

DESH GENERAL INSURANCE COMPANY LIMITED

Company Overview

Desh General Insurance Company Limited (DGICL) was incorporated in Bangladesh on February 08, 2000 for carrying out all kinds of general insurance activities and commenced its business on March 02, 2000. The operations of the Company are being carried out through its 23 nos. of branches with no overseas branch as of December 31, 2019. The registered office is located at JibanBima Bhaban (Level - 5), 10 Dilkusha C/A, Dhaka-1000.

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.

Composition of Revenue & Growth

Net Premium (BDT mn)	2016	2017	2018	2019
Fire Insurance	68	67	75	118
Marine Insurance	47	43	57	117
Motor Insurance	9	23	28	28
Miscellaneous Insurance	22	28	44	45
Total	146	161	203	308
Composition				
Fire Insurance	46.4%	41.7%	37.0%	38.3%
Marine Insurance	32.3%	26.8%	27.8%	37.9%
Motor Insurance	6.3%	14.4%	13.7%	9.0%
Miscellaneous Insurance	15.0%	17.1%	21.5%	14.7%
Growth				
Fire Insurance	21.7%	-0.8%	12.2%	57.1%
Marine Insurance	24.6%	-8.3%	30.9%	106.9%
Motor Insurance	56.0%	154.3%	19.9%	-0.3%
Miscellaneous Insurance	5.7%	26.1%	58.8%	3.7%
Total	21.5%	10.5%	26.3%	51.6%

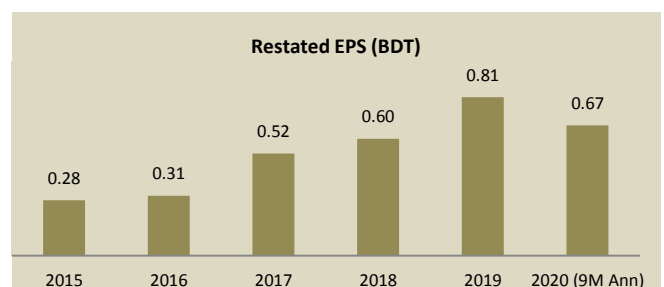
In February 2021, the Company has raised its capital by BDT 160,000,000 (16,000,000 shares * BDT 10) through fixed price method of Initial Public Offering. Prime Finance Capital Management Limited was the manager to the Issue. Rahman Mostafa Alam & Co. was the auditor of the Company.

Use of Proceeds	Amount (BDT mn)	% Fund	Implementation Schedule
Investment in FDR & Treasury Bond	118.43	74.02%	Within 1 months after listing
Investment in Secondary Market	32.00	20.00%	Within 3 months after listing
IPO expenses	9.57	5.98%	As and when required
Total	160.00	100.0%	

IPO Details

No. of Shares (Post-IPO) in mn	40.00
Authorized Capital (BDT mn)	1,000.00
Pre-IPO Paid-up Capital (BDT mn)	240.00
Post-IPO Paid-up Capital (BDT mn)	400.00
IPO size in shares (mn)	16.00
IPO size at offer price (BDT mn)	160.00
Face value per share (BDT)	10.00
Offer price per share (BDT)	10.00
Year End	December
Security Trading Code	DGIC
NAV per share (BDT) (Sep 2020)	11.47
EPS (BDT, Post-IPO, 9 month ann.)	0.67

	2017	2018	2019	2020 (6M Ann)
Financial Information (BDT mn):				
Gross Premium	161	203	308	--
Net Premium	90	102	168	--
Investment Income	11	17	19	19
Management Expenses	46	55	94	98
Agency Commission	17	20	35	--
Gross Profit	49	48	66	--
Profit After Tax	21	24	33	28
Cash and Cash equiv.	234	239	239	260
Investment	253	260	262	284
Assets	527	573	694	707
Equity	271	271	279	298
Retained Earnings	26	26	34	53
Net Claims	20	38	104	--
Claims Paid	--	38	53	--
Growth:				
Gross Premium	10.5%	26.3%	51.5%	--
Net Premium	10.2%	14.1%	64.3%	--
Gross profit	80.8%	-2.3%	36.5%	--
Profit After Tax	70.9%	14.4%	35.7%	--
Ratio:				
Gross Margin	30.7%	23.8%	21.4%	--
Net Profit	13.0%	11.8%	10.6%	--
Management Expenses to Net Premium	51.0%	53.3%	55.9%	--
Investment income/ total income	53.8%	72.4%	56.8%	--
Expense Ratio	43.5%	44.0%	48.9%	--
Profitability:				
ROA	4.9%	4.4%	5.1%	4.0%
ROE	7.8%	8.9%	11.9%	9.7%



Ownership of the Company

Name of the Directors	Position	% of Holdings Post-IPO
Mr. Jashim Uddin	Chairman	4.12%
Mr. Md. Akbor Hossain	Vice Chairman	3.20%
Ms. Priti Kana Bose	Director	2.02%
Mr. Murad Mohammed Taj	Director	3.07%
Mr. Tahrin Aman	Director	2.00%
Mr. Aminur Rahman	Director	2.02%
Mrs. Rokeya Quader	Director	3.75%
Engr. A.K.M. Ahsanul Haque	Director	2.80%
Late Mr. Nil Kantha Roy	Director	2.67%
Engr. Tarikul Alam Rahimi	Director	3.94%
Mrs. Nauzat Begum	Director	2.00%
Total		31.59%

Arena Securities Limited	Stock Broker
First Lead Securities Limited	Stock Broker
Desh Garments Limited	Garments manufacturer
Desh International Limited	Buyers and suppliers of electric diesel locomotives
Desh Real Estate Limited	Real Estate Limited

Credit Rating Status:

Rated by	Alpha Credit Rating Limited	
Date of rating	29 September 2020	
Rating	Long Term: A+	Short Term: ST-3
Validity	28 September 2021	
Outlook	Stable	
Rating based on	Audited Financial Statement of 31 December 2019	

Category-wise shareholding structure

Shareholding Category	Shares Hold (Post-IPO)	% of Holding (Post-IPO)
Sponsor Directors	12,636,390	31.59%
Sponsor Shareholder	1,828,254	4.57%
Other shareholders (Public)	9,535,356	23.84%
Eligible Investors (EI)	4,800,000	12.00%
Mutual fund (MF)	1,600,000	4.00%
General Public (GP)	8,000,000	20.00%
NRBs	1,600,000	4.00%
Total	40,000,000	100.00%

The following directors of the Company are associated with the listed securities in the following manner:

Name of Director	Associated in the organization	Position in the Company
Mr. Jashim Uddin	Bengal Windsor Thermo Plastics Ltd	Director
Mrs. Rokeya Quader	Desh Garments Limited	Chairman
Mr. Shahedul Islam	Trust Bank Limited	Independent Director

Other businesses of the directors:

Name of the Organization	Nature of business
Bengal Adhesive & Chemical Products Ltd	Manufacturer of chemical products (Adhesive)
Bengal Poly and Paper Sack Limited	Manufacturer of poly bags
Bengal Overseas Corporation Ltd	Manpower business
Romania Food and Beverage	Manufacturer of food and beverage
Bengal Flexipak Limited	Manufacturer of plastic product
Bengal Polymar Wares Limited	Manufacturer of plastic product
Bengal Windsor Thermoplastics Limited	Manufacturer of plastic product
Bengal Petrochem and Synthetic Textiles Ltd.	Manufacturer of Synthetic textile
Designer Jeans Limited	Garments
Bengal Feed and Fisheries Limited	Feed production
Bengal Renewable Energy Limited	Power and utility
Bengal Hotels and Resorts Limited	Media Organization
Bengal Cement Limited	Manufacturer of Cement
Future Infrastructure Development	Engineering Firm
Bengal Melamine Limited	Manufacturer of Melamine
Fars Holdings & Associate Limited	Service and Real Estate
FARS Hotel & Resorts Ltd	Travel and leisure business
Aman Spinning Mills Limited	Textile
EARTH Engineering & Construction	Engineering & Construction business

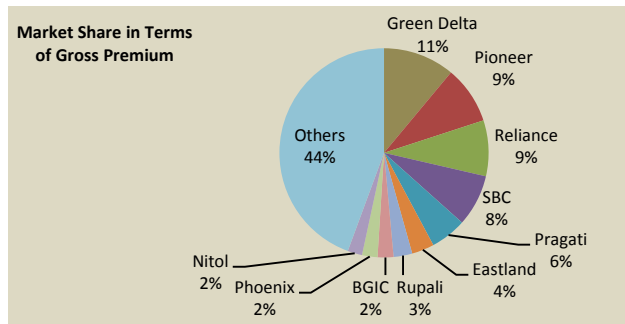
Industry Overview

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

- The Company will utilize its IPO funds of BDT 118.43 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 and Regulatory Authority (IDRA) **suspended a provision in February 2021 that allowed payment of up to 15% commission to agents** on opening insurance policies by non-life insurance companies. The decision will come into force **from March 01, 2021** to bring discipline in the sector. **Instead of 15%, the rate of commission will now be zero.** Earlier in April 2012, IDRA asked the non-life insurance companies not to issue more than 15% commission to their agents against insurance policies opened through the agents. There are allegations of offering as much as 60% commission to the agent and unhealthy competition among the insurance companies over the offering of commissions to the agents. **The companies will also not be allowed to pay salaries, allowances and other benefits to the development employees in proportion to the collected premium.** This 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 risks 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.
- As per the Road Transport Act 2018, the third-party insurance has repealed by Comprehensive Motor Insurance. This initiative will increase the motor insurance penetration.

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 hinder 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 3rd quarter (Jan-Sep, 2020) financial statements, the Company reported profit after tax of BDT 19.99 million registering 0.86% growth over the same period of last year. Annualized post-IPO EPS was BDT 0.67 for 2020 and NAVPS was BDT 11.47 as on September 30, 2020.

Valuation			
Pricing Based on Relative Valuation			
	Multiples	DGICL's Parameters	Value/Share
Sector Forward P/E	16.9	0.67 (9M Ann.)	11.33
Market Forward P/E	15.1		10.09
NAVPS		11.47 (Sep, 2020)	11.47

Source: Prospectus of Desh General Insurance Company Limited, newspaper news, IDRA and ILSL Research

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