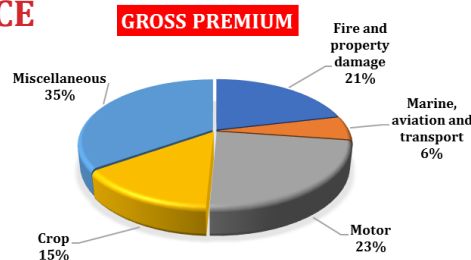


UNITED INSURANCE COMPANY OF PAKISTAN (UNIC: KAR)

SECTOR: NON-LIFE INSURANCE

Since: 1959
Valuation Type: Growth
YTD Change: +0.03%
Rating: AA-



Company Description

The United Insurance Company of Pakistan Limited is a Pakistan-based general insurance company. The Company operates through four segments, including fire, marine, motor, and health and miscellaneous (Workmen's Compensation, Accident Coverage, Cash in Transit Insurance). Beginning operations in 1959, company was the first to get Takaful license in Pakistan and now ranks as the fourth largest general insurance operator in Pakistan.

SWOT

Strength	Weaknesses
<ul style="list-style-type: none"> - Legacy business with strong premium growth record. - Lowest management cost/N.Premium (~20%) 	<ul style="list-style-type: none"> - A smaller player with low-free float - Qualified opinion on an associate company (Associate loss = 11% of Net Premium)
Opportunities	Threats
<ul style="list-style-type: none"> - Potential for insurance growth (Currently 1% insurance penetration in Pak) - Stabilizing political and security atmosphere 	<ul style="list-style-type: none"> - Bigger players like Adamjee and EFU command a bigger market share.

Poor Man's Numbers:

	2016	2015	Change %
	Rupees	Rupees	
Gross Premium	3,781,740,808	3,062,157,567	23.50%
Net Premium	2,473,431,973	2,151,783,888	14.95%
Net Claims	934,519,161	742,328,636	25.89%
Change in premium	3,565,422	5,261,422	-32.23%
Net Expenses	503,683,162	423,518,859	18.93%
Net Commissions	234,999,745	201,017,842	16.90%
Underwriting Results	803,795,326	779,657,129	3.10%
Claim Ratio	38%	34%	
Expense Ratio	20%	20%	
Combined Ratio	68%	64%	

Investment Summary

The company has one of the lowest combined ratios (68%) in the insurance space across Pakistan. A non-life insurance enterprise, the company has averaged 20% ROE -after tax numbers- with a consistently falling management expense figure (20.4% of Net Premium). Current problems source from setbacks due to a large loss (11% of Group N.Premium) in an investment associate that may go under water. The fundamentals however are blissful. Strong cost control, rising premium revenues and most importantly, the company's insurance operations are itself so profitable that dependence on market returns are low i.e company does not rely on investment returns that are vulnerable to sudden changes. In agri insurance -highly profitable in calm times-, smaller players like East West Insurance and United command a significant presence in Agri sector, with 14% of gross premium receipts for United. The first insurance operator to obtain Takaful (Islamic Insurance) window operations - meaning already over the initial loss making period-, the company is a seriously profitable insurance group that has consistently grown premiums, dragged costs down over the years and has rewarded shareholders massively. For the loss making associate company (Apna Microfinance Bank), losses have ballooned but the topline has also significantly improved from Rs 44.7m to Rs 1441m. Considering ~30% underwriting results combined with cost efficiency, I believe the loss in associate will eventually be recovered. Insurance at its best.

CHEAP

Market Value (Rs m)	Rs	3,163
Free Float (m)		75.80
Outstanding Shares (m)		200.16
Cash Dividend Share	Rs	1.00
Bonus Shares	Rs	1.10

VALUATION

ROE Terminal Period		15%
Risk Premium		6.0%
Risk Free Rate		6.5%
Cost of Equity/Capital		11.50%

Equity Invested	Rs	2,555
PV of Equity Excess Ret.	Rs	2,372
Value of Equity	Rs	4,927
Number of shares		200.16
Min. Value Per Share	Rs	25

FINANCIALS

	2015	2016
ROE - PBT	30.3%	14.2%
ROE - PAT	27.6%	11.1%
EPS (Rs)	3.44	1.57
Price Earning Ratio	6.30	14.14
Current Ratio	1.23	1.26
T. Assets Turnover	1.65	1.45
F. Assets Turnover	0.23	0.22
T. Liability/Equity	1.22	1.11
Capital/Total Assets	25.5%	33.0%
Equity/Total Assets	44.4%	46.7%