

### Introduction of the Company

**P**rabhu Life Insurance Limited is a life insurance institution licensed by Beema Samiti. The Company was registered with Company Registrar Office on 2064/03/08. It was licensed by Beema Samiti on 2074/05/07 as a life insurance company. The company has been operating since 2075/08/28. The corporate office of the company is located at Amir Bhawan, Kamaladi, Kathmandu.

### Area of Operation

As per the requirements, the company can establish its branches and sub-branches inside Nepal after granting approval from the Insurance Board.

### Branch Extension

The company is operating through 90 branches in 7 provinces.

Operation Coverage	Figures
Number of operating province	7
Number of branches	90

Utilization of IPO Proceeds	Amount
Fixed Deposit	NRs. 500,000,000
Debenture	NRs. 50,000,000
Share	NRs. 50,000,000

### Future Plan and Strategy

1. Increasing income through diversification and increasing returns to policyholders.
2. To extend life insurance services across sectors in the society.
3. To deploy information technology to enhance the capacity and security of the company.
4. Introducing various services and policies based on the demands of customers.
5. To increase the number of customers and provide micro-insurance services.
6. Analyzing the international context and initiating the internationally practiced insurance plans and policies.



Issue Details	Particulars
Issue Sizes (Units)	6,000,000
Price Per Share (NRs.)	100
Issue Open Date	29/08/2077
Issue Close Date	02/09/2077
Staff (Units)	300,000
Mutual Fund (Units)	300,000
General Public (Units)	5,400,000
Issue Manager	Siddhartha Capital Limited
Collection Centers	All BFIs with ASBA and Mero-share
Min.Application (Units)	10
Max.Application (Units)	5,000
IPO Rating	CARE Rating [ICRANP] IPO Grade 4

### Composition of Board of Directors

As per Article 8 (2) of the Article of Association of the Company, the Board shall constitute 7 members as follows:

Composition	No of Members
Representing Promoters	4 members
Representing Ordinary Shareholders	2 members
Independent Director	1 member

As per Article 13 (2) of the Article of Association of Company, the tenure of directors shall be 4 years. Minimum 100 units is required to be qualified as a director.

### Board of Directors

S.N	Name	Holding (Units)	Qualification	Current Profile	Experience
1	Dr. Atam Ram Ghimire	100,000	PHD	Chairman	Former Chairman at Nepal Investors Forum and Director at several organization related to IT
2	Mr. Subhash Amatya	100,000	Masters	Director	Executive Chairman at Riverfalse Power Ltd and Director at other several organizations
3	Mr. Maniram Pokharel	10,000	Masters	Director	DCEO at Prabhu Bank Ltd and 29 years of experience in Banking Industry
4	Mr. Rameshwor Sapkota	10,000	Masters	Director	GM at Prabhu Money Transfer
5	Mr. Naresh Bahadur Malla	10,000	Masters	Director	Engagement in Printing Press since 2028 BS

6	Mr. Apurwa Prasad Joshi	Bachelors	Director	DGM at Shangrila Development Bank Limited
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### Key Personnel

S.N	Name	Current Position
1	Mr. Narayan Prasad Poudel	CEO
2	Mr. Kishwor Prasad Lamichhane	DCEO
3	Mr. Namash Singha Deuja	COO
4	Mr. Prayash Shrestha	CBO
5	Mr. Prabhat Sibakoti	Agency Head
6	Mr. Lekhanath Gautam	CFO

### Capital Structure After IPO

Shareholders	Share Units	Capital Ratio	Paid up Amount
Promoters	14,000,000	70%	1,400,000,000
General public (including staffs)	6,000,000	30%	600,000,000
Total	20,000,000	100%	2,000,000,000

The capital is fully paid-up from the promoter side whereas the general public side will be fully paid-up after the ipo is issued.

### General Introduction to Balance Sheet Figures

(in 000)

Particular	Audited		Unaudited(Q4)	Unaudited(Q1)	Projected		
	2074/75	2075/76	2076/77	2077/78	2077/78	2078/79	2079/80
Paid Up Capital	1,400,000	1,400,000	1,400,000	1,400,000	2,000,000	2,000,000	2,000,000
Reserve and Surplus	50286.882	133876.949	181,182.66	254621.84	316,322.00	524,592.55	787,401.45
Total Assets	1579618	1987908	2,949,921	2,849,607	5,084,160	7,878,280	12,324,386
Net Worth Per Share	103.59	109.56	112.94	118.18	115.82	126.23	139.37

The paid-up capital of the company is expected to remain constant at Rs 2 Arba till the FY 2079/80. The Reserve and Surplus is projected to increase to NPR. 78.74 crore in the next three years. Similarly, the total Assets is projected to increase at 61.05 % CAGR over the next 3 years.

### Excerpts from Income Statements

(in 000)

Particulars	Audited		Unaudited(Q4)	Unaudited(Q1)	Projected		
	2074/75	2075/76	2076/77	2077/78	2077/78	2078/79	2079/80
Total Income	257,331	619,568	1,353,049	466	2,305,972	3,803,233	5,784,163
Other Expenses	195,273	571,702	1,291,491	-	2,166,539	3,590,197	5,516,057
Net Profit	52,452	81,674	53,552	30924	135,143	208,270	262,808
EPS	4.12	5.83	3.82	2	7.51	10.41	13.14

The company's total income is projected to grow annually at 62.29 % during the next three years. Net Profit is projected to increase annually at 69.93 % CAGR over 3 years.

### Comparison with Industry Figures (Annual 2077/78 Q1 Prabhu Life Insurance)

Indicator	Industry Average	Prabhu Life Insurance limited
EPS (NRs.)	16.01	2
BVPS (NRs.)	133.34	118.18
ROA (%)	1.51	10.85
ROE (%)	8.15	1.88

- BVPS of the company stands at NPR. 118.18, whereas industry average BVPS is NPR. 133.34.
- Company's annualized ROA is 10.85%, whereas industry average is 1.51% suggesting that the company capital intensity is strong efficient when comparing to its industry.
- The company annualized ROE is 1.88% whereas industry average is 8.15% suggesting that the company management ability is weak when comparing to its industry average.

### Valuation of Company

#### Relative Valuation Model

The idea of relative valuation is that, similar assets should sell at similar prices. The application of relative valuation is called the method of comparable. It estimates an asset's value relative to that of another asset (benchmark). The model helps to check whether a particular stock is overvalued, undervalued or fairly valued in terms of measures like earnings, book value, cash flow, sales per shares by comparing the industry multiples. Here, we value the company based on P/E and P/B based multiples. P/E Ratio shows the amount investors are willing to pay for each rupee earnings of the company. P/B Ratio shows the amount investors are willing to pay for each rupee of company's tangible assets. The industry average PE ratio of the life insurance

P/E Valuation			
Projected Year	Industry P/E	EPS(NPR)	Value of shares(NPR)
2077/78	57.67	7.51	433.10
2078/79	57.67	10.41	600.34
2079/80	57.67	13.14	757.78

P/B Valuation			
Projected Year	Industry P/B	BVPS(NPR)	Value of shares(NPR)
2077/78	5.43	115.82	628.90
2078/79	5.43	126.23	685.42
2079/80	5.43	139.37	756.77

\*Industry PE and P/B is assumed constant for the next three years

companies stands at 57.67 while the industry average price to book ratio stands at 5.43.

Based on P/E valuation the company share value is expected to be 433.10, 600.34 and 757.78 in the FY 2077/78, 2078/79 and 2079/80 respectively. Based on price to book valuation, the company share price is expected to be 628.90, 685.42 and 756.77 in the FY 2077/78, 2078/79 and 2079/80 respectively.

#### Summary of returns of life insurance stocks

Company Name	1 Week	4 Week	12-Week	1 Year
LICN	7.50%	32.68%	28.71%	102.15%
NLIC	2.16%	33.36%	33.73%	112.92%
RLI	1.42%	8.63%	29.18%	0.00%
SLICL	1.15%	11.23%	11.41%	166.29%
GLICL	0.16%	7.02%	0.63%	174.21%
PLIC	-0.63%	14.66%	17.04%	172.10%
ALICL	-1.24%	14.98%	15.59%	155.85%
NLICL	-1.27%	30.19%	28.86%	124.72%

The life insurance sector has been rising steadily since a year. The life insurance index stood around 5,000 level in December 2019. At the present time, the life insurance index is at 12,000 region which is a 140% rise. The above table shows the price change of life insurance companies over the different time periods within a year. Some companies have outperformed the life insurance index while some are performing below the benchmark.

#### Tentative Allotment Module

Chapter 5, Article 30 of Securities Issue and Allotment Guidelines 2074 provides the new guidelines for allotment of securities under which every valid applicant shall be allotted 10 units shares on the very first round of allotment and the round following then, provided the units available are sufficient for allotment to each eligible applicant. Otherwise, lottery system will be followed. The number of applicants for Prabhu Life Insurance Company Nepal Limited is estimated to be around 900,000 considering the number of applicants in Sanima General Insurance Limited IPO. Around 8.6 lakhs investors applied for the IPO of Sanima General Insurance Limited. If 900,000 applicants demand for 20 units (average) of Prabhu Life Insurance, the total demanded quantity will be 18,000,000 units. But the available units is 5,400,000 which means the issue is likely to be oversubscribed by 3.33 times.

#### Listing of Shares of Prabhu Life Insurance Limited

The book value per share of the company as on FY 2075/76 was NRs.109.56. Therefore, the listing range of the share should be in the range of Rs.109.56 (lower range) and three times of lower range i.e. NRs. 328.68 (upper range).

#### Trading Prices

The share price of the company can be expected to trade around the valuations indicated by the PE and P/B valuation as indicated above.

#### Recommendation: Apply.

Prabhu Life Insurance limited is operating as a life insurance company in the market. The company is a national level life insurance with 90 established branches in 7 province of Nepal. CRNL has assigned [ICRANP] IPO Grade 4 rating to the proposed initial public offering (IPO). Thus, the company has below- average fundamentals. The past trend of post-trading after IPO of life insurance companies suggest that the share price of such companies trade at higher range due to the very few shares available in the market in compared to investor's demand. Hence the issue is recommended to apply.



### Keeping a Watchful Eye SO YOU DON'T NEED TO



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