

IPO PROFILE OF SIKDER INSURANCE LIMITED



Key Particulars of the IPO

Ticker	SICL
Face Value (Tk.)	10
No. of Share (IPO)	16,000,000
No. of Pre-IPO Share	24,000,000
No. of Post-IPO Share	40,000,000
Issue Size (Offer Price) (Tk)	160,000,000
Pre-IPO Paid-up Capital (TK)	240,000,000
Post-IPO Paid Up(Tk)	400,000,000
Authorized Capital (Tk)	500,000,000
No. of Free Float Shares on Debut	16,000,000
%ΔYoY NPAT Growth (Dec, 2022)	2.03%
Post-IPO EPS (Dec 22)	0.73
EPS (Dec, 2022)	1.22
NAVPs (as of Dec, 2022)	28.73
PE at Tk 10 (Post-IPO)	13.70

Major Products of the Company

The principal services of Sikder Insurance Company Limited are:

1. Fire Accidental Damage on Property Insurance
2. Marine Cargo Insurance
3. Motor Insurance
4. Miscellaneous Insurances
5. Liability Insurance
6. Engineering Insurance

Company Overview

Sikder Insurance Company Limited (SICL) was incorporated in July 29th, 2013 as a public limited company. A provider of all non-life insurance business, the company does not have any subsidiary and it has to comply with the rules and regulations directed by the Insurance Development Regulatory Authority (IDRA). The Chairperson of the company Ms Nasim Sikder is a prominent entrepreneur who is also the director of ZHSW Medical College & Hospital, Millennium International School & Sikder Real Estate and many other businesses. The Company has 23 branch offices at different districts/city areas of Bangladesh as of 2022 with its head office based in Dhaka. The company does have any other placement shareholders. They also have an automatic Reinsurance arrangement with the state owned Sadharan Bima Corporation, the only Re-insurance Corporation of the Country .

Industry Overview

At present, there are 78 insurance companies in Bangladesh — 46 non-life insurance, 32 life insurance. According to a PWC report, insurance penetration (insurance premiums as a share of GDP) in Bangladesh has mostly been on a downward trend since 2009 and stands at 0.55% currently, much below the other emerging markets. Compared to its South Asian counterparts Bangladesh has the lowest premium per capita. However, the industry fails to focus on two sectors with a huge demand for insurance policies — health and agriculture. Bangladesh's expenditure on health is only 2.64% of its GDP—the lowest in South Asia. Around 9% of households In Bangladesh have to make large healthcare payments and 7% of households have to finance their healthcare costs by selling their assets.

Name of Sponsors and Directors

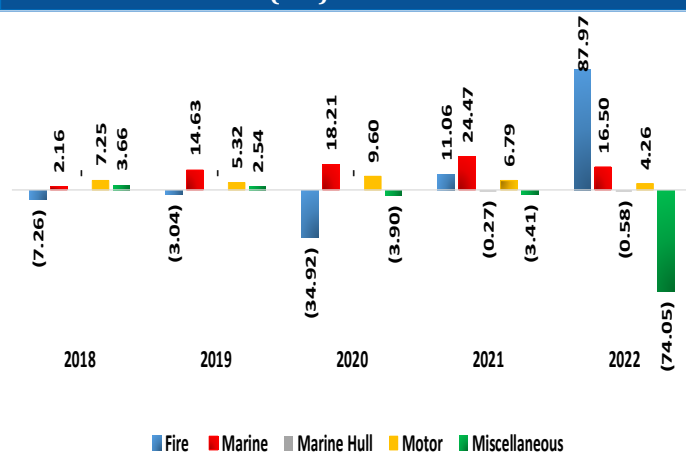
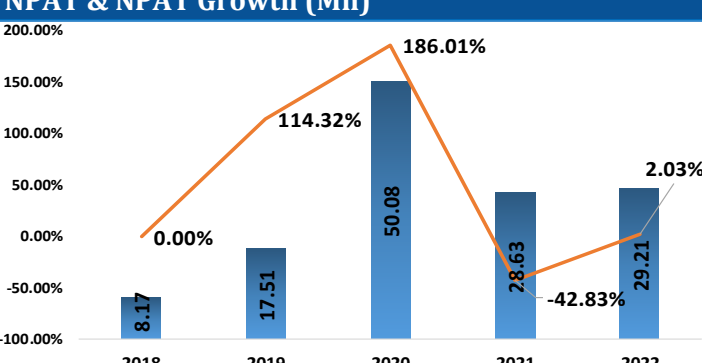
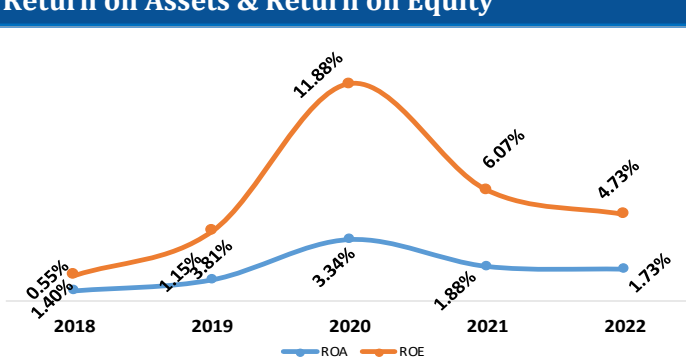
Name	Position	Post IPO %	Lock-in
Nasim Sikder	Chairperson	6.00%	3 Years
Lisa Fatma Haque Sikder	Director	4.80%	3 Years
Monica Sikder Khan	Director	4.00%	3 Years
Jonas Sikder Khan	Director	4.00%	3 Years
Jeffrey Khan Sikder	Director	4.00%	3 Years
Mandy Khan Sikder	Director	4.00%	3 Years
Mohtasim Billah Khan	Sponsor & Director	2.00%	3 Years
Salah Uddin khan	Sponsor & Director	2.00%	3 Years
Other Sponsors & Shareholders		29.20%	3 Years
Total		60.00%	

Capital Raising History

Allotment	No. of Shares	Face Value	Consideration		Amount in BDT
			In Cash	Other than Cash	
July 29, 2013 (As per Memorandum)	24,000,000	10	240,000,000	-	240,000,000
Total	24,000,000	10	240,000,000	-	240,000,000

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Financing of IPO fund					Financial Indicators						
Particulars		%	No. of Ordinary Shares	Offer price	Issue Amount (Taka)	Ratio	2018	2019	2020	2021	2022
(A) Eligible investor (EI)	EIs & CISSs	20%	2,720,000	10	27,200,000	ROA	0.55%	1.15%	3.34%	1.88%	1.73%
	Mutual Funds	5%	680,000		6,800,000	ROE	1.40%	3.81%	11.88%	6.07%	4.73%
(B) General public (GP)	NRB	5%	680,000		6,800,000	Net Operating Cash Flows Per Share	2.05	0.59	3.64	2.71	2.27
	Others	70%	9,520,000		95,200,000	Operating Income Ratio	13.11%	26.25%	4.72%	44.62%	23.21%
(After private offer to its employees maximum 15% (fifteen percent) of its initial public offer (IPO))		100%	13,600,000		136,000,000	Net Profit Ratio	5.26%	13.84%	46.89%	24.12%	14.43%
(C) Employees (fifteen percent) of its initial public offer (IPO)		15%	2,400,000		24,000,000	Revenue Breakdown (Mn)					
Total (A+B+C)			16,000,000		160,000,000						
Use of the Proceeds of IPO											
Particulars				Amount		%					
Investment in FDR				40,000,000		25%					
Investment in Capital Market				48,000,000		30%					
Floor Purchase				60,871,500		38%					
IPO expenses				11,128,500		7.00%					
Total				160,000,000		100%					
Implication Schedule of IPO Proceeds											
Particulars			Approximate period of project completion & commercial operation								
Investment in FDR			Within 3 (Three) months after IPO proceeds has been received.								
Investment in Capital Market											
Floor Purchase											
NPAT & NPAT Growth (Mn)											
											
Return on Assets & Return on Equity											
											



Key Observations

- Post IPO total shareholding percentage of the company's sponsors and directors would stand at **60%**.
- The majority of the company's revenue came from fire insurance which was 88 mn (258%) in 2022 and 17mn (28%) in 2021 although revenue contribution from Fire Insurance was negative during previous years. Revenue contribution from Marine Insurance was more evenly spread out during the previous 5 years with a 48% contribution in 2022.
- ARGUS CREDIT RATING SERVICES LTD. (ACRSL) has assigned Sikder Insurance Company Limited (SICL) a (A) High Claim Paying Ability (HCPA) rating for the long term and ST-2 (Short Term Two) for the short term. The HCPA rating is based on audited financial statements up to December 31, 2021, and other pertinent quantitative and qualitative data provided by management up to the rating declaration date. The long-term rating considers SICL's consistent business performance, robust liquidity position, improved solvency, and the establishment of effective governance with an experienced management team. However, this positive assessment is tempered by challenges such as fluctuating underwriting performance, excessive management expenses, a low rate of Return on assets, a conservative investment approach, and lower positions in retention ratio and loss ratio.
- In 2021, the company's gross premium reached BDT 299.88 million, compared to BDT 277.84 million in the previous year. During the same period, SICL shifted its focus, with 24.43% of the total gross premium attributed to Marine-Cargo, while Fire Business accounted for 17.79% of the total gross premium. Both gross premium and net premium experienced growth, with increases of 7.93% and 11.12%, respectively, in 2021. The company's moderate business operating performance in the past year contributed to a 10.86% growth in internally generated funds.
- The company's total earnings from underwriting and other investments were primarily influenced by the underwriting profit which amounted to of 3.4 million in FY22. The underwriting profit to
 - premium ratio for SICL was BDT -11.01 million in FY20 and increased to BDT 38.64 million in FY21, resulting in a 32.56% growth in the underwriting profit to net premium ratio. The management expenses ratio, which was 88.93% in 2020, improved to 76.83% in 2021, showcasing a gradual decrease in management expenses over the last couple of years.
 - In 2022, the total claims amounted to BDT 36.6 million, a significant decrease from BDT 55.77 million in 2020. This reduction in total claims had an impact on claim settlement practices, reflecting the company's proficiency in timely and efficient claim payment
 - The ratio analysis indicates a consistent trend in liquidity ratios over the historical years, with both current and quick ratios consistently higher than industry averages throughout the four years. However, there was an exception in the years 2021 and 2022.
 - The operating ratios, reflecting the operational efficiency of Sikder Insurance Company Limited, show that the accounts receivable turnover ratio and inventory turnover ratio have consistently been above 1x over the five years. This suggests a well-structured cash collection cycle. However, the asset turnover ratio is lower than the industry average, indicating that Sikder Insurance Company Limited efficiently utilizes fixed assets.
 - Over the last two years, the net profit ratio and earnings per share (EPS) of Sikder Insurance Company Limited have shown a consistent increase. This positive trend contrasts with the years 2017 to 2019, where a decrease in underwriting profit had an adverse impact on these financial metrics. Despite the improvement, it's noteworthy that the net profit ratio and EPS remain below the industry average.
 - On a positive note, the return on equity (ROE) ratio has also been consistently increasing over the same two-year period, aligning more closely with the industry average. This suggests that Sikder Insurance Company Limited is enhancing its profitability in relation to shareholders' equity, contributing to a more favorable ROE compared to the earlier years.

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- The general insurance business faces a stiff competition as there over 48 companies, who are competing for the share in a limited market space with similar products and business model.
- The company has not declared any dividend since its inception.

Dividends Declaration

Year	2022	2021	2020	2019	2018
Cash (%)	-	-	-	-	-
Stock (%)	-	-	-	-	-

Price relative to different prices

Price	10	15	20	25	30	35
PE	13.70	20.55	27.40	34.25	41.10	47.95

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PE Relative to Other Insurance Companies

Market PE	16.51
Sector (Insurance)	17.07
PE – FEDERALINS	19.14
PE – PRAGATIINS	14.66

Other IPO Details

Issue Date of Prospectus: 27th November, 2023

Year End: December

Issue Manager: Sonar Bangla Capital Management Limited

Auditors: G. Kibria & Co.

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