

Quote by Shravan Shetty, Managing Director, Primus Partners.

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Canara HSBC Life shares jump 6% after flat listing: Here's what analysts say

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Article Content:

The shares of **Canara HSBC Life Insurance Company** jumped more than 6 percent on October 17, after making a flat market debut on exchanges. The stock is currently trading at Rs 112.5 per share on NSE. Earlier during the day, the stock listed flat at its IPO price of Rs 106 apiece, debuting on Dalal Street with zero premium. This came despite the unlisted shares of the company trading with a slight grey market premium (GMP) of more than 2 percent over the IPO price, ahead of listing, according to data on Investor gain.

Canara HSBC Life IPO:

The company had launched its **initial public offering** to raise Rs 2,517 crore entirely through an offer for sale (OFS) of 23.75 crore shares by all three shareholders - Canara Bank, HSBC Insurance (Asia-Pacific) Holdings, and Punjab National Bank (PNB). As there is no fresh issue component, none of the IPO proceeds will go to the company. The price band was set at Rs 100-106 per share.

The IPO saw decent investor interest during its three days of public bidding, being subscribed more than two times its offer size between October 10 and October 14. Qualified Institutional Buyers (QIB) showed the most interest in the IPO, subscribing their reserved portion over 7 times.

Here's what analysts say:

The **IPO** has been fairly priced based on its earnings and since it is OFS, there is no great growth flip expected since no fresh infusion will take place, said Shravan Shetty, Managing Director at Primus Partners. This is also reflected in GMP which has been minimal, he added.

Siddharth Maurya, Founder & Managing Director at Vibhavangal Anukulakara, had noted that the price band of Rs 100-106 per share, which valued the company at about Rs 100.7 billion, was aggressive. "What this actually indicates is that the investors are staking a wager on the bancassurance route and the ability of the company to increase life insurance penetration. But because no new capital is being raised, the true test will be in showing distribution efficiency, margin stability, and retention of policyholders. The next several quarters' performance will be crucial," he added.

Choice Broking said the insurer's valuation appeared to be fully priced, with price-to-enterprise value multiple, a stock valuation metric, of 1.6x, as against the industry average of 2.4x. "High dependence on bancassurance (where banks sell insurance) and relatively lower VNB (value of new business) margins compared to peers is expected to keep valuation multiples at a discount to peers," ICICI Direct said.