

Quote by Shravan Shetty, Managing Director, Primus Partners

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Canara HSBC Life IPO subscribed 9% on Day 1, GMP declines: Should you apply?



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Article Content:

The initial public offering of Canara HSBC Life Insurance Company opened for public bidding today, October 10. The IPO was subscribed 9 percent on Day 1.

The Rs 2,517-crore IPO of the private life insurance company received bids for more than 1.5 crore shares, as against the offer size of 16.67 crore shares, according to data on NSE. Retail investors have booked 14 percent of their reserved portion, while employees subscribed 47 percent of the portion kept for them.

Non Institutional Investors (NII) and Qualified Institutional Buyers (QIB) subscribed 5 percent and 3 percent of their reserved portions, respectively.

Canara HSBC Life IPO GMP:

Ahead of listing, the unlisted shares of the company were trading with nearly 2 percent grey market premium (GMP) over the IPO price, according to data on Investorgain. The GMP quoted by the site has fall from the 9.4 percent quoted by the site earlier yesterday.

According to IPO Watch, the unlisted shares of the company were trading with more than 9 percent GMP over the IPO price.

Key things to know about Canara HSBC Life IPO:

Canara HSBC Life Insurance Company launched its IPO to raise Rs 2,517.50 crore 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. As there is no fresh issue component, none of the IPO proceeds will go the company.

The company has set a price band of Rs 100-106 per share for the IPO. Investors can bid for a minimum of 140 shares, requiring an investment of Rs 14,840 per lot, and in multiples thereafter.

The IPO will remain open for public bidding till October 14. The allotments are likely to be finalized by October 15, and the shares are scheduled to debut on stock exchanges BSE and NSE on October 17.

Canara HSBC Life IPO Anchor Book:

A day before the IPO opened for public bidding, Canara HSBC Life Insurance Company announced that it has raised Rs 750.3 crore via anchor book on October 9. Global investors like Ashoka WhiteOak, Allianz Global, Pictet, Amundi Funds, Marshall Wace Investment, Societe Generale, Integrated Core Strategies, Copthall Mauritius Investment, and Susquehanna Pacific participated in the anchor book.

Among domestic institutional investors, eight mutual fund houses like ICICI Prudential Mutual Fund, HDFC AMC, Mirae Asset, DSP MF, WhiteOak Capital, Quant Mutual Fund, and Motilal Oswal AMC also acquired 4.26 crore equity shares in the insurance company for Rs 452.55 crore.

Canara HSBC Life IPO: Should you apply?

Canara HSBC Life opting for a pure OFS model indicates faith in value extraction by the promoters and excluding fresh capital from the picture, said Siddharth Maurya, Founder & Managing Director, Vibhavangal Anukulakara. He added that the IPO is inviting guarded optimism, with a 9 percent GMP suggesting possible listing returns.

"That said, the lower VNB margin of the insurance company compared with peers highlights margin pressure risks. For investors, this IPO might provide a strategic foray into the life insurance sector but should be weighed against operational effectiveness, new business growth, and margin growth before committing capital," he further said.

The Canara HSBC Life Insurance IPO is valued at the higher end with P/E ratio above industry standards basis the upper band price, said Shravan Shetty, Managing Director at Primus Partners. "This is also reflected in the GMP which is very close to the upper band price. We expect investor interest to be there since it's a sector which is expected to see growth given the low penetration of life insurance and zero GST announced recently which will result in high growth," he added.