

# Nippon Life to buy 26% in Rel Life

## Japanese Co Will Pay ₹3,602Cr In Single Largest FDI Deal In Insurance

TIMES NEWS NETWORK

**Mumbai:** Nippon Life has agreed to pick up a 26% stake in Reliance Life Insurance for Rs 3,602 crore which values the life insurance company at Rs 11,500 crore. The deal is the single largest foreign direct investment in the insurance sector and the first M&A transaction after the regulator capped life insurance charges in October 2010, impacting their earnings.

Sam Ghosh, MD, Reliance Capital, said that the a large part of the capital was by way of stake sale by Reliance Life Insurance which has a 100% economic interest in the life

company in which it has invested around Rs 3,000 crore. Nippon Life is the sixth largest life insurer and the top life company in Asia and Japan.

The valuation of Reliance Life was marginally below the market capitalization of Reliance Life before the deal was announced. However, following the announcement, shares of Reliance Capital jumped 9.72% to touch Rs 561.8, resulting in a market cap of Rs 13,800 crore. "The deal shows that Reliance Capital is considerably undervalued," said Ghosh. He added that besides life insurance there was substantial value in consumer finance and asset manage-



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ment businesses.

Nippon Life will get a board representation on the company and will work with Reliance Life. The company would also use its contacts to get business for the life venture. The part-

ners have not finalized their stance on change in shareholding should the limit on foreign investment be raised from 26% to 49% as proposed.

Anil Ambani, chairman, Reliance Capital, did not comment on the transaction but said: "At this time, our thoughts are with the people of Japan, bravely facing an unprecedented natural catastrophe. We pray for strength to the country, its people and our new partners in the entire Nippon Life family, to overcome the trauma of the tragic loss of life and devastation caused by this calamity."

Kunie Okamoto, president, Nippon Life Insurance,

said: "We are delighted to partner with Reliance Life Insurance—an extremely competitive company with unique service offerings, strong operations, nationwide distribution network, highly talented executives and strong brand recognition throughout India. We both share the same passion and philosophy and, together, we believe we can develop a strategic partnership to help Reliance Life Insurance become a world class insurance company in India." Nippon Life posted revenues of Rs 3,24,000 crore (\$72 billion) and a profit of Rs 11,700 crore (\$ 2.6 billion) for the fiscal year ended March 31, 2010.