

July 19, 2024

RESULT REPORT Q1 FY25 | Sector: Insurance (General)

ICICI Lombard General Insurance

Positives seem largely priced in

Our view – CoR decline and growth turnaround not new phenomena

Combined Ratio - ICICIGI maintains FY25 exit quarter / 4Q guidance for combined ratio at **101.5%**: The combined ratio for the company was 102.3% for 1QFY25 compared with 103.8% for 1QFY24. The overall combined ratio for the industry has improved materially to 112% in FY24 compared with 115.8% in FY23. This was driven by the Motor business for which the combined ratio was 118.5% in FY24 compared with 121.1% for FY23. If these trends continue, the company will exit with a 4Q combined ratio of 101.5%. For retail health, the company has launched a new health insurance solution, which should help reduce the segmental loss ratio.

GDPI Growth - ICICIGI's growth turnaround continues with the company outpacing the industry, driven by the previously sluggish Motor segment: In 1Q, GDPI for the company grew 20.4% YoY compared with 13.3% for the industry. Excluding crop and mass health segment, the growth for the company was 19.7% YoY compared with 14.8% for the industry. GDPI of the health segment was at Rs 23.37bn in 1QFY25, up 28.5% YoY. Management stated that the company remains committed to Motor business. Within Motor, while new vehicle business has grown 16-17%, old vehicle business has grown faster at more than 30%. Last year, around the same time, it was not making commercial sense to pursue Motor business.

We maintain ADD rating on ICICIGI with a revised price target of Rs 2075: We value ICICIGI at 36x FY26 P/E for an FY24-26E EPS CAGR of 22%. At our target, the implied FY26E P/B is 6.4x for an FY25E/26E RoE of 17.5/17.7%.

(See Comprehensive con call takeaways on page 2 for significant incremental colour.)

Result Highlights (See “Our View” above for elaboration and insight)

- **Net premiums earned:** Net premiums earned growth was 3.1% QoQ, driven by growth in Motor, Crop and Health segments.
- **Loss ratios:** Overall loss ratio has deteriorated by 540 bps QoQ to 74.0%, where except Motor TP all segments have evolved negatively QoQ
- **Expense control:** Expense ratio declined -610bps QoQ to 26.8% where opex rose 8.6% QoQ but commission and brokerage fell by -15.3% QoQ

Exhibit 1: Result table

Rs Mn	Q1 FY25	Q1 FY24	% yoy	Q4 FY24	% qoq
Gross Premiums written	79,311	66,221	19.8	62,631	26.6
Net Premium Written	53,605	44,676	20.0	47,672	12.4
Net Premium Earned	45,039	38,873	15.9	43,683	3.1
Income from Investments	8,446	6,430	31.3	7,897	7.0
Total Income	53,520	45,403	17.9	51,654	3.6
Commission & Brokerage	8,045	5,564	44.6	9,499	(15.3)
Operating Expenses	7,116	7,712	(7.7)	6,552	8.6
Total claims	33,344	28,815	15.7	29,987	11.2
Underwriting Profit/(Loss)	(3,466)	(3,217)	7.7	(2,356)	47.1
Operating Profit	5,015	3,312	51.4	5,616	(10.7)
PAT	5,804	3,904	48.7	5,195	11.7
Key Ratios					
Solvency Ratio	256.0%	253.0%	300bps	262.0%	-600bps
Expense Ratio	26.8%	26.7%	10bps	32.9%	-610bps
Incurred Claim Ratio	74.0%	74.1%	-10bps	68.6%	540bps
Net Retention Ratio	67.6%	67.5%	10bps	76.1%	-850bps
Combined Ratio	102.3%	103.8%	-150bps	102.3%	0bps

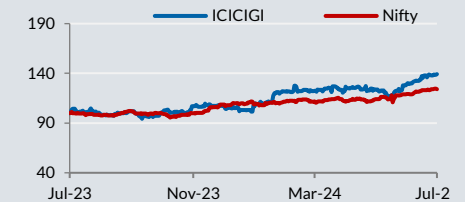
Source: Company, YES Sec-Research

Recommendation	: ADD
Current Price	: Rs 1,882
Target Price	: Rs 2,075
Potential Return	: +10%

Stock data (as on July 19, 2024)

Nifty	24,531
52 Week h/l (Rs)	1916 / 1266
Market cap (Rs/USD mn)	924005 / 11041
Outstanding Shares (mn)	493
6m Avg t/o (Rs mn):	1,247
Div yield (%):	0.6
Bloomberg code:	ICICIGI IN
NSE code:	ICICIGI

Stock performance



	1M	3M	1Y
Absolute return	6.9%	11.3%	37.7%

Shareholding pattern (As of Mar'24 end)

Promoter	51.3%
FII+DII	39.2%
Others	9.6%

Δ in stance

(1-Yr)	New	Old
Rating	ADD	ADD
Target Price	2075	2025

Financial Summary

Rs mn	FY24	FY25E	FY26E
NEP	168,665	198,879	233,582
% yoy	13.8%	17.9%	17.4%
Op profit	19,059	23,762	27,969
% yoy	-20.0%	24.7%	17.7%
PAT	19,186	24,062	28,408
% yoy	11.0%	25.4%	18.1%
EPS (Rs)	38.9	48.8	57.7
P/E (x)	48.3	38.5	32.6
P/B (x)	7.8	6.7	5.8
RoE (%)	16.0%	17.5%	17.7%

Δ in earnings estimates

Rs.	FY24E	FY25E	FY26E
EPS (New)	NA	48.8	57.7
EPS (Old)	NA	48.8	57.6
% change	NA	0.0%	0.1%

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COMPREHENSIVE CON-CALL TAKEAWAYS

Revenue growth

- **Overall GDPI (revenue) growth**
 - In 1Q, GDPI for the company grew 20.4% YoY compared with 13.3% for the industry.
 - In 1Q, excluding crop and mass health segment, the growth for the company was 19.7% YoY compared with 14.8% for the industry.
- **Health Segment**
 - GDPI of the health segment was at Rs 23.37bn in 1QFY25, up 28.5% YoY.
 - **Guidance for Health Segment**
 - The health insurance segment has grown by more than 20% CAGR over the last 5 years and expect the trend to be maintained in FY25.

Combined Ratio (CoR)

- **Industry CoR**
 - The overall combined ratio was at 112% in FY24 vs 115.8% in FY23.
 - **Motor segment**
 - For the Motor business, the combined ratio was 118.5% in FY24 vs 121.1% for FY23.
- **Company CoR**
 - The combined ratio for the company was 102.3% for 1QFY25 vs 103.8% for 1QFY24.
 - **CoR guidance**
 - The company has maintained its guidance of 101.5% CoR by the end of FY25.
- **Guidance for Overall combined ratio**
 - There has been a 4% point improvement in the overall combined ratio for the industry.
 - If trends continue, the company will exit with a 4Q combined ratio of 101.5%.

Channel growth and mix

- **Digital channel**
 - The digital channel contributed 4.9% to GDPI for the quarter.
 - The digital business has grown 20.7% YoY in 1QFY25.
 - **ILTakecare app**
 - The app downloads have reached 10mn, with about 0.7mn downloads during the quarter.
 - The GDPI sourced from the app in 1QFY25 amounted to Rs 504.5 mn.
- **Agency**
 - Total agents including POS distribution stood at 131,021 as of June 2024 vs 128,411 as of March 2024.
- **Banca and KRG**
 - Bancassurance and Key Relationship Groups grew by 7.5% YoY in 1QFY25.

Solvency

- Solvency ratio was 2.56x as at June 2024 as against 2.62x at March 2024.

(Con call takeaways continue on the next page)

Investments

- **Investment Assets**
 - The overall investment assets for the company were at Rs 510.04 bn, up 13.6% YoY
- **Investment Income**
 - The investment income in 1QFY25 was at Rs. 11.28 bn as against Rs 8.44bn in 4QFY24
 - The investment income for earlier periods has been revised based on IRDAI's master circular in May 2024
- **Capital gain**
 - Capital gain net of impairment on investment assets in 1QFY25 was at Rs. 2.84 bn as against Rs 1.23 bn in 1QFY24.
- **Duration**
 - The duration of the investment portfolio is 5.48 years and the company has been taking advantage of the higher interest rate regime, which augurs well for portfolio interest accrual.

More on Motor business

- **Revenue considerations**
 - Last year, around the same time, it was not making commercial sense to pursue Motor business.
 - However, this year the company has been able to get good Motor business.
 - While new vehicle business has grown 16-17%, old vehicle business has grown faster at more than 30%.
 - The company remains committed to Motor business overall.
 - **Revenue split**
 - For the Motor business overall, the private car, 2W and CV split is 51.5%, 26% and 22.5%.
- **Loss ratio aspects**
 - Good sense to be playing in the Motor insurance industry with the combined ratio declining about 3-4% at the industry level.
 - The company continues to stay prudent when it comes to reserving.
 - The company is comfortable with an overall Motor loss ratio of 65-67%.
 - Within this, it is comfortable with OD loss ratio between 60-65% and a TP loss ratio between 65-70%.
 - Management feels it is poised to stay between these banks given their risk selection.
 - **TP pricing**
 - At the industry level, there is still some segments that need increase in pricing and other segment may require a decrease.
 - The TP market is regulated but if the pricing changes comes in, it will help expand the market.

Opex ratio

- There has been an improvement in the opex ratio due to the higher share of old vehicles.
- Whether this is sustainable or not depends on business mix.
- In any case, the mandate is to manage Expense ratio below 30%.
- One should watch the overall combined ratio outcomes (rather than the standalone opex ratio outcome).

(Con call takeaways continue on the next page)

More on Health business

- **Group Health**
 - The Group Health market had been seeing signs of stress in the last few years but the pricing discipline is coming back.
 - This is has given the company an opportunity and it has outgrown the market.
- **Retail Health**
 - **Loss ratio**
 - The company has launched a new health insurance solution, which should help reduce loss ratio.
 - The company is comfortable seeing the retail health segment operate at a loss ratio of 70%.
 - The loss ratio for the quarter rose from 78% to 83% due to the seasonal impact of monsoon-related diseases.

Comments on IndAS

- IndAS is work in progress and the company will come back regarding it at the appropriate time.
- The underlying economic profit is not going to change to the regime.

Exhibit 2: Other Business Parameters

Rs mn	Q1 FY25	Q1 FY24	% yoy	Q4 FY24	% qoq
Net Premium Earned					
Fire	1,302	1,305	-0.2%	1,738	-25.1%
Marine	1,374	1,163	18.2%	1,493	-7.9%
Health including Personal Accident	16,176	13,168	22.8%	15,429	4.8%
Miscellaneous	2,322	2,012	15.4%	2,341	-0.8%
Crop Insurance	305	197	55.0%	275	10.8%
Motor	23,560	21,030	12.0%	22,406	5.1%
Total	45,039	38,873	15.9%	43,683	3.1%

Segment Underwriting Profit / (Loss)					
Fire	672	716	-6.2%	1,478	-54.6%
Marine	(243)	(152)	59.7%	131	-285.8%
Health including Personal Accident	(1,613)	(1,763)	-8.5%	(999)	61.5%
Miscellaneous	(129)	(420)	-69.2%	103	-225.4%
Crop Insurance	(62)	(64)	-3.0%	118	-152.8%
Motor	(2,090)	(1,534)	36.2%	(3,187)	-34.4%
Total	(3,466)	(3,217)	7.7%	(2,356)	47.1%

Loss Ratio					
Motor OD	64.3%	67.0%	-270bps	58.4%	590bps
Motor TP	69.3%	72.4%	-310bps	73.4%	-410bps
Health, Travel, PA	83.6%	78.7%	490bps	75.4%	820bps
Crop	109.0%	102.1%	690bps	46.9%	6210bps
Fire	78.5%	85.2%	-670bps	41.0%	3750bps
Marine	78.4%	76.7%	170bps	67.2%	1120bps
Engineering	53.3%	98.6%	-4530bps	23.1%	3020bps
Other	76.2%	72.3%	390bps	88.7%	-1250bps
Total	74.0%	74.1%	-10bps	68.6%	540bps

Source: Company, YES Sec – Research

Exhibit 3: Quarterly Actuals Vs Estimates

Q1FY25 (Rs. mn)	Actuals	Estimates	Diff, %
Net Premium Earned	45,039	50,508	(10.8)
Underwriting Profit/(Loss)	(3,466)	(2,525)	(37.2)
PAT	5,804	6,112	(5.0)

Source: Company, YES Sec – Research

ANNUAL FINANCIALS

Exhibit 4: Profit & Loss Statement

Rs mn	FY22	FY23	FY24	FY25E	FY26E
Gross written premium	185,624	217,718	255,942	299,666	354,384
Net written premium	134,896	155,395	181,656	210,653	248,901
Net earned premium	130,321	148,228	168,665	198,879	233,582
Net claims	97,819	107,257	119,395	141,619	165,789
Net commission	6,339	4,722	30,890	31,598	37,335
Expense of Management	39,201	45,148	28,177	33,294	37,783
Underwriting profit/(Loss)	(13,038)	(8,898)	(9,797)	(7,632)	(7,325)
Investment income	30,978	32,721	28,856	31,395	35,294
Operating profit	17,940	23,823	19,059	23,762	27,969
Shareholder's account					
Operating profit	17,940	23,823	19,059	23,762	27,969
Investment income	7,061	7,757	8,500	10,406	12,309
Total income	25,001	31,579	27,559	34,169	40,278
Expenses	8,166	10,454	2,007	2,000	2,300
PBT	16,835	21,125	25,552	32,169	37,978
Tax	4,125	3,835	6,366	8,107	9,570
PAT	12,710	17,290	19,186	24,062	28,408

Source: Company, YES Sec – Research

Exhibit 5: Balance sheet

Rs mn	FY22	FY23	FY24	FY25E	FY26E
Sources of funds					
Share capital	4,909	4,911	4,927	4,927	4,927
Reserves and Surplus	86,188	99,016	114,678	132,821	155,316
Fair value change account	3,593	2,133	9,896	9,896	9,896
Borrowings	2,550	350	350	350	350
Claims Outstanding gross	249,752	269,166	303,878	349,460	401,879
Current liabilities	80,916	87,421	98,474	113,245	130,232
Provisions	80,575	87,865	100,881	116,013	133,415
Total Liabilities	508,483	550,862	633,083	726,711	836,014
Application of funds					
Investments - Shareholders	89,179	98,583	115,869	137,419	162,785
Investments - Policyholders	298,684	333,221	373,204	432,867	502,942
Fixed assets	5,775	5,640	7,009	7,209	7,409
Deferred tax asset	3,456	2,653	2,926	2,926	2,926
Cash and bank balances	2,926	2,031	3,346	19,481	36,948
Advances and other assets	108,463	108,734	130,730	126,808	123,004
Total Assets	508,483	550,862	633,083	726,711	836,014

Source: Company, YES Sec – Research

Exhibit 6: Ratio analysis

Particulars	FY22	FY23	FY24	FY25E	FY26E
Key ratios					
Claims ratio	75.1%	72.4%	70.8%	71.2%	71.0%
Opex ratio	29.1%	29.1%	15.5%	15.8%	15.2%
Commission ratio	4.7%	3.0%	17.0%	15.0%	15.0%
Combined ratio	108.8%	104.5%	103.3%	102.0%	101.2%
Underwriting P/L Ratio	-10.0%	-6.0%	-5.8%	-3.8%	-3.1%
RoA	2.5%	3.1%	3.0%	3.3%	3.4%
RoE	14.0%	16.6%	16.0%	17.5%	17.7%
Dividend payout	29.7%	27.0%	26.9%	24.6%	20.8%
Investments leverage	4.2	4.2	4.1	4.1	4.2
Per share ratios (Rs)					
EPS	25.9	35.2	38.9	48.8	57.7
BVPS	185.6	211.6	242.8	279.6	325.2
DPS	7.7	9.5	10.5	12.0	12.0
Valuation ratios					
P/E (x)	72.7	53.5	48.3	38.5	32.6
P/B (x)	10.1	8.9	7.8	6.7	5.8
Growth (%)					
Gross written premium	29.6%	17.3%	17.6%	17.1%	18.3%
Net earned premium	30.1%	13.7%	13.8%	17.9%	17.4%
Claims	42.4%	9.6%	11.3%	18.6%	17.1%
Commissions	5.5%	-25.5%	554.2%	2.3%	18.2%
Net income	-13.7%	36.0%	11.0%	25.4%	18.1%

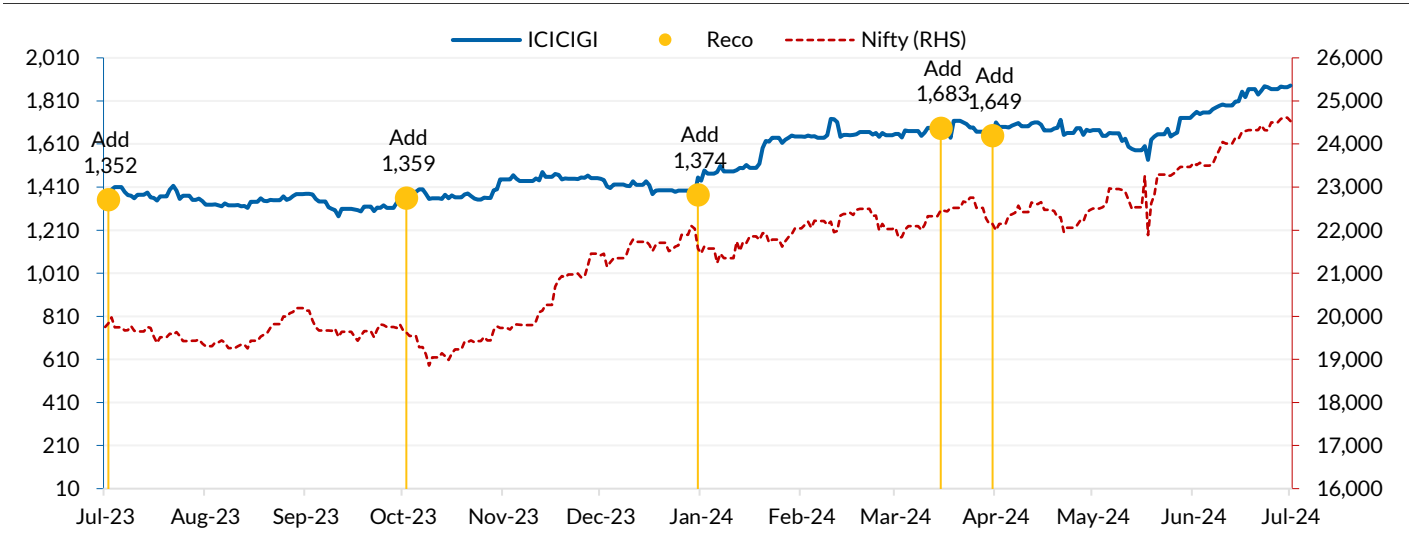
Source: Company, YES Sec – Research

Exhibit 7: Change in annual estimates

Y/e 31 Mar (Rs mn)	Revised Estimate			Earlier Estimate			% Revision		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Net Premium Earned	NA	198,879	233,582	NA	197,958	230,540	NA	0.5	1.3
Operating Profit	NA	23,762	27,969	NA	23,759	27,927	NA	0.0	0.1
Profit After Tax	NA	24,062	28,408	NA	24,059	28,374	NA	0.0	0.1

Source: Company, YES Sec – Research

Recommendation Tracker



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NEUTRAL: Upside between 0% to 10% over 12 months

REDUCE: Downside between 0% to -10% over 12 months

SELL: Downside greater than -10% over 12 months

NOT RATED / UNDER REVIEW

ABOUT YES SECURITIES (INDIA) LIMITED

YES Securities (India) Limited ("YSL") is a wholly owned subsidiary of YES BANK LIMITED. YSL is a Securities and Exchange Board of India (SEBI) registered Stock broker holding membership of National Stock Exchange (NSE), Bombay Stock Exchange (BSE), Multi Commodity Exchange (MCX) & National Commodity & Derivatives Exchange (NCDEX). YSL is also a SEBI-registered Category I Merchant Banker, Investment Adviser and Research Analyst. YSL is also a Sponsor and Investment Manager of Alternate Investment Fund - Category III (YSL Alternates) and AMFI registered Mutual Fund Distributor. The Company is also a registered Depository Participant with CDSL and NSDL. YSL offers, inter alia, trading/investment in equity and other financial products along with various value added services. We hereby declare that there are no disciplinary actions taken against YSL by SEBI/Stock Exchanges.