

Sanima General Insurance Company Limited

Ratings

Facilities	Amount (Rs. Million)	Rating	Rating Action
Issuer Rating	NA	CARE-NP BB+ (Is) [Double B Plus (Issuer)] (Credit watch with Developing Implications)	Placed on credit watch with developing implications

CARE Ratings Nepal Limited (CRNL) has placed the issuer rating of 'CARE-NP BB+ (Is)' assigned to Sanima General Insurance Company Limited (SGI) on credit watch with developing implications. Issuers with this rating are considered to have moderate risk of default regarding timely servicing of financial obligations, in Nepal.

Detailed Rationale & Key Rating Drivers

The rating assigned to SGI has been placed on credit watch with developing implications factoring in the ongoing merger process of SGI with General Insurance Company Limited (GIC). CRNL will resolve the rating watch after completion of the merger process.

The rating continues to be constrained by SGI's short track record of operations along with relatively small market share in the non-life insurance industry coupled with high competition from other insurance companies. The rating also factors in SGIC's higher concentration in the motor segment, moderate financial risk profile and exposure to regulatory risk. The rating, however, continues to derive strength from SGIC's association with strong promoter group, experienced board & management team and diversified investment profile with fair return on investment. Furthermore, the rating also takes cognizance of the improving trend in SGIC's solvency profile.

Going forward, the ability of the company to continue its growth momentum while diversifying the policy segments and maintaining quality of the investment portfolio and minimum regulatory solvency profile will be key rating sensitivities. The company's ability to timely complete the proposed merger, utilize the available relaxations provided by the regulatory body on merger and generate the post-merger synergy will be a key monitorable aspect.

Key Updates

Among 20 non-life insurance companies operating in Nepal (of which 3 were licensed and started operations in FY18), SGI shared 2.68% of total GPW in FY22 (Unaudited, refers to the twelve-month period ended mid-July 2022), reflecting short track record of operation resulting in a modest market share in the industry. SGI continues to have high concentration in the motor segment, albeit broadly in line with the industry trend, with total policies sold by SGI towards the motor segment contributing around 70.53% in 6MFY22 (Unaudited, refers to the nine-month period ended mid-January 2022). The higher concentration in the motor segment exposes the new business of company's towards the performance of the automobile segment.

The financial risk profile of SGI at the end of FY22 was marked by growth in premium and profitability. During FY22, the company's gross premium written (GPW) increased by 53.64% over FY21 (Audited, refers to the twelve-month period ended mid-July 2021) to Rs. 1,049 backed by increase in branches and manpower of the company. The company's Profit After Tax (PAT) increased to Rs. 144 Mn in FY22 from 57 Mn in FY21 supported by increase in underwriting income and investment income. Furthermore, SGI's loss ratio (claim ratio) decreased to 55.71% during FY22 from 75.00% in FY21, resulting into improvement in combined ratio to 63.29% in FY22 compared to 104.37% in FY21.

SGI had an investment portfolio of around Rs. 1,556 Mn at the end of FY22 which increased from Rs. 1,347 Mn in FY21, recording a growth of 15.51%. SGIC's solvency ratio stood improved to 2.26x during FY21 as compared to 1.52x during FY20

against the minimum requirement of 1.50x on account of increased asset base of the company supported by growing business operations coupled with increased capital after initial public issuance of Rs. 300 Mn in FY21.

Market penetration of general insurance sector is still low in Nepal thus providing ample opportunities for future growth in the non-life insurance sector. However, due to presence of large number of non-life insurance companies and limited market potential, there is high share on sustainable basis in the light of competitive nature of industry to improve its business risk profile.

About the Company

Sanima General Insurance Limited (SGIC) is a general (non-life) insurance company which started its operation from July 11, 2018. SGIC is promoted by Sanima Group, which is promoted by a group of Non-Resident Nepalese (NRN). The capital structure of the company comprises of Rs. 700 Mn as paid up capital from the promoter group and Rs. 300 Mn from general public.

Brief financial performance of Sanima General Insurance Limited (SGIC) during last 3 years is given below:

(Rs. In Million)

Particulars	FY19 (A)	FY20 (A)	FY21 (A)
Gross Premium Written (GPW)	196.22	361.13	683.29
Net Premium Written (NPW)	74.74	135.92	193.92
Retention ratio (NPW/GPW)(%)	38.09	37.64	28.38
Underwriting result	(64.00)	(15.15)	(7.26)
Income from investment	71.05	75.6	83.05
Profit after Tax(PAT)	5.16	43.59	56.63
Investments	698.3	873.22	1,347.39
Investment yield (%)	10.17	10.05	7.88
Return on total assets (%)	3.88	5.96	6.16
Return on Net Worth (%)	3.15	4.1	3.53
Solvency ratio (times)	1.44	1.52	2.26

A: Audited

Contact us

Analyst Contact

Ms. Monika Rawal

Contact No.: +977-01-4012628

Email: monika.rawal@careratingsnepal.com

Mr. Santosh Pudasaini

Contact No.: +977-01-4012629

Email: santosh.pudasaini@careratingsnepal.com

Relationship Contact

Mr. Achin Nirwani

Contact No.: +977 9818832909

Email: achin.nirwani@careratingsnepal.com

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