

*An Analysis on the  
“Issue of Further Public  
Offerings (FPO) of  
Shikhar Insurance Co. Ltd.*



**Research & Development Department**



## 1 COMPANY PROFILE

**Shikhar Insurance Company Ltd. (SICL)** is an established General Insurance Company promoted by a young, dynamic team of reputed Industrial and Business Houses involved in various fields like Aviation, Banking, Manufacturing, Trading, Travel Trade, and Media Houses etc. It is the 15<sup>th</sup> non-life insurance of the country.

### Exhibit 1: Company Summary

<b>Name of Company:</b>	Shikhar Insurance Company Ltd.	
<b>Date of Establishment:</b>	28 <sup>th</sup> March, 2004	
<b>Ownership structure:</b>	Public limited	80:20
<b>Authorized Capital:</b>	Rs. 600 Million	
<b>Issued Capital:</b>	Rs. 357.691 million	As per unaudited report of FY 2071/72
<b>Current Paid up Capital:</b>	Rs. 357.691 million	
<b>Total FPO to be issued:</b>	510, 988 units	
<b>Offer Price:</b>	Rs.650	Share premium @Rs.550/unit
<b>Opening Date:</b>	-	
<b>Closing Date:</b>	-	
<b>Issue Manager</b>	NIBL Capital Markets	
<b>ICRA Nepal Grading:</b>	-	

The company will reach to paid up capital of Rs. 408.79 Million from current Rs. 35.77 crore after the adjustment of FPO shares.

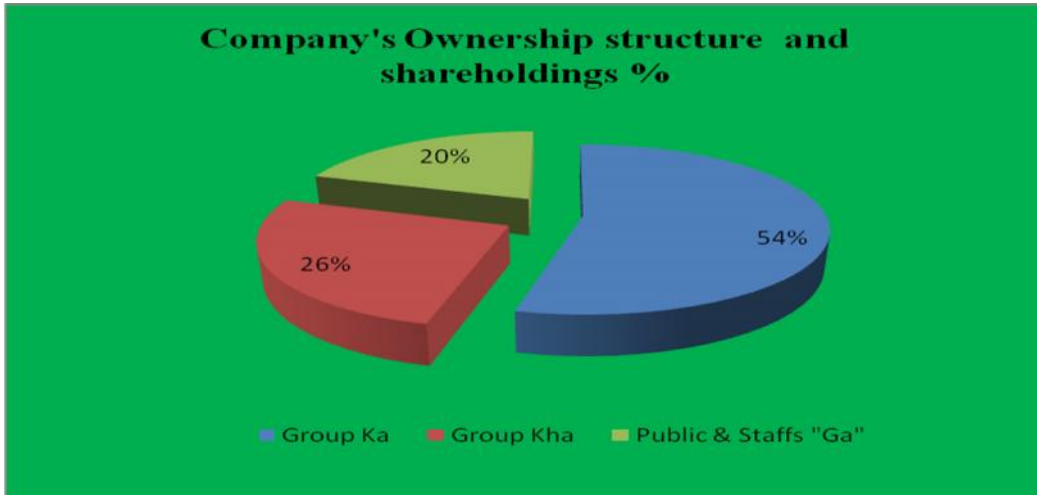
## 2 Company's Major Objectives

- 2.1 The company has vision to face the every challenge that persists in the insurance industry and developing policies as per the requirement of the clients at an economical price, introducing new products at par with international standards and strengthening the relationship between the insured and insurers to embed the confidence and trust.
- 2.2 The company's goal is to set the standard for the insurance industry by providing quality service that exceeds customers' expectations.
- 2.3 The company's mission statement is: **"Guarantees to provide its policy holders the best available insurance protection and prompt settlement of claims when needed"**

### 3 COMPANY'S OWNERSHIP STRUCTURE, COMPOSITION AND MANAGEMENT

#### i. Ownership Structure:

Chart 1: SICL Ownership Structure:



- The given chart reflects that 80 percent of the shareholdings are with company promoters and 20 percent with public and staffs. Hence, Existing ownership structure of the company stands at 80:20 ratio.
- After FPO, the promoter and ordinary shareholders share structure will be converted into 70:30 ratio.

#### ii. Board of Directors Details:

Names	Designation and work experince	Qualification	Contact Details
Mr. Bikash J.B. Rana	<p>Chairman:</p> <ul style="list-style-type: none"> <li>• Capt. Bikas JB Rana is the Executive Chairman of Fishtail Air (P) Ltd, a Helicopter Charter Company which was established in 1997.</li> <li>• an experienced helicopter pilot with an Instructor Pilot rating. He served as the President of Airlines Operator's Association of Nepal for seven and half years.</li> </ul>		Email: <a href="mailto:bikash@shikharinsurance.com">bikash@shikharinsurance.com</a>

	<ul style="list-style-type: none"> <li>• He was the Board Director of Civil Aviation Authority for three years.</li> <li>• He is also the chairman of Goma Air Pvt. Ltd and Imperial Developers.</li> <li>• He is involved in many social activities as well.</li> </ul>		
Mr. Ang Tshiring Sherpa	<p>Director:</p> <ul style="list-style-type: none"> <li>• Managing Director of Yeti Airlines Pvt. Ltd./Tara Air Pvt. Ltd.</li> <li>• Executive Director of Thamserku Trekking and Director of Yeti Mountain Homes as well.</li> </ul>		
Mr. Gaurav Agrawal	<p>Director :</p> <ul style="list-style-type: none"> <li>• Associated with Sunrise City Homes Pvt. Ltd.</li> <li>• also associated with Sunrise Apartments, Pristine Investment Pvt. Ltd., Annapurna Investment Pvt. Ltd., Hormone Trading Company Pvt. Ltd. and Hormone Travels and Tours Pvt. Ltd.</li> </ul>		
Mr. Ramesh Kumar Luitel	<p>Director :</p> <ul style="list-style-type: none"> <li>• Buddha Air Pvt. Ltd. is represented by Mr. Ramesh Kumar Luitel.</li> <li>• Mr. Luitel has been working in Buddha Air as Executive Manager in Expense Division of the Finance Department.</li> </ul>		
Mr. Rajendra Prasad Shrestha	<p>Director:</p> <ul style="list-style-type: none"> <li>• He is an established businessman in the carpet industries of Nepal. He is also involved in travel trade business.</li> </ul>		
Mr. I. P.Karmacharya	<p>an Independent Director:</p> <p>He has experience of over four decades in the insurance industry.</p>		
Mr. Skand Amatya	<p>Director:</p> <p>Mr. Skand Amatya represents public share holders. He is the managing director of Multi Trading Pvt. Ltd. Since 2013.He has been actively working for various NGOs an INGOs</p>		

**i. Management Details:**

Names	Designation and work experience	Qualification	Contact Details
Mr. Dip Prakash Panday	<p><b>Chief Executive Officer</b></p> <ul style="list-style-type: none"> <li>• has two decades experience in the insurance field.</li> <li>• he served as the General Manager at Everest Insurance for around ten years.</li> <li>• He gives lectures on insurance in various seminars organized by Beema Samiti and in other programs as well from time to time.</li> <li>• He has also attended various training programs regarding insurance in UK, India etc.</li> </ul>		<p><b>Phone: 4246101</b>  <b>Email: <a href="mailto:dip@shikharinsurance.com">dip@shikharinsurance.com</a></b></p>
Mr. Bimal Raj Nepal	<p><b>Advisor</b></p> <ul style="list-style-type: none"> <li>• Started his career in insurance since June, 1970 from Rastriya Beema Sansthan and had worked until 1995.</li> <li>• Further, he continued the career in Premier Insurance Co. (Nepal) Ltd. in 1995 and has recently been with Shikhar Insurance Co. Ltd. since August,</li> </ul>		<p><b>Phone: 4246101</b>  <b>Email: <a href="mailto:bimal@shikharinsurance.com">bimal@shikharinsurance.com</a></b></p>

	<p>2011. He's core area of expertise is in Reinsurance and Claims.</p> <ul style="list-style-type: none"> <li>• trained in the college of Insurance in India, UK and Swiss Insurance Training Centre, Zurich (Switzerland) and had practical working attachments with the various well-known companies/Reinsurers and Brokers in India and the UK.</li> <li>• He had also attended several seminars/conferences in Reinsurance in various countries e.g., India, Bangladesh, Singapore, Thailand and Egypt.</li> </ul>		
Mr. PuskarMahat	<p><b>Sr. Business Development Advisor</b></p> <ul style="list-style-type: none"> <li>• almost three decades of experience in the insurance field of Nepal.</li> <li>• he has worked with Neco Insurance Co. Ltd.</li> <li>• Reader at Makwanpur Multiple Campus, Hetauda (1979-2006), DGM at the Neco Insurance Co. Ltd., Hetauda</li> <li>• Chairman of Narayani College, Hetauda, and the President of Recruitment Committee of Hetauda</li> </ul>		<p><b>Phone: 4246101</b>  <b>Email: <a href="mailto:sabita@shikharinsurance.com">sabita@shikharinsurance.com</a></b></p>

	<p>Municipality Office, till date.</p> <ul style="list-style-type: none"> <li>• Currently he is affiliated with the Rotary Club of Hetauda as a Member and</li> <li>• Past President, Hetauda Municipality Office as a Member in Advisor Committee and Advisor in Narayani Yatayat Byabasayi Sangh from last 24 years till the date.</li> </ul>		
<p>Ms. Sabita Maskay</p>	<p><b>Dy. General Manager</b></p> <ul style="list-style-type: none"> <li>• has a long experience in the insurance sector, being in Beema Sansthan for more than 20 years.</li> <li>• the first ACII Chartered Insurer Lady of Nepal. During her span of career she has handled many departments in Beema Sansthan like Motor Vehicle Insurance for 5 years, Fire Insurance for 12 years and Administration for 4-5 years. She conducts training classes on insurance organized by Beema Samiti, Management Association of Nepal (MAN), Staff College</li> <li>• she was also the member of the subcommittee for the Fire Tariff.</li> </ul>		<p><b>Phone: 4246101</b>  <b>Email: <a href="mailto:sabita@shikharinsurance.com">sabita@shikharinsurance.com</a></b></p>

	<ul style="list-style-type: none"> <li>• She is head of Underwriting Department.</li> </ul>		
Mr. Udit Prasad Kafle	<p><b>Asst. General Manager:</b></p> <ul style="list-style-type: none"> <li>• has been in the insurance field for 18 years and is the pioneer in establishing Shikhar Insurance Company Ltd.</li> <li>• He worked more than 8 years in Everest Insurance Company Ltd. before joining Shikhar Insurance Co. Ltd.</li> <li>• He has acquired sound knowledge of various departments like Underwriting, Reinsurance and Claim and Research.</li> <li>• He has participated in various seminars and training programs in Nepal and India.</li> <li>• He has participated in many training programs and seminars as resource person, organized by Beema Samiti and other organisations.</li> <li>• His core strength lies in Underwriting so he assists the marketing team in dealing with the clients related to the</li> </ul>		<p><b>Phone: 4246101</b>  <b>Email: <a href="mailto:udit@shikharinsurance.com">udit@shikharinsurance.com</a></b></p>



	<p>technical aspects of insurance.</p> <ul style="list-style-type: none"> <li>• He is head of Reinsurance Department.</li> </ul>		
Ms. Barishma Acharya (Saud)	<p><b>Asst. General Manager:</b></p> <ul style="list-style-type: none"> <li>• has been in the insurance field since the year 2000 and has more than a decade experience in the Insurance field.</li> <li>• Worked as an Assistant Manager at Everest Insurance Co. Ltd for three years.</li> <li>• gained experience in various aspects of insurance like Marketing, Media Planning, Aviation Insurance, and Claims.</li> <li>• She has attended the Aviation training course organized by Marsh Ltd in 2001 in UK and also the Reinsurance training organized by GIC in Mumbai in 2009.</li> <li>• She is head of Claim Department.</li> </ul>	MBA from Kathmandu University	<p><b>Phone: 4246101</b>  <b>Email: <a href="mailto:barishma@shikharinsurance.com">barishma@shikharinsurance.com</a></b></p>
Mr. Suraj Rajbahak	<p><b>Manager/Company secretary</b></p> <ul style="list-style-type: none"> <li>• Chartered Accountant qualified from Institute of Chartered Accountants of Nepal (ICAN).</li> </ul>		<p><b>Phone: 4246101</b>  <b>Email: <a href="mailto:suraj@shikharinsurance.com">suraj@shikharinsurance.com</a></b></p>

	<ul style="list-style-type: none"> <li>• He has obtained First Merit Rank in CA examinations of ICAN.</li> <li>• Beside the role of Company Secretary, he is heading the Administration Department and Internal Control Department of the company.</li> </ul>		
--	---	--	--

## 4 CAPITAL STRUCTURE AND FINANCIAL ANALYSIS

### 4.1 Capital Structure

The company's Capital structure includes Rs. 600 Million of Authorized Share Capital and Rs. 357.69 million of issued Capital.

#### Exhibit 2: Capital Structure

Share Capital		Rs in Million
Authorized Capital		600
Issued Capital		357.69
Current Paid Up Capital:		357.69
Capital expected to be Raised by FPO		51.0988
<b>*Total Paid Up Capital after FPO</b>		<b>408.788</b>

\* After adjustment of Rights shares of 510,988 units

### 4.2 Financial Highlights

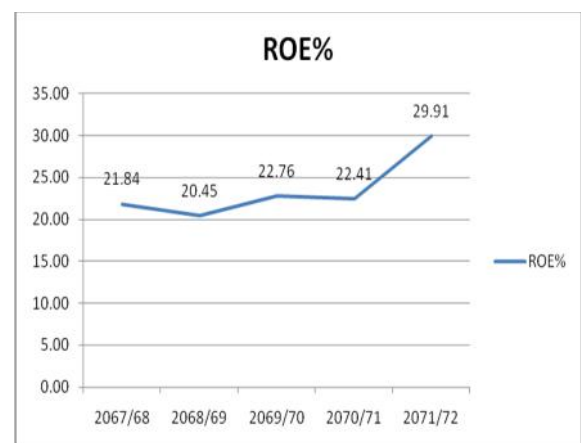
*In Rs.*

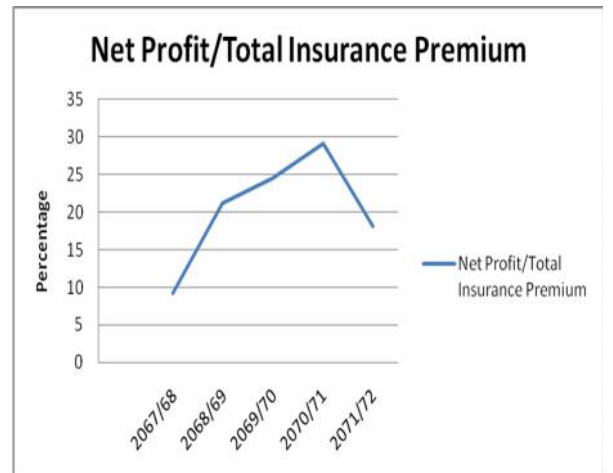
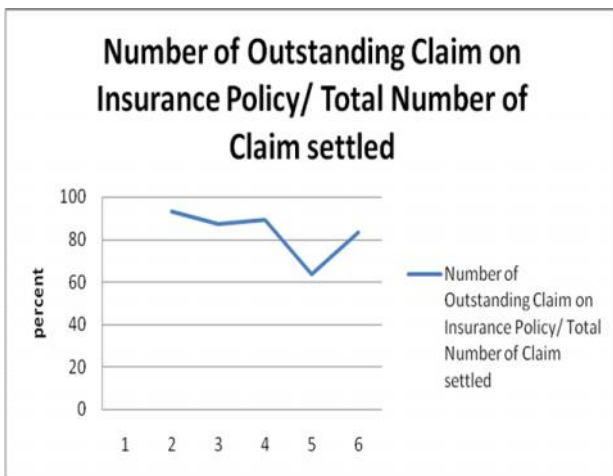
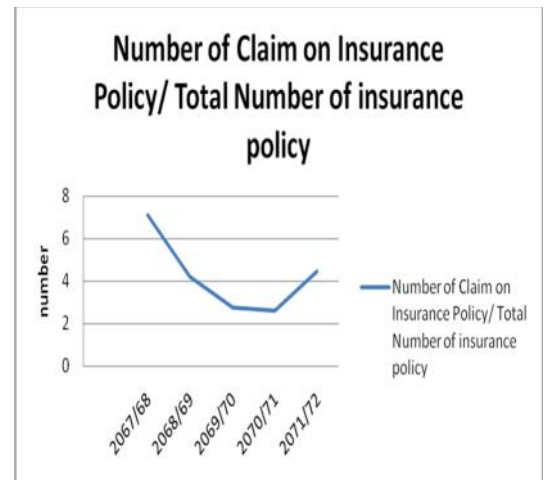
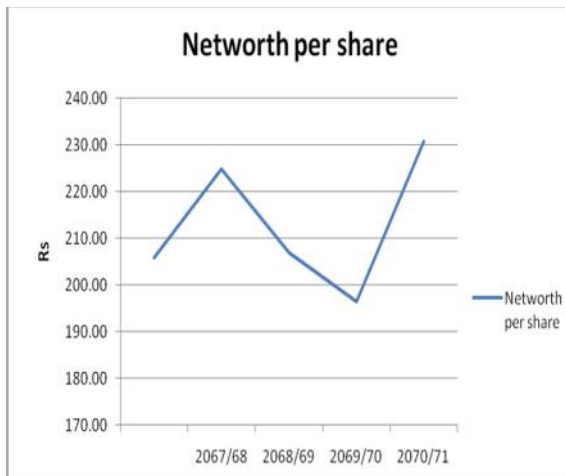
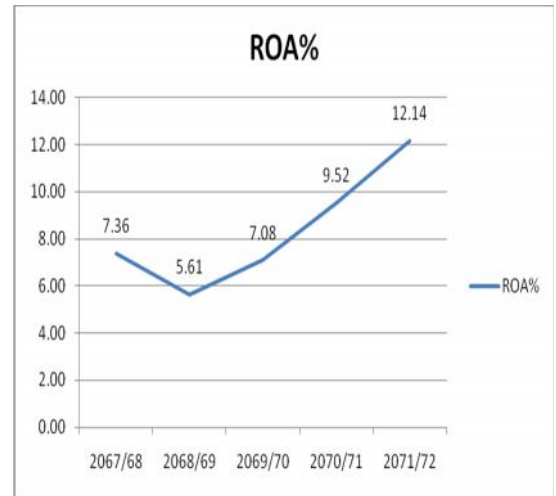
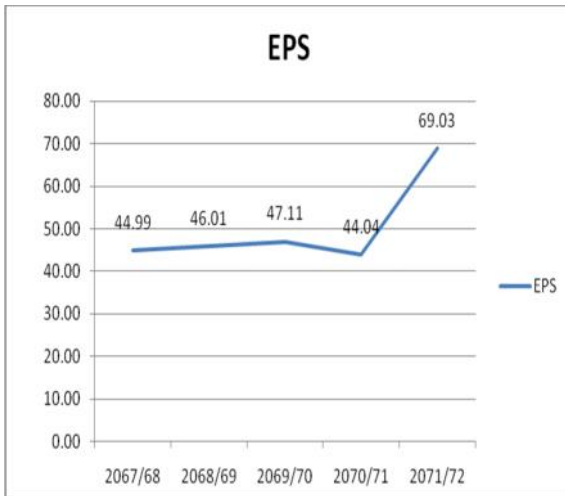
Particulars	2067/68	2068/69	2069/70	2070/71	2071/72
Paid up Capital	125,000,000.00	125,000,000.00	175,000,000.00	297,772,000.00	357,691,000.00
Reserve and Surplus	40,712,748.00	65,981,670.00	56,626,345.00	84,247,719.00	135,608,700.00
Net Worth (Book Value)	257478206.00	281216353.00	362191979.00	585161548.00	825645950.00
Total Assets	764,029,807.00	1,024,913,962.00	1,165,184,754.00	1,376,835,806.00	2,033,622,370.00
Net Profit	56,234,765.00	57,515,539.29	82,446,598.00	131,127,131.00	246,915,630.00
Total Income	98,209,269.00	109,251,008.29	150,636,363.00	220,462,744.00	371,059,740.00
Proposed Dividend		52,631,579.00	36,842,105.00	62,688,842.00	0.00
i. Bonus Share	-	50,000,000.00	35,000,000.00	59,554,400.00	0.00
ii. Cash Dividend (Tax for bonus share)	-	2,631,579.00	1,842,105.00	3,134,442.00	
Market Value per share	304.00	291.00	406.00	940.00	690.00

#### 4.4 Financial Ratios

<b>Profitability Ratio</b>	<b>2067/68</b>	<b>2068/69</b>	<b>2069/70</b>	<b>2070/71</b>	<b>2071/72</b>
Net Profit Margin(Net Profit After Tax / Total Operating Income)%	57.26	52.65	54.73	59.48	66.54
ROE%	21.84	20.45	22.76	22.41	29.91
ROA%	7.36	5.61	7.08	9.52	12.14
<b>Market Ratios</b>					
EPS	44.99	46.01	47.11	44.04	69.03
EPS Growth		2.28	2.39	-6.53	56.76
P/E Ratios	6.76	6.32	8.62	21.35	10.00
Networth per share	205.98	224.97	206.97	196.51	230.83
Dividend Payout Ratio ( Dividend/Net profit)	0.00	91.51	44.69	47.81	0.00
Dividend per share	0.00	42.11	21.05	21.05	0.00
<b>Liquidity Ratio</b>					
Current Ratio	0.92	0.95	1.08	1.28	1.61
<b>Performance Ratio</b>					
Net insurance Premium/Total insurance Premium	31.70	31.38	36.61	42.76	48.69
Net Profit/Total Insurance Premium	9.15	21.16	24.58	29.14	18.10
Total insurance Premium/ Total Assets	80.42	307.99	252.95	182.10	67.07
Number of Claim on Insurance Policy/ Total Number of insurance policy	7.09	4.2	2.77	2.63	4.464
Number of Outstanding Claim on Insurance Policy/ Total Number of Claim settled	93.03	87.29	89.25	63.58	83.13

#### 4.5 Financial Charts





### Exhibit 3: After FPO Projection

Particular	2072/73 Q1	After FPO
Paid-up Capital	357,691,000.00	408,789,800.00
Equity Capital	855,551,283.46	1,111,045,283.46
Net Profit	42,338,615.25	84,677,230.50
MPS	884.00	773.47
EPS( Annualized)	47.35	41.43
Net worth per share	239.19	271.79
P/E Ratio	18.67	18.67

- The above table shows the changes after FPO where net profit till the upcoming second quarter (Q2) has been projected in the multiple of 2 times of Q1 as considering the trend of increment in previous quarters.
- EPS after FPO expected to stands at Rs 41.43 which signal dilution of net profit due to increase in 510988 units of shares, the growth of profit remain same.
- Net worth per share is expected to increase due to additional share premium @ Rs. 550/unit.
- Other things remaining same, if PE ratio is to be maintained at 18.67, the market price per share will be Rs.773.47.

## 5. Interpretation:

### 5.1. Financial Interpretation:

- The fundamental analysis of the financial statements of the company depicts that the company is financially sound with the consistent growth in its net profit, equity capital, investments and total assets.
- ROA and ROE of the company found to be increased drastically this year at 12.14 and 29.91 percent respectively.
- Net profit margin also found to be considerably high.
- EPS stands at 69.03 which have been intensified in FY 2071/72 as compared to previous years. But it is expected to be at Rs. 41.43 after issue of FPO.
- PE ratio is at 10 times at the end of FY 2071/72. However, PE ratio in First quarter of FY 2072/73 is at 18.67 times.
- NPS is Rs. 230.83 at the end of FY 2071/72 which is higher than previous years. However, it will grow to Rs. 271.79 after FPO issuance.

- Current ratio of the company indicates it has maintained its liquidity.
- The net profit has increased in the same proportion to increase in insurance premium
- The company has been maintaining its outstanding claim to claim settlement ratios whereas there has been increment in total number of insurance policies throughout the years.

## **5.2. Management Interpretation:**

- BOD members of the company found to be young dynamic circle from various sectors of economy such as aviation, banking, manufacturing, trading, travels etc. who can bring the diversified ideas and knowledge into one space.
- The company's management team has been backed by highly qualified and experienced professionals. Each departmental head has extents of exposure in the field of insurance and financial services.
- The management and departmental heads are well-versed in handling company's work responsibilities and highly potential to contribute to companies overall growth.

## **5.3. Emerging Challenges:**

- The main challenge faced by today's' business organization is unstable political scenario of the nation that has impact on overall economic activities.
- The unsolved issue of India-Nepal blockades has slow down the economic growth and made the situation more problematic for general public/investors and institutions.
- The impact of earthquake devastation has still on process of recovery which pulled the economy into stagnant position.

## **5.4. Strategies:**

- Work Force empowerment thorough suitable training and development to gain the competitive advantages.
- To launch more of promotional campaign and awareness program regarding the catastrophic risk imparting importance of insurances resulting increase in customer base.
- To enhance its paid up capital base and diversify its investment portfolios with the improvement in political and economic situation.
- The company likely to give 20 percent bonus this year, FPO investors may also get dividend this year.