

ICICI to sell 6% in Prudential JV for Rs. 1,950 crore

17-Nov-2015

ICICI Bank has agreed to sell 6 per cent stake in its life insurance venture to an investment company of Azim Premji and an arm of Singapore government owned Temasek Holdings for Rs 1,950 crore. The deal values the company at Rs 32,500 crore, which makes it the most valuable private sector insurer. The valuation is lower than the Rs 36,000 crore originally estimated earlier this year, and less than the Rs 38,000 crore the firm was valued at when it priced stock options for employees last year.

"The board of ICICI Bank has at its meeting today approved, subject to government and regulatory approval, the sale of 6 per cent out of ICICI Bank's shareholding in ICICI Prudential Life Insurance," the bank said in a filing with BSE. ICICI would sell 4 per cent stake to Premji Invest and its affiliates, and 2 per cent to Compassvale Investments Pte Ltd, a wholly owned arm of Temasek. Transactions in private sector insurance companies are accelerating with HDFC Life and Reliance Life selling stakes to financial and strategic investors. Some see this as a prelude to listing of some of these firms as investors such as Premji Invest would eventually look to exit.

Although the sector regulator has not come up with a time table to list insurance companies, a clause in the Insurance Regulatory & Development Authority Act of 2000, making it mandatory to list after 10 years of operations, could soon be enforced. The Act allowed private insurance companies to enter the sector.

Following the proposed transaction, ICICI Bank will hold approximately 68 per cent in the company while Prudential Plc, the joint venture partner, will maintain its stake at 26 per cent. The British partner could raise its stake to 49 per cent as permitted by an amendment to the IRDA Bill passed earlier this year.

This is the second investment by Premji Invest in life insurance. In December, it bought 0.95 per cent in HDFC Life from HDFC for Rs 200 crore, valuing the insurer at close to Rs 20,000 crore.

ICICI Prudential, the largest private sector insurer in terms of premium income, is present across 500odd locations in India through 559 branches as of March 31, 2014. It has over 5,000 partner points of presence. The company mostly operates through the bank and agency channel. Bancassurance — the sale of insurance through bank branches — is the largest channel contributing close to 60 per cent of the total business. The company has a market share of over 11 per cent.

This is the second insurance related transaction by ICICI Bank in less than a month, as the lender monetises its investments after poor loans growth and bad debt keep a lid on its performance. It sold 9 per cent stake in ICICI Lombard General Insurance Company to Toronto Based Fairfax Financial Holdings for Rs 1,550 crore last month, valuing the company at Rs 17,225 crore.

In a separate development, ICICI appointed Vishakha Mulye as executive director on the bank's board. Mulye, a former chief financial officer at ICICI Bank, is the managing director of ICICI Venture.

Source : The Economic Times