

Reliance Capital CEO Sam Ghosh Speaks On Fund-Raising, Growth

Our focus is now on life insurance & IPO

“We would like to obviously grow our businesses, make profit and then, at a future date, see if there is any possibility of unlocking some value

“The life insurance is the biggest in terms of capital requirement as well as value. So, unlocking value there makes sense in the next 12-18 months

RELIANCE Capital is planning India's first IPO in the insurance sector once the government gives approval. Reliance Capital CEO Sam Ghosh spoke to ET NOW about the company's plans to raise money in the life insurance sector and ways to grow its other businesses. Excerpts:

What are your plans for raising funds in the life insurance business?

If we get an IPO approval, we would like to divest up to 20% of the company. Of this, 10% will be through pre-IPO placement plus few strategic investors, and the rest 10% through the public.

Are you already in talks with people for a pre-IPO placement?

Not at this point. If we do not get a waiver for an IPO, we have to look at the strategic investor route.

The limit of 20% would remain even if you take the strategic investor route?

If we go for strategic investors, we may go up to 26%. But at this point, we have left it at 20%.

What is your market share in the insurance sector?

Our market share would be in the range of 8.5-9% among private insurance companies. If you include LIC, it would be about 4.5%.



What about the embedded value of your insurance business? There was an indication that the embedded value would be announced.

We have disclosed our new business achieved profit (NBAP) margins. Our NBAP margins are over 21%, which is amongst the best in the industry. We've appointed external actuaries to help us calculate the embedded value.

Hopefully, by the next quarter, we should come out with it. I think, more important is our plan in terms of new business premium and total premium, since that will determine how much embedded value we generate. Our target is to

have a total premium of Rs 20,000 crore by 2012.

How do you plan to unlock value in other verticals?

We would like to obviously grow our businesses, make profit, and then at a future date, see if there is any possibility of unlocking some value. The life insurance component is the biggest in terms of capital requirement as well as value. So, unlocking value there makes sense in the next 12-18 months. After that, we can look at other businesses.

There has been some buzz about Royal Sundaram and Reliance Capital merging their general insurance businesses. Any update on that?

No, not really. There is no discussion with them, nor are we looking at anything of that sort. It's anyway too early to talk about any mergers or acquisitions. Life insurance, and whether we can go for its IPO, is our first focus.

Any update on the banking licence that Reliance Capital has been seeking?

We haven't gone and directly approached RBI for a banking licence. We have obviously discussed the matter at a number of occasions. So, I would assume that if anything happens, it would be for all industrial houses. Let's see how it goes, because, at this point, we have no guidelines on that.

ET
NOW