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# Tokio Marine raises stake in JV to 49%

Japanese firm increases holding in insurance venture with IFFCO at a cost of ₹2,530 crore

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Japan's Tokio Marine Asia raised its stake in a 17-year old general insurance joint venture with India's fertiliser co-operative IFFCO from 26% to 49% at a cost of ₹2,530 crore, in a transaction approved by the IFFCO board on Friday.

The deal that values Iffco-Tokio General Insurance Company at around ₹11,000 crore, indicates the Japanese company's commitment to the Indian market, said Arthur Lee, the Asia chief executive of Tokio Marine.

"We have approved the transfer of shares to Tokio at a board meeting today [Friday] and the cash has already been received from the Japanese firm," IFFCO managing director U.S. Awasthi told reporters.

"When we came here 15 years ago, life was not easy... but we wanted to be here be-



**Indian-owned:** IFFCO, with its 51% stake, will continue to control the business affairs. ■ GETTY IMAGES/ISTOCK

cause of India's large population base and our partnership with IFFCO has been like a serendipitous meeting of minds with a focus on insuring those who need it the most - the farmers," Mr. Lee said.

## In-built triggers

The joint venture agreement which began as a 74:26 part-

nership had in-built triggers to raise Tokio's stake to 49% as and when regulations permitted it.

India allowed private insurers to operate in the country in 2000, with a 26% limit for foreign direct investment (FDI) that was enhanced to 49% in 2015.

"That we are putting up additional capital to acquire

a 23% stake and still working as a minority investor in the venture is a sign of our commitment," Mr. Lee said.

Of the 23% additional stake picked up by Tokio Marine, 21.64% has been acquired from IFFCO at a price of ₹2,380.4 crore, while another 1.36% stake has been purchased from Indian Potash Limited for ₹149.6 crore.

## Unlocking value

No one expected a fertiliser co-operative to venture into the insurance space, said Iffco-Tokio chairman K. Srinivas Gowda, adding that this transaction will not only help IFFCO unlock value from its investment but also help the joint venture further tap Tokio Marine's expertise and know-how in the insurance sector from diverse geographies.

Mr. Awasthi said that even after divesting a chunk of its

stake in the joint venture, IFFCO with its 51% stake will continue to exercise control in the business affairs in compliance with the insurance regulator's guidelines for insurance firms to be 'Indian-owned and controlled.'

## 'Low-cost products'

"We want to bring more low-cost insurance products at IFFCO-Tokio and use the additional capital available with IFFCO to focus on more agri-businesses and serve the interests of Indian farmers better," Mr. Awasthi said.

Iffco-Tokio General Insurance clocked a ₹5,635 crore premium income in 2016-17, of which ₹1,255 crore came from the agricultural business.

The firm has diversified into other insurance segments such as health and property, while motor insurance has emerged as its biggest business.