

PUBLICATION : THE HINDU BUSINESS LINE (HBL)

EDITION : NEW DELHI

DATE : 8TH JULY 2017, PAGE NO. : |

Tokio Marine raises stake in insurance JV with IFFCO to 49%

Buys additional 23% in IFFCO Tokio General Insurance for ₹2,530 cr

OUR BUREAU

New Delhi, July 7

Tokio Marine, a leading Japanese insurer, has raised its stake in the Indian joint venture unit IFFCO Tokio General Insurance to 49 per cent, the maximum foreign stake allowed under Indian law.

Prior to this transaction, Tokio Marine Asia had 26 per cent stake in the joint venture. The additional 23 per cent stake has been purchased for ₹2,530 crore.

Enterprise value

The enterprise value of IFFCO Tokio Marine, the fourth-largest general insurer in India, is now pegged at ₹11,000 crore.

While IFFCO has divested 21.64 per cent stake in IFFCO Tokio General Insurance for ₹2,380.40 crore, Indian Potash has sold its entire holding of 1.36 per cent for ₹149.60 crore. The transfer happened at a price of ₹408.43 per share.

The average cost for IFFCO for

the 21.64 per cent stake stood at only about ₹120 crore, IFFCO officials said.

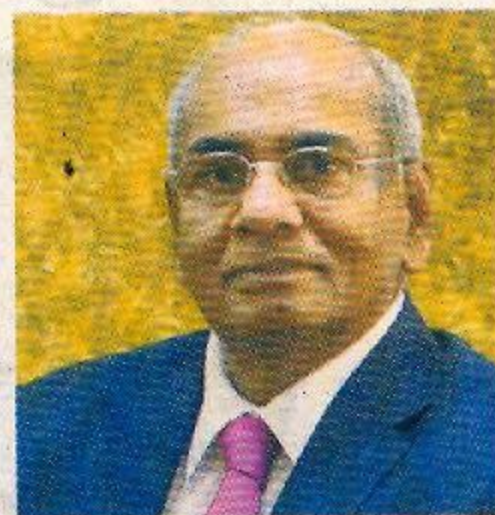
US Awasthi, Managing Director, IFFCO, said that the IFFCO Tokio General Insurance Board met on Friday and approved the share transfer.

With the additional 23 per cent stake buy, Tokio Marine Asia will have three more directors on the board, taking the total number of Tokio Marine directors to five.

IFFCO, which now has 51 per cent stake, will continue to have six directors. Taken together with the Managing Director and three independent directors, the total board strength now stands at 15.

Awasthi said this was a good opportunity for IFFCO to unlock value of its investment in IFFCO Tokio General Insurance through sale of its part-shareholding.

This transaction will help IFFCO raise the required capital to focus more on agricultural businesses and to better serve the interests of Indian farmers in the fast-changing agriculture sector in India, Awasthi said. Even after the divestment, IFFCO will continue to exercise control in the



US Awasthi, MD, IFFCO

business affairs of IFFCO Tokio in compliance with IRDAI's guidelines on "Indian owned and controlled" insurance companies, he added.

It may be recalled that after opening up of the insurance business for the private sector in the year 2000, IFFCO and Tokio Marine had joined hands to set up this 74:26 non-life insurer — IFFCO Tokio General Insurance.

Commenting on Tokio Marine's move to buy an additional 23 per cent stake, Arthur Lee, Chief Executive of Tokio Marine Asia, said this demonstrates the commitment "we have for India".

"Our journey in India continues for us," Lee added.

Meanwhile, IFFCO sources said that there is no right conferred on Tokio Marine under the joint venture agreement to automatically hike its stake in the future.

This would be the case even if the Centre were to further raise the foreign investment cap from the current 49 per cent to, say, 74 per cent or 100 per cent.

Not eyeing IPO for now

Asked if IFFCO Tokio General Insurance will look at an IPO in the coming days, Awasthi said there was no plan to take the general insurer public for the next few years.

"We have not closed our mind on an IPO. We may look at it after four-five years. It's just that we are not keen on it right now. Our soul continues to be that of a cooperative," he said.

IFFCO officials said that the general insurer qualified on all parameters for going public. There is no bar and IFFCO Tokio General Insurance can still raise capital in the coming years by going public with an IPO, they said.