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InCred plans insurance, mutual fund arms as it seeks to diversify offerings

Ranjani Raghavan | 4 Nov 2024, 6:00 AM IST



Bhupinder Singh, founder and CEO, InCred Group

SUMMARY

The insurance venture will tap domestic investors to seed the business with at least ₹300 crore in capital. InCred will own over 51% of the general insurance business, focusing on health and motor insurance.

Bhupinder Singh-led InCred Group is in separate talks to set up a general insurance joint venture with a foreign partner and launch a mutual fund house as it aims to build a diversified financial services company across lending, asset management, wealth and other segments.

In an interview with Mint, Singh, founder and chief executive officer (CEO), said the mutual fund offering, which is slightly more imminent, will be “quant-driven” and use only “quantitative techniques without any active management.”

The insurance venture will tap domestic investors to seed the business with at least ₹ 300 crore in capital. InCred will own over 51% of the planned general insurance business, focusing on health and motor insurance.

“We've spent about a year building the foundation, and we're aiming to launch within the next three to six months as we finetune our approach”, Singh, who will turn 50 later in November, said.

InCred has identified an overseas joint venture partner, but Singh declined to offer details as the agreements are still not in place. The foreign partner will likely own around 24% of the entity, with the rest owned by domestic investors.

Although underserved as a segment, insurance has seen significant churn for various reasons. Last month, Allianz SE said it was exiting its joint ventures with the Bajaj Group as it wanted to increase its stake beyond 26% in both general and life insurance entities. In 2020, Bharti Axa sold its general insurance business to ICICI Lombard, and in 2023 it agreed to acquire Axa's stake in its life insurance business. Some other public sector entities have struggled with profitability.

On the other hand, new-age general insurance companies have found it easier to tap into the public markets. GoDigit General Insurance went public in May, while Niva Bupa Health Insurance is looking to do so this month.

Singh said that InCred will be able to differentiate its insurance offering using machine learning and artificial intelligence (ML/AI) techniques.

“We will use advanced analytics, machine learning and AI tools to enhance our underwriting edge. We'll initially build our B2C (business-to-consumer) and B2B2C (business-to-business-to-consumer) distribution network and may consider acquisitions down the line if a good opportunity aligns at a reasonable price,” Singh said.

The venture will initially be capitalized at ₹ 300 crore, and InCred will soon start the process of securing an Insurance Regulatory and Development Authority of India (IRDA) licence, Singh added.

Singh is building out InCred at a time when entrenched players such as JM Financial, the Edelweiss Group, IIFL Finance and Avendus Capital offer many similar services.

“Indian financial services space still remains highly underpenetrated," said Sonia Dasgupta, managing director and CEO, investment banking division, JM Financial Ltd. “Bhupi brings along high energy and great skillsets, so I am sure they will be able to scale and build a great franchise,” Dasgupta said.

A future bank?

Singh obtained a non-bank finance company (NBFC) licence in 2016 and started by building a diversified loan book. In 2022, this entity—InCred Financial Services—completed the acquisition of KKR's corporate NBFC arm and accumulated assets under management of over ₹ 5,000 crore. InCred Financial Services, which turned unicorn in November 2023 , is likely to go public over the next one to two years, Mint reported in September, citing Singh.

The company is already screening merchant banks to take it through its initial public offering.

The general insurance business will be InCred's fourth legal entity, after InCred Financial Services, InCred Capital and InCred Money.

InCred's new mutual fund will fall under InCred Money, which has over 250,000 customers and 20,000 daily users. Currently, InCred money helps retail clients invest in alternative assets, including unlisted stocks.

InCred Capital, which has fee businesses such as investment banking, asset management and wealth management, is expected to hit ₹ 750 crore in revenue in FY25.

“There is enough space for differentiated financial services products in India at a time when financial savings are growing rapidly. The key is to launch the right products that are sold the right way," said Sanjay Nayar, the founder and chairman of Sorin Investments, and formerly the chairman of KKR India and head of Citi India and South Asia said.

According to Singh, the three InCred units should collectively generate over $100 million in pre-tax profit in FY25. InCred does not plan to list the entities at the holding level yet, but that may be a plan for another day.

“I would rate him very, very high as an entrepreneur,” said Manipal Health group founder Ranjan Pai, who has invested in InCred's lending (InCred Financial Services) and wealth (InCred Capital) arms through his family office.

“There are very few people who work as hard, who think about risks deeply and are very careful about money. Bhupinder has also been able to attract good talent and is able to retain them,” he said, on Singh's chief attributes that differentiate him as an entrepreneur.

Singh, an Indian Institute of Management-Ahmedabad alumnus and avid cricket fan, has several starcricketer-signed bats and other cricket memorabilia decorating his office at the Bandra Kurla Complex in Mumbai. He spent close to 16 years at Deutsche Bank in London and Singapore.

“My time at Deutsche Bank felt like playing in an IPL (Indian Premier League) match—sharing the field with the best in the business and sharpening my skills at the highest level. In 2016, I decided to step onto the pitch for India and founded InCred,” he said, extending the cricket analogy.

Singh hopes to build InCred like Uday Kotak did Kotak Mahindra Bank. Kotak has built a diverse platform, from retail lending to investment banking, he said.

“In the next five to ten years, when InCred is generating over $1 billion in profit, we could consider applying for a banking licence. At that stage, listing all three entities together might make sense, but for now, each business offers unique value to shareholders,” Singh added.