

New Delhi: Nippon Life Insurance is set to acquire another 23% of Reliance Life Insurance for ₹2,500 crore to increase its stake in the joint venture (JV) with Anil Ambani's Reliance Capital to 49%, two people familiar with the matter said.

This will be the second such deal between the Japanese company and Reliance Capital in less than a month, and also the second by an overseas investor to increase its stake in a local insurer since India raised the cap for foreign holding in the sector to 49% in April. The planned investment will make Nippon Life one of the largest Japanese investors in India, with a cumulative investment of ₹8,865 crore. After entering the Indian market in March



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2011, it has till date invested ₹6,365 crore in two Reliance Capital subsidiaries: Reliance Life Insurance and Reliance Capital Asset Management. The deal, which is likely to close by early to mid-November, will reduce Reliance Capital's stake in the joint venture to 51% from 74%. At ₹2,500 crore for a 23% stake, the JV's valuation in this round will be lower than in March 2011 when Nippon Life paid ₹3,062 crore for a 26% stake, valuing Reliance Life then at ₹11,800 crore. "The current transaction is likely to conclude at an equity value of about ₹10,800 crore," one of the people said.

Nippon Set to Buy 23% More in Rel Life at a Lower Valuation

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. ICICI Prudential, India's third-largest private sector life insurer in terms of first-year premium income, had failed to attract global investors at a price it desired and called off a stake sale plan in April.

The AXA Group is the only foreign insurer so far to increase its stake in Indian operations — Bharti AXA Life and General Insurance — since the government raised the cap.

For foreign investors, which had previously shown interest in raising stake, one of the main stumbling blocks is the condition that the control of the JV should be kept with the Indian partner.