

Kotak buys out Old Mutual's stake in insurance arm

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KOTAK MAHINDRA BANK

BSE price ₹



Kotak Mahindra Bank will buy out Old Mutual's 26 per cent stake in the life insurance joint venture for ₹1,293 crore, subject to approvals.

With this transaction, Kotak Life will be fully owned by Kotak Mahindra Group. As of March 31, 2017, the net worth of Kotak Life stood at ₹1,825 crore.

Based on the transaction with Old Mutual, Kotak Life's enterprise valuation works out to ₹4,972 crore, said Gaurang Shah, president-asset management, insurance and international business, Kotak Mahindra Bank. It could take about three months for the transaction to be completed.

Old Mutual is selling its stake at a time when the government has allowed foreign shareholding in Indian insurance companies to be increased to 49 per cent.

Explaining the reason behind the sale, Shah said it was part of Old Mutual's managed separation. Old Mutual Plc had announced that it would break up into four groups. "As part of that process and together with

strategic evaluation of different businesses, they came to us to explore if we would be keen to buy their stake. So it is part of their overall thinking," said Shah.

"We always look for organic and inorganic opportunities in any part of the financial services sector. So for us, too, it is part of our overall strategic thinking. Kotak group's strategy is diversified financial services sector, focused in India. So both strategic inter-

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ests came together," he said.

Old Mutual has invested ₹185 crore in the joint venture since 2001. Given the valuation, the returns work out to 15.3 per cent compounded

annual growth rate, Shah said.

As of March 31, Kotak Mahindra Life Insurance's new business premium was ₹2,840 crore against ₹2,210 crore a year ago, a growth of 29 per cent. Of this, individual premium accounted for ₹1,436 crore and group premium

accounted for ₹1,412 crore.

"We have a 50:50 share in individual and group business, agency and bancassurance channel and in risk premium and fund business. We broadly keep it in that range. We are hedged," Shah said.

Kotak Mahindra does not need any foreign partner because it is a profitable company and has sufficient capital and technology to expand business. The company also has no immediate plans of listing, Shah added.

Kotak Mahindra and associates are significant shareholders in Business Standard Pvt Ltd

