses (45 Days)	15,000,000	5.75%
Total	260,790,000	100%

Source: BASL Research and Company Prospectus

IPO Shareholding Composition

Category	(%)	No. of Stocks
Eligible Investors (EIs)	MF (10%)	2,607,900
	Other EIs (30%)	7,823,700
	NRBs (10%)	2,607,900
General Public	Gen. Public (50%)	13,039,500
Total		26,079,000

Source: BASL Research and Company Prospectus

Company Overview

Express Insurance Limited (EIL) was incorporated in Bangladesh on March 30, 2000 for carrying out all kinds of general insurance activities. Since its establishment in 2000 as one of the leading general insurance companies in the private sector, the Company has within a short span of time established itself as one of the most reputed and trustworthy insurance companies in the country. Selective underwriting and prompt settlement of claims have contributed towards building up a very respectable image of the Company within the business community. The Company has 20 branches throughout the country.

Corporate Profile

Incorporation	Mar 30, 2000
Commercial Operation	May 18, 2000

Chairman

Mr. Md. Abdul Awal is the Chairperson of Express Insurance Limited (EIL) He is a Bachelor of Business Administration. He started his Business career soon after completing his education. In the year 2005, he started his share trading business house Synthia Securities Limited having a membership of Dhaka Stock Exchange. He is also a sponsor shareholder of Mercantile Bank Limited. He is the member Secretary of 'Abdur Razzak & Mohammed Selim Foundation', a foundation engaged in social welfare activities.

Managing Director

Mr. K.M. Saidur Rahman has been serving the Company since July 2006 as its CEO & Managing Director. The Company has been reportedly achieved remarkable growth in all rounds during his tenure of service. He is a BBA and MBA. He is a qualified Chartered Secretary from the Institute of Chartered Secretaries of Bangladesh and become a Fellow Member (FCS). He is also the Faculty Member of ICSB and guest lecturer of a few training institutes of Banks. He has completed 1st & 2nd part of Diploma of Insurance & Re-insurance and took part in various training in Insurance, Re-insurance and corporate Governance.

Office Address	Al – Razi Complex (9th & 10th Floor), 166-167, Shahid Sayed Nazrul Islam Sharani, Bijoy Nagar, Dhaka-1000
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Subsidiary/Associate	None
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Source: BASL Research and Company Prospectus

Revenue Composition (Dec 31, 2018)

Product & Services	Revenue Contribution
Fire Insurance	31.49%
Marine Insurance	26.07%
Motor Insurance	29.58%

Source: BASL Research and Company Prospectus

Shareholding of Sponsor & Directors (Post-IPO)

Name of Directors and Sponsors	% held	No. of Shares
Mr. Md. Abdul Awal	5.52%	3,600,630
Mrs. Halima Harun	2.67%	1,740,857
Mrs. Farida Razzaq	6.02%	3,926,572
Mr. Khalilur Rahman Choudhury	5.95%	3,882,350
Mr. Syed Al Farooque	6.64%	4,326,715
Mr. Amir Hamza Sarker	4.45%	2,904,169
Mr. Latiful Bari	2.10%	1,370,880
Mrs. Marium Akhter	4.27%	2,785,748
Mr. ABM Kaiser	5.11%	3,328,982
Mrs. Mahfuza Yunus	2.10%	1,370,880
Alhaj Mohd. Yunus	4.40%	2,866,954
Mr. Md. Shamsur Rahman	4.77%	3,111,736
Total	100%	39,118,464

Source: BASL Research and Company Prospectus

Lock-In Free Shares & period

Type	Lock-in Shares	Lock-in Free Date
Directors/Sponsors	39,118,464	Aug 24, 2023
Private Placement Holders	0	-
	5,215,800	Aug 24, 2020
	2,607,900	Feb 24, 2020
Institutions (Post-IPO)	2,607,900	May 24, 2020
Public (Post-IPO)	15,647,400	Aug 24, 2020
Total	65,197,464	

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 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.

Investment Rationale

- With the IPO floatation, the company aim to invest in Treasury bonds, Mutual Funds, secondary market and FDR. The move will increase the earnings from investment income considerably.
- Around 50% of total balance sheet size is acquired by the cash and cash equivalents. High proportion of FDR investment caused this high cash and cash equivalents and it provides Paramount an option to invest in new business opportunity. In future, EIL may diversify its investment portfolio through investing in profitable business venture or through investing in financial instrument that is not present on its balance sheet.
- There are positive changes in the sector expected to take place due to government intention with the strict monitoring of IDRA and initiatives of Bangladesh Insurance Association.
- In recent past, IDRA has taken few initiatives to ensure the good corporate governance of this sector. In 2019 IDRA promulgated directive for Non-Life circular for opening 3 bank accounts in different 3 banks for premium collection and closing all other bank accounts opened for this purpose. This circular also prohibited any expense in cash excess of BDT 10000 and ordered to affected the circular from 1st August, 2019.
- IDRA also set highest ceil for agency commission of 15% of gross premium of own business. As a result of this initiatives, undue expenses related to agency commission is expected to be lessened. Reduced agency commission may derive an enhancement in the profitability in the bottom line of the insurance companies.
- There are also some proposals made for development of this sector including introducing health insurance for government employees, livestock insurance, crop insurance, accident insurance for factory worker etc. Few days back honorable finance minister directed to make building insurance mandatory at an affordable premium. All these steps are expected to bring promising outcome for insurance companies.

Risk Factors

- As EIL's most asset is concentrated on FDR any downward movement of Interest rate may create negative resulting impact on its earnings. The the current move of Bangladesh bank of 6% interest on FDR in Bank impacted the investment income considerably. That will result in decrease of EPS.
- Industry structure of general insurance is very competitive. 49 companies are competing for their share in a limited scale market and with similar product.
- Ensuring good governance is very challenging in insurance sector. The governance of the operating companies highly depended on the monitoring of IDRA.

Stock Pricing

Relative Valuation	Multiple	Fair Value
Industry Forward P/E	13.6	13.6
Peer Forward P/E	19.5	19.5
Price to Book Value	1.4	21.3
Market Forward P/E	12.0	12.0
Latest Post-IPO NAV (Q2-2020)		15.1
Last twelve months avg. Price of Peer Companies		23.4
Pricing Sensitivity at Different PE		Value
Stock at 15x PE		15
Stock at 20x PE		20
Stock at 25x PE		25
Stock at 30x PE		30
Stock at 35x PE		35
Stock at 40x PE		40

Source: BASL Research, Dhaka Stock Exchange Ltd and Company Prospectus

** RUPALIINS, EASTLAND, CONTININS, CITYGENINS, BNICL, PROVATIINS, GLOBALINS, PRIMEINSUR and DHAKAINS are considered as peer companies of EIL.

As per relative valuation, the fair value of EIL ranges from 12 to 21.3 And the last twelve months average price of peer companies is 23.4.

Statement of Profit or Loss & Comprehensive Income

Financials	FY2014	FY2015	FY2016	FY2017	FY2018
Interest, Dividend and Rents	45,893,907	41,701,275	35,958,384	33,929,311	38,416,780
Interest Income	45,384,040	40,971,274	34,843,908	32,058,780	38,147,518
Dividend Income	495,210	730,001	1,114,476	1,870,531	248,262
Other Income	14,657				21,000
Unrealized Gain on Sale of Share			2,316,438	6,847,229	
Gain on sale of Old Car				4,915,986	
Gain on Sale of Share					5,626,303
Profit/(Loss) transferred from	96,474,148	67,017,499	57,482,512	41,012,025	55,233,465
Fire Insurance Revenue Account	13,961,980	4,913,489	-9,425,759	-7,459,411	6,806,673
Marine Insurance Revenue Account	73,604,455	58,169,760	49,519,989	38,399,801	27,582,326
Motor Insurance Revenue Account	6,205,046	4,382,258	13,906,282	14,840,070	19,268,793
Misc. Insurance Revenue Account	2,702,667	-448,008	3,482,000	-4,768,435	1,575,673
	142,368,05				
Total Income	5	108,718,774	93,440,896	74,941,336	93,650,245
Management Expenses	26,578,319	20,883,076	20,378,528	16,461,676	17,244,733
Loss on Revaluation of Share					4,955,281
Profit & Loss Appropriation	115,789,73				
Account	6	86,505,360	74,264,330	70,242,874	76,807,272

Source: BASL Research and Company Prospectus

Statement of Appropriation Account

Financials	FY2014	FY2015	FY2016	FY2017	FY2018
Reserve for Exceptional losses	4,000,000	5,000,000	10,000,000	15,000,000	20,000,000
Provision for income tax including deferred Tax	30,000,000	30,000,000	25,000,000	20,131,746	29,308,173
Worker's Profit Participation Fund				3,344,899	3,657,489
Balance at the end of the period shown in B/L sheet	69,553,885	47,927,467	88,138,548	86,024,083	88,691,412
-	<u>125,657,074</u>	<u>114,500,728</u>	<u>123,138,548</u>	<u>92,927,467</u>	119,553,885
Earnings Per Share (EPS)	2.64	1.44	1.26	1.20	1.12
Restated Earnings Per Share (EPS)	2.19	1.44	1.26	1.20	1.12
Balance from last year	3,764,149	6,422,107	48,874,218	44,257,854	
Net Profit for the period brought down	115,789,736	86,505,360	74,264,330	70,242,874	48,849,802
	<u>125,657,074</u>	<u>114,500,728</u>	<u>123,138,548</u>	<u>92,927,467</u>	76,807,272

Source: BASL Research and Company Prospectus

Statement of Financial Position

Financials	FY2014	FY2015	FY2016	FY2017	FY2018
Assets	974,862,558	1,032,439,653	1,086,965,242	1,087,247,342	1,107,884,003
Investment	58,796,417	61,366,079	67,582,517	65,581,496	55,633,990
Interest Accrued Amount due from other persons	12,751,125	10,255,853	10,926,514	17,338,052	21,522,026
Sundry Debtors	140,453,574	180,187,420	214,899,278	237,073,108	261,534,491
Cash & Cash Equivalents	481,643,640	480,925,621	526,119,229	545,463,399	541,158,180
Fixed Assets	174,143,755	167,737,737	163,423,482	162,067,854	156,449,403
Stock of Stationery	301,780	307,850	327,517	341,111	632,995
Insurance Stamps in hand	414,690	699,610	601,615	966,615	1,007,770
Shareholders' Equity	637,418,434	693,923,794	742,110,526	743,012,199	732,245,585
Share Capital	325,987,200	391,184,640	391,184,640	391,184,640	391,184,640
Reserve for Exceptional loss	138,594,241	153,594,241	163,594,241	168,594,241	172,594,241
Revaluation Surplus	103,283,108	101,217,446	99,193,097	97,209,235	80,975,292
Profit & Loss Appropriation A/C	69,553,885	47,927,467	88,138,548	86,024,083	87,491,412
Balance of Funds	111,447,413	106,762,269	98,338,832	101,588,723	98,118,765
Reserve for WPPF		-	-	3,344,899	6,997,388
Premium Deposit	3,259,201	2,544,198	3,011,627	1,831,054	1,720,256
Sundry Creditors	17,943,113	10,393,563	13,869,780	5,410,777	5,628,209
Deferred Tax Liability	132,255	127,926	4,935,673	7,488,233	22,582,898
Provision for Income Tax	88,616,894	118,621,223	138,813,476	156,392,662	184,345,341
Total Shareholders' Equity & Liabilities	974,862,558	1,032,439,653	1,086,965,242	1,087,247,342	1,107,884,003



IPO Note on Express Insurance Limited

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Bank Asia Securities Limited (BASL) is one of the leading full-service brokerage companies in Bangladesh. The company was formed in 2009 and running its operation as a majority owned subsidiary of Bank Asia Limited. BASL offers full-fledged standard brokerage services for retail, institutional and foreign clients with a dedicated team of skilled professionals. The company is currently providing the brokerage services under the membership of Dhaka Stock Exchange Limited (DSE).

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