

Reliance Life bets on renewal premium to break even next fiscal

Co Plans To Raise Paid-Up Capital By ₹260 Cr

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MUMBAI

RELIANCE Life Insurance is expecting to break even next fiscal when renewal premium is expected to outstrip new business premium. The company also plans to increase its paid-up capital by around ₹260 crore during the current fiscal.

Reliance Life Insurance president and executive director Malay Ghosh told ET the company was fully prepared in terms of documentation for its initial public offering. The promoters have invested ₹3,040 crore in the company and will invest a further ₹260 crore during the year, which according to Mr Ghosh would be the last line of funding the business would require.

"Our break-even target is 2011-12. So far this year, we are doing very well compared to our plan and there is a possibility of our breaking even this year itself, if we can continue to do the product mix of traditional and Ulip products in equal measure and achieve our growth target of 55%."

Reliance Life has managed to trim its losses from around ₹1,000 crore in FY09 to ₹260 crore in FY10. A few life insurance companies, including Bajaj Allianz, ICICI Prudential Life Insurance and SBI Life Insurance have already started reporting profits.

"The difference between us and other large companies is that they have been around 10 years while we have crossed only four years as Reliance Life. We took

over AMP Sanmar in 2005-06, which is why our assets under management at ₹16,000 crore are relatively low compared to others," said Mr Ghosh.

Although Reliance took over an existing life business in 2005-06, AMP Sanmar had restricted its operations to Tier-II cities in the south and the lowest level of business among insurance companies at that time. "In terms of new business and number of policies, we have caught up with others, but other companies are much ahead of us in AUM. As a result, their income from fund man-



Malay Ghosh

agement is much higher. They have policies that have been around for 10 years, which is why they have a higher denominator effect," he said.

Reliance Life has put in place preparations for its promoters diluting stake through IPO or strategic stake sale. It has got its books audited by domestic and international auditors and actuaries. "We have calculated our embedded value but Irda has not come out with a standard, which is why we are not disclosing to the public. But we do declare New

ROAD MAP

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Business Achieved Profit (NBAP) every quarter and it was 17.75% last quarter," said Mr Ghosh. He added that the NBAP would come down to around 16%

with the new norms. He added that although talks for a strategic divestment were on with several life insurance companies, none of them were close to concluding a deal.

According to Mr Ghosh, Irda's new norms would not impact Reliance Life's valuation. "We were not among those companies selling pension products very aggressively. None of our products would comprise on our expectation of profitability. So while as a percentage it may go down, in volume I do not think profitability will be affected."

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