

GST Status Quo Disappoints, Insurance Bulls Run for Cover

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Mumbai: Traders cut their bullish bets on insurers on Tuesday after the Goods and Services Tax Council at a meeting on Monday left GST rates on insurance products unchanged.

HDFC Life fell 4.4% to ₹703.40, ICI-Prudential Life declined 1.5% to ₹746.50 and ICICI Lombard General Insurance dropped 2.7% to ₹2,172.

"There was profit booking because the market had earlier expected the proposal of GST reduction on term insurance and health insurance to be approved in Monday's GST Council meeting," said Rahul Malani, equity research analyst at Sharekhan. "However, the proposal has been deferred, which was not along expected lines."

At present, an 18% GST is levied on insurance products. The industry is lobbying to cut this rate to 12%.

The finance minister has announced the formation of a group of ministers (GoM) which will review the proposal and submit its findings before the next meeting in November.

Analysts said the decline in the industry's growth in August also dis-



appointed the market.

"We saw a fall in life insurance stocks on Tuesday after the data for August indicated a moderation of growth from 25% in July to 13% in August, disappointing the Street," said Deepak Jasani, head of retail research at HDFC Securities. "HDFC Life and SBI Life showed the most moderation in monthly growth numbers while Max Life and ICICI Prudential showed better numbers."

Jasani said that the stocks in this segment have sharply gone up since June, and he expects some consolidation in the near term. Shares of LIC, ICICI Lombard, GIC Re, Max Finan-

cial Services, and SBI Life Insurance have risen by 19% to 51% so far this year, outperforming the broader Nifty which has gained 15.2%.

Some analysts do not see these shares falling a lot from current levels.

"These companies have seen a good business premium growth of around 20% this year, and about 22% in August, indicating that growth trajectory in the insurance sector remains strong," said Pankaj Pandey, head of fundamental research at ICICI Direct. "That's why we do not expect any sharp declines in these stocks from these levels."

"Over the medium term the market will be looking at better insurance coverage in both the number of people and the amount insured, which will drive up the stocks further," said Jasani.

Pandey said he likes Star Health and Allied Insurance since it is the only standalone general insurance company with no motor insurance component and would benefit the most from a cut in taxes.

HDFC Securities has an 'add' rating for ICICI Prudential and Max Financial Services and a 'buy' rating for SBI Life Insurance.