

Nippon Life Hikes Rel Life Stake by 23% for ₹2,265 cr

Slew of Deals

49% AXA's new stake in its insurance venture with Bharti Group

Standard Life is seeking to raise its stake to 35% in JV with HDFC

ICICI Bank sold part of its stake in its life insurance venture to Premji Invest and a firm owned by Temasek

36% Stake being sought by BNP Paribas Cardif in its life insurance JV with SBI

NIPPON LIFE'S INVESTMENTS IN INDIA SINCE 2011

Reliance Mutual Fund	Deal Size (₹ Cr)
In Jan 2012 acquired 26%	1,450
In Feb 2015 bought 9%	657
In Oct 2015 acquired 14%	1,196
Reliance Life Insurance	
In Mar 2011 acquired 26%	3,062
In Nov 2015 bought 23%	2,265
TOTAL	8,630

Deal follows string of transactions after foreign cap was raised in sector

Our Bureau

New Delhi: Japan's Nippon Life Insurance will buy an additional 23% stake in Reliance Life Insurance from Anil Ambani group-run Reliance Capital for ₹2,265 crore (\$342 million), becoming the latest foreign firm to take advantage of liberalised rules to deepen its engagement in a market seen offering high potential.

The purchase by Nippon Life Insurance, a Fortune 500 firm and one of Japan's biggest life insurers, will increase its stake in the joint venture to 49%. It's the second venture with the Reliance Group in which Nippon has raised its stake to 49% — last month, it bought an additional 14% stake in Reliance Capital Asset Management Company for ₹1,196 crore.

Insurer to be Renamed ►► 19

Co to be Renamed Reliance Nippon Life Insurance

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“Ever since our initial investment in 2011, we have developed a mutual understanding and built more than just a financial partnership but an interactive relation based on solid trust,” Nippon Life President Yoshinobu Tsutsui said in a statement.

He added that the latest investment, whose likelihood had been reported by ET last month, reflected “the relationship between both companies going forward”.

Reliance Group Chairman Anil Ambani said: “We are delighted that the outstanding relationship between our two companies has grown into an equal partnership, with Nippon Life increasing their stake — first in our asset management

business and now in our life insurance business — to 49%.”

The government, earlier this year, allowed 49% foreign ownership in the insurance sector, a business that has been starved of capital. The easing of foreign ownership rules has opened doors for foreign insurers to take a higher interest in the industry in Asia’s third-biggest economy, where insurance penetration is low. Nippon Life will become the third overseas insurer after AXA and Standard Life to increase ownership in their Indian insurance joint ventures.

Increasing Stakes

AXA has already increased its stake to 49% in the joint venture with Bharti Group. Standard Life, which has an insur-

ance JV with HDFC, is seeking to raise its stake to 35% from 26% now. BNP Paribas Cardif, which has a life insurance JV with the country’s biggest bank, State Bank of India, is also in talks to increase its stake to 36%. Shares in Reliance Capital closed 3.71% higher at ₹423.40 on news of the deal with Nippon.

Following this deal, Reliance Life Insurance will be rechristened Reliance Nippon Life Insurance. The transaction is subject to approval from regulators and is expected to close within the current financial year that ends in March, the companies said.

At ₹2,265 crore for a 23% stake, the joint venture’s valuation at ₹9,848 crore is marginally lower than in March 2011 when Nip-

pon Life paid ₹3,062 crore for a 26% stake, valuing Reliance Life then at Rs 11,800 crore. The lower valuation is an indication of a correction happening in an industry where premium incomes have missed expectations and prospects aren’t looking as rosy as before.

However, the valuation is higher than analysts’ expectations, which pegged Reliance Life’s value at between ₹5,654 crore and ₹8,467 crore.

Earlier this month, ICICI Bank sold part of its stake in its life insurance venture to Premji Invest and a company owned by Temasek Holdings of Singapore, valuing the company at ₹32,500 crore — nearly ₹5,000 crore lower than what it did when it issued stock options to staff last year.
