

Company Background

Crystal Insurance Company Limited (CICL) is a general insurance company whose services include property insurance, marine insurance, motor insurance, liability insurance, engineering insurance, and miscellaneous insurance. CICL was incorporated in 1999 as a public limited company and now has 32 branches all over the country. 18 out of its 32 branches are situated in the capital city, Dhaka. CICL has no subsidiary or associate company.

CICL has 14 directors in its board. The chairman of CICL is Abdullah Al-Mahmud who is also the founder and major shareholder of Mahin Group. Mahin group is primarily engaged in the textile business. Mr. Mia Fazle Karim, FCA is the MD & CEO of CICL. He has been working as the CEO of CICL for the last 5 years.

The Underwriting Profit breakdown of CICL is provided below:

Particulars	Underwriting Profit in BDT Mn (2019)	Contribution
Fire Insurance	5	5.4%
Marine insurance	71	70.7%
Motor Insurance	16	16.5%
Misc Insurance	7	7.4%
Total	100	100.0%

IPO Details

CICL will raise BDT 160 Mn as initial public offering (IPO) through the fixed price method.

The breakdown of the IPO proceeds is shown below:

Use of IPO Proceeds	BDT mn	% of Proceed
Investment in FDR & Treasury Bond	80	50.0%
Investment in Capital Market	69	43.3%
Sub Total	149	93.3%
IPO Expense	11	6.7%
Total	160	100.0%

Key Points

- Bangladesh's insurance industry is a supply-driven industry rather than a demand-driven one. The culture of Bangladesh is such that people prefer to go along with more risk rather than opting for insurance. The sentiment against insurance companies is also fueled by the possibility of unapproved claims and hidden charges. The bulk of the insurance policies sold by the general insurance companies are due to the insurance being a requirement for other services. Moreover, there are 46 general insurance companies in an industry of BDT 30 Bn gross premium (as of Dec'17) which makes the industry extremely competitive. Only 5 players have a market share of greater than 5%. Crystal Insurance has a market share of only 1.37% as of Dec'17.
- Among the company's 14 directors, only two are independent directors. This is not compatible with the rule for listed companies having one-fifth independent directors. Six directors are related to each other and they hold 66% pre-IPO and 39% post-IPO shares cumulatively which may be a potential concern for individual investors. The current chairperson of the company has recently passed away. Therefore, a leadership change in the board is expected.
- Overall management expense and administrative expense ratios of CICL are lower than its peers for the year 2019 that portray its efficiency in managing operating costs. But CICL's higher claims ratio has pulled the combined ratio 21% above over its competitors in 2019. Inefficiency in predicting loss exposure and managing risk may have led to this higher claims ratio.
- CICL has done substantially well considering its NPAT having an upward trend and positive CAGR of 14.4% in the last five years. CICL outperformed its industry peers in NPAT growth by posting 12.6% YoY growth in 2019 compared to a 32.3% decline for its peers. However, the NPAT margin of CICL is still lower than its peers even though the underwriting profit margin is in a similar range to its peers. The likely reason could be a lower amount in investment for CICL compared to its peers.
- Based on the profitability ratios of 2019, CICL has a positive and upward trend over its peers in terms of return on its asset and equity in the year 2019. CICL's 12.3% ROE, signifies that although the whole industry is facing difficulty, it still has managed to dispense better return to its equity holders compared to the industry.

Comparable & Trading Multiples

Trailing P/E multiples of other listed comparable stocks (having similar market share) in the Insurance sector are given below:

DSE Ticker	Market Share (2017)	Market Cap (BDT mn)	TTM Earnings (BDT mn)	P/E
CITYGENINS	1.46%	2,038.2	56.0	36.3x
EASTERNINS	1.40%	4,647.3	158.0	29.5x
TAKAFULINS	1.33%	1,959.0	77.4	25.3x
UNITEDINS	1.50%	2,229.3	103.9	21.5x

Company Summary

Post IPO No. of Shares (Mn)	40.0
Post IPO Paid up capital (BDT Mn)	400.0
Pre IPO Paid up capital (BDT Mn)	240.0
New Shares Issued (Mn)	16.0
IPO Proceeds (BDT Mn)	160.0
Face Value	10
Market Lot	500
Free Float	40%
Accounting Year End	December
Auditor	Mahfel Huq & Co.
Issue Manager	Sonar Bangla Capital Management Limited

Income Statement

MM BDT	2016	2017	2018	2019
Gross Premium Income	390	409	431	527
Net Premium Income	293	298	303	391
Commission on re-insurance Ceded	22	25	32	38
Total Insurance Income	315	323	335	429
Net Claim	(95)	(88)	(99)	(169)
Agency Commission	(50)	(54)	(56)	(79)
Expense of Management	(106)	(102)	(100)	(136)
Total Cost of Service	(251)	(244)	(255)	(383)
Underwriting Profit	52	73	65	100
Investment Income	16	18	35	36
General & Administrative Expense	(20)	(41)	(31)	(37)
Profit before Tax	50	54	80	106
Tax Provision	(5)	8	(17)	(31)
Net Profit after Tax	45	62	62	70
EPS (BDT)	1.88	2.60	2.60	2.92
Post-IPO EPS (BDT)	1.13	1.56	1.56	1.75

Balance Sheet

MM BDT	2016	2017	2018	2019
Investments (Incl. Fixed Deposit)	188	372	437	541
Cash & Cash Equivalent	114	47	37	32
Other Assets	452	473	478	484
Total Assets	754	892	952	1,056
Paid Up Capital	60	240	240	240
Reserves	294	251	284	322
Profit & Loss Appropriation A/C	41	24	32	25
Shareholders' Equity	395	516	556	586
Balance of Fund Accounts	118	121	122	158
Reserve for WPPF	0	0	0	5
Total Liabilities	360	377	396	470
Total Equity & Liabilities	754	892	952	1,056
NAVPS—Post IPO (BDT)	9.87	12.89	13.90	14.65

Cash Flow Statement

MM BDT	2016	2017	2018	2019
Operating Activities	49	61	56	131
Investing Activities	(42)	(40)	(2)	(1)
Financing Activities	35	56	(17)	(24)
Net Cashflow	42	77	37	106

Ratios

	2017	2018	2019	Peer Avg (2019)
Underwriting Profit Margin	17.9%	15.1%	19.0%	15.8%
Net Profit Margin	15.2%	14.5%	13.3%	19.9%
Return on Asset	7.6%	6.8%	7.0%	5.9%
Return on Equity	13.7%	11.6%	12.3%	7.7%
Return on Investments	6.4%	8.6%	7.4%	6.8%
Retention Ratio	72.8%	70.2%	74.1%	56.1%
Administrative Exp. Ratio	48.1%	43.3%	44.1%	58.5%
Management Exp. Ratio	57.8%	51.4%	54.6%	60.6%
Claims Ratio	29.6%	32.7%	43.1%	16.4%
Combined Ratio	87.4%	84.0%	97.7%	77.0%
Payout Ratio	27.0%	38.5%	41.0%	42.9%
Gross Premium Growth	4.7%	5.5%	22.3%	7.7%
Net Premium Growth	1.7%	1.7%	29.2%	5.8%
Underwriting Profit Growth	39.5%	-11.2%	53.8%	22.0%
NPAT Growth	37.7%	0.1%	12.6%	-32.3%

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