

EXPRESS INSURANCE LIMITED

Company Overview

Express Insurance Limited (EIL) was incorporated in Bangladesh on March 30, 2000 for carrying out all kinds of general insurance activities. The operations of the Company are being carried out through its 20 nos. of branches with head office (15 Branches in Dhaka, 3 Branches at Chittagong, 1 at Narayangonj and 1 at Narsingdi). The registered office is located at Al-Razi Complex (9th & 10th Floor), 166-167, Shahid Sayed Nazrul Islam Sharani, Bijoy Nagar, Dhaka. The Company neither has any associate or subsidiary company nor is operated under any holding company.

The main objective of the Company is to carry on all types of insurance, guarantee and indemnity business other than life insurance business. The Company is carrying out the following types of insurance/reinsurance business: fire insurance, marine insurance (both cargo and hull insurance), motor insurance and miscellaneous insurance business.

Revenue Composition & Growth

Revenue (BDT mn)	2014	2015	2016	2017	2018
Fire Insurance	138	112	109	134	129
Marine (Cargo) Insurance	203	187	176	141	107
Motor Insurance	54	74	72	91	121
Total	395	372	357	366	356
Composition					
Fire Insurance	34.9%	30.0%	30.7%	36.7%	36.1%
Marine (Cargo) Insurance	51.4%	50.3%	49.3%	38.6%	29.9%
Motor Insurance	13.7%	19.8%	20.1%	24.7%	33.9%
Growth					
Fire Insurance	--	-19.1%	-1.9%	22.8%	-4.1%
Marine (Cargo) Insurance	--	-7.9%	-6.1%	-19.5%	-24.6%
Motor Insurance	--	36.4%	-2.7%	26.5%	33.6%
Total	--	-5.8%	-4.1%	2.7%	-2.7%

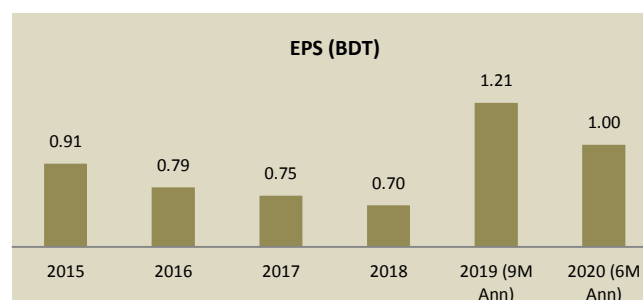
In April 2020, the Company has raised its capital by BDT 260,790,000 (26,079,000 shares * BDT 10) through Initial Public Offering. AAA Finance & Investment Limited, IIDFC Capital Limited and BLI Capital Limited were the managers to the Issue. Ahmed Zaker & Co. was the auditor of the Company.

Use of Proceeds	Amount (BDT mn)	% Fund	Implementation Schedule
Investment in Govt. Treasury Bond	20.00	7.67%	3 months from receiving IPO fund
Investment in Mutual Funds	10.00	3.83%	3 months from receiving IPO fund
Investment in Secondary Market	22.16	8.50%	3 months from receiving IPO fund
Investment in FDR	193.63	72.25%	3 months from receiving IPO fund
IPO expenses	15.00	5.75%	45 days from receiving IPO fund
Total	260.79	100%	

IPO Details

No. of Shares (Post-IPO) in mn	65.20
Authorized Capital (BDT mn)	750.00
Pre-IPO Paid-up Capital (BDT mn)	391.18
Post-IPO Paid-up Capital (BDT mn)	651.97
IPO size in shares (mn)	26.08
IPO size at offer price (BDT mn)	260.79
Face value per share (BDT)	10.00
Offer price per share (BDT)	10.00
Year End	December
Security Trading Code	EIL
NAV per share (BDT) (June 2020)	15.08
Year-end EPS (BDT, Post-IPO)	1.00

	2016	2017	2018	2019 (9M Ann)
Financial Information (BDT mn):				
Gross Premium	385	401	409	--
Net Premium	245	252	244	--
Investment Income	35	34	38	31
Management Expenses	164	171	165	136
Agency Commission	52	57	52	56
Gross profit	57	41	55	--
Profit After Tax	49	47	44	75
Cash and cash equivalent	526	545	541	554
Investment	68	66	56	67
Assets	1,087	1,087	1,108	1,150
Equity	742	743	732	739
Retained Earnings	88	86	87	91
Growth:				
Gross Premium	-3.8%	4.0%	2.1%	--
Net Premium	-8.2%	3.1%	-3.4%	--
Gross profit	-14.2%	-28.7%	34.7%	--
Profit After Tax	-12.8%	-5.1%	-6.3%	71.1%
Ratio:				
Gross Margin	14.9%	10.2%	13.5%	--
Operating Income	9.6%	6.1%	9.3%	--
Net Profit	12.8%	11.7%	10.7%	--
Management Expenses to Net Premium	67.2%	67.7%	67.7%	--
Investment income/total income	70.7%	72.6%	87.0%	41.6%
Profitability:				
ROA	4.6%	4.3%	4.0%	6.6%
ROE	6.6%	6.3%	6.0%	10.2%



Ownership of the Company

Name of the Directors	Position	% of Holdings
		Post-IPO
Mr. Md. Abdul Awal	Chairman	5.52%
Mrs. Farida Razzaq	Director	6.02%
Mr. Md. Mazakat Harun	Sponsor	2.10%
Mr. Syed Al Farooque	Director	6.64%
Mrs. Mahfuza Younus	Director	2.10%
Mr. Md. Shamsur Rahman	Director	4.77%
Mrs. Marium Akhter	Director	4.27%
Mr. Khalilur Rahman Choudhury	Director	5.95%
Mr. Latiful Bari	Director	2.10%
Mr. Amir Hamza Sarker	Director	4.45%
Mr. Mohammad Younus	Sponsor	4.40%
Mrs. Sultana Jahan	Director	1.53%
Mr. Altaf Hossain Sarker	Director	2.35%
Mr. ABM. Kaiser	Director	5.11%
Mrs. Halima Harun	Director	2.67%
Total		59.98%

The following directors of EIL is associated with the securities market in the following manner:

Name of Director of EIL	Associated in the following organization	Position in the Company
Mrs. Mahfuza Younus	Sonali Paper & Board Mills Ltd.	Chairperson
Mr. Md. Abdul Awal	Mercantile Bank Ltd.	Sponsor Shareholder

Shareholders	Shares Hold		% of Holding	
	Pre-IPO	Post-IPO	Pre-IPO	Post-IPO
Director & Sponsor	39,118,464	39,118,464	100.00%	60.00%
Eligible Investor	--	10,431,600	--	16.00%
General Public	--	15,647,400	--	24.00%

Industry Overview

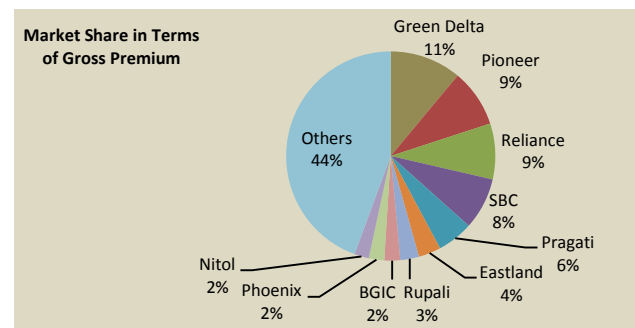
Insurance provides protection against financial loss in addition to facilitating financial intermediation. Insurance companies in Bangladesh provide following services: Life Insurance (pays out a sum of money either on the death of the insured person or after a set period), General Insurance (coverage for property and liability risks), Reinsurance (insurers transfer a portions of their risk portfolios to other parties), Micro-insurance (protect low-income people), Takaful or Islami Insurance (members contribute money into a pool system to guarantee each other against loss).

Regulatory Authority: Insurance Development and Regulatory Authority (IDRA), established in 2010, is the supervisory authority of the insurance industry in Bangladesh. Insurance companies are mainly regulated by the IDRA Act 2010. Under the provisions of IDRA Act 2010, there is a central rating committee (CRC) which is solely responsible to determine the non-life insurance products tariff rates and other related issues.

Market players in the industry: Insurance sector in Bangladesh emerged after independence with 2 nationalized insurance companies - 1 life insurance company & 1 general insurance company; and 1 foreign insurance company. Sadharan Bima Corporation (SBC) is the only state-owned General Insurance

Corporation was formed in 1973. In mid 80s, private sector insurance companies started to enter in the industry and it got expanded. At present, 46 general (non-life) insurance companies (including a state-owned company) are operating in Bangladesh. SBC is the only insurer of properties owned by Government of Bangladesh. Under an agreement between SBC and Bangladesh Insurance Association (BIA), half of the general insurance business in the country so acquired from insuring public properties, is equally distributed among the private sector non-life insurance companies

Market Share of Insurance Companies: Top ten insurance companies including the state run SBC captured around 56% of total market share in terms of gross premium income. Green Delta Insurance Company Ltd. secured the first place in the non-life insurance market in terms of gross premium for the last five consecutive years.



Source: IDRA Annual Report 2017-18

Investment Positives

- As per prospectus, the Company will utilize its IPO funds of BDT 213.63 mn for investment in FDR and Treasury Bond - one of the most secured sources of income. Hence, **investment income of the Company will increase.**
- The Insurance Development & Regulatory Authority (IDRA) has set the **agent commission expense limit to not more than 15%** for non-life insurers. IDRA had issued the notice against the backdrop of some insurers going as far as to offer 60%. As a result, excess agency commission will lessen which will have a positive impact on the bottom line of the Company.
- For private sector importers**, a duly stamped Insurance Policy against **Insurance Cover Note will have to be obtained.** The Insurance Policy must be submitted to the customs authority during the release of imported goods. This initiative will enhance the number of policy which in turn increases the profitability of the Company.
- The regulator and insurance companies have come forward **to build awareness of insurance services** as an effective tool for managing financial needs as majority of the people especially in rural areas are left outside the insurance coverage which will also have the positive impact on the business of the Company.
- The government has **taken initiative for mandatory insurance of government property**, to stop third party car insurance and eradicating corruption centering commission which will have the positive impact on the business of the Company.

Investment Negatives

- The **lack of trust of customers** on insurance companies and **little knowledge about insurance** are currently the biggest barrier to growth for the Company as well as the industry.
- **Complexity and delay in claim settlement procedure** and lower claim settlement ratio hindrance the growth of insurance penetration in the country which has the negative impact on the growth of the Company as well.
- **Too many insurance companies** considering the size of the economy and sector creates sharp competition among the companies.

Latest Declaration: As per un-audited half yearly (Jan-Jun, 2020) financial statements, the Company reported profit after tax of BDT 32.44 million which is 12.29% higher over the same period of last year. Dividend for the year 2019 is yet to be declared. Post-IPO EPS was BDT 0.50 for Jan-Jun of 2020 and NAVPS was BDT 15.08 as on June 2020.

Valuation
Pricing Based on Relative Valuation

	Multiples	EIL's Multiple	Value/Share
Sector Forward P/E	16.2	1.00 (HY Annualized)	16.20
Market Forward P/E	14.4		14.36
NAVPS	15.08	15.08 (June 2020)	15.08
Sector P/B	1.40		21.11
Market P/B	1.50		22.62

Source: Prospectus of Express Insurance Limited, newspaper news, IDRA and ILSL Research

ILSL Research Team:

Name	Designation
Rezwana Nasreen	Head of Research
Towhidul Islam	Sr. Research Analyst

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